

AKBANK T.A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES
AT 31 DECEMBER 2019 WITH
INDEPENDENT AUDITOR'S REPORT**

**(Convenience translation of publicly announced consolidated
financial statements, related disclosures and independent auditor's report
originally issued in Turkish, See Note. I.b of Section three)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
(See Note I of Section Three)**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akbank T.A.Ş.

A. Audit of the Consolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying consolidated financial statements of Akbank T.A.Ş. (the "Bank"), and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated balance sheet as at 31 December 2019, consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effect of the matter on the consolidated financial statements described in the basis for the qualified opinion paragraph below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II h.4 (i) of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 31 December 2019 include a free provision amounting to TL 650.000 thousand which consist of TL 550.000 thousand provided in prior years and TL 100.000 thousand recognized in current year by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion Section we have determined the matters described below to be key audit matters to be communicated in our report.

Impairment of loans and lease receivables in accordance with TFRS 9

The Group has total provision for impairment of TL 12.707.076 thousands in respect to loans and lease receivables of TL 231.916.617 thousands which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2019. Explanations and notes related to provision for impairment of loans and lease receivables are presented section III part VII-e, section III part VIII, section IV part II-h, section IV part II-l, section IV part II-j, section IV part X-c, section V part I-f and section V part II-h in the accompanying consolidated financial statements as at 31 December 2019.

The Group recognizes 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. TFRS 9 is a 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 amortized 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 and lease receivables 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.

Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loans and lease receivables balances; the classification of loans and lease receivables as per their credit risk (staging) and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.

Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Group with respect to classification of loans and lease receivables and estimation of impairment in-line with the TFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Group in line with its governance, policies and procedures.

Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of TFRS 9 and the Group's policies for the significant portfolio of loans. We have tested model calculations through re-performance together with our modelling specialists. We have independently assessed together with our related specialists methodologies used in the models in respect to segmentation, use of macro-economic expectations, life time expected credit losses, losses given default.

We have carried credit review on a selected sample of loans and lease receivables with the objective to identify whether the classification of loans is performed appropriately in line with TFRS 9 staging rules, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework.

In addition, we have evaluated the appropriateness of specific impairment provision with supportable input on non-performing loans and on other significant individual loans. Based on our discussions with the Group management, we evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.

We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Group with respect to loans and lease receivables and related impairment provision.#

Key Audit Matters**How Our Audit Addressed the Key Audit Matter**

Valuation of Pension Fund Obligations

The Bank has booked provision amounting to TL 38.125 thousand for Pension Fund Liabilities in the accompanying consolidated financial statements as at 31 December 2019. Explanations on Valuation of Pension Obligations are presented in the section III part XVII-b and section V part II-h in the accompanying consolidated financial statements.

The Bank's Personnel Pension Fund Foundation (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers are authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension obligations. The reason we focused on this area during our audit is; the importance of the actuarial and economic assumptions such as discount rates, salary increases, demographic assumptions used in the valuation of pension obligations with respect to social benefits and the significant impact that may arise from the possible change in the assumptions used in the evaluation of pension fund liabilities.#

Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.

Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

In addition to the above procedures we have reviewed disclosures made with respect to pension fund.

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Bank management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, SMMM
Partner

Istanbul, 31 January 2020

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS, RELATED DISCLOSURES
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I.b OF SECTION THREE**

**THE CONSOLIDATED FINANCIAL REPORT OF
AKBANK T.A.Ş. AS OF 31 DECEMBER 2019**

Address : Sabancı Center 34330, 4. Levent / İstanbul
Telephone : (0 212) 385 55 55
Fax : (0 212) 319 52 52
Website : www.akbank.com
E-mail : <http://www.akbank.com/tr-tr/genel/Sayfalar/Iletisim-Formu.aspx>

The consolidated financial report, prepared in accordance with "Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced" as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below.

- **Section One** - GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** - CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- **Section Three** - EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** - INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** - INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** - OTHER EXPLANATIONS
- **Section Seven** - INDEPENDENT AUDITOR'S REPORT

Investments in associates, joint ventures and subsidiaries whose financial statements have been consolidated in this reporting package are as follows:

	Subsidiaries	Investments in Associates	Joint Ventures
1.	Ak Finansal Kiralama A.Ş.	-	-
2.	Ak Yatırım Menkul Değerler A.Ş.	-	-
3.	Ak Portföy Yönetimi A.Ş.	-	-
4.	Akbank AG	-	-
5.	AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş.	-	-

A.R.T.S. Ltd., which is not subsidiary of the Bank but over which the Bank has 100% controlling power, has been included in the consolidation due to the reason that this company is "Structured Entity".

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira (TL), have been prepared based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related appendices and interpretations on these, and have been independently audited.

31 January 2020

Suzan SABANCI DİNÇER	Eyüp ENGİN	Ş.Yaman TÖRÜNER	S. Hakan BİNBAŞGİL	Türker TUNALI	Zeynep TERZİOĞLU
Chairman of the Board of Directors	Head of the Audit Committee	Member of the Audit Committee	CEO	Executive Vice President	Senior Vice President

Contact information of the personnel in charge of addressing questions regarding this financial report:

Name-Surname / Title : Zeynep TERZİOĞLU / Senior Vice President
Phone No : (0 212) 385 55 55
Fax No : (0 212) 325 12 31

	Page
SECTION ONE	
General Information about the Bank	
I. Parent Bank's foundation date, start-up status, history regarding the changes in this status	1
II. Explanation about the Parent Bank's capital structure, shareholders of the Parent Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the Group that the Parent Bank belongs to	1
III. Explanation on the board of directors, members of the audit committee, president and executive vice presidents, if available, shares of the Parent Bank they possess and their areas of responsibility	1
IV. Information on the individual and corporate shareholders having control shares of the Parent Bank	2
V. Information on the Parent Bank's service types and fields of operation	2
VI. A short explanation on the differences between the Communique on Consolidated Financial Statement Reporting and the consolidation procedures required by Turkish Accounting Standards and about institutions that are subject to full consolidation, proportional consolidation, by way of deduction from capital or those that are subject to none	2
VII. Existing or potential, actual or legal obstacles to immediate transfer of capital between Parent Bank and its subsidiaries and repayment of debts	2
SECTION TWO	
Consolidated Financial Statements of the Bank	
I. Consolidated Balance sheet	3
II. Consolidated Off Balance Sheet Commitments	5
III. Consolidated Income statement	6
IV. Consolidated Statement of profit or loss and other comprehensive income	7
V. Consolidated Statement of changes in shareholders' equity	8
VI. Consolidated Statement of cash flows	10
VII. Statement of profit appropriation	11
SECTION THREE	
Explanations on Accounting Policies	
I. Explanations on basis of presentation	12
II. Explanations on strategy of using financial instruments and explanations on foreign currency transactions	13
III. Explanations on equity investments	13
IV. Explanations on forward transactions, options and derivative instruments	14
V. Explanations on interest income and expense	14
VI. Explanations on fee and commission income and expenses	14
VII. Explanations on financial assets	15
VIII. Explanations on expected credit loss	18
IX. Explanations on offsetting financial instruments	20
X. Explanations on sales and repurchase agreements and securities lending transactions	20
XI. Explanations on assets held for sale and related to discontinued operations (Net)	20
XII. Explanations on goodwill and other intangible assets	20
XIII. Explanations on property and equipment	21
XIV. Explanations on leasing transactions	21
XV. Explanations on provisions and contingent liabilities	21
XVI. Explanations on contingent assets	22
XVII. Explanations on obligations related to employee rights	22
XVIII. Explanations on taxation	23
XIX. Explanations on borrowings	24
XX. Explanations on issuance of share certificates	24
XXI. Explanations on avalized drafts and acceptances	24
XXII. Explanations on government grants	25
XXIII. Explanations on segment reporting	25
XXIV. Profit reserves and profit distribution	25
XXV. Earnings per share	25
XXVI. Related parties	25
XXVII. Cash and cash equivalent assets	25
XXVIII. Reclassifications	26
XXIX. Disclosures of TFRS 16 Leases	26
SECTION FOUR	
Information Related to Financial Position and Risk Management of the Group	
I. Explanations on equity	28
II. Explanations on credit risk	36
III. Explanations on currency risk	46
IV. Explanations on interest rate risk	48
V. Explanations on position risk of equity securities	51
VI. Explanations on liquidity risk management and liquidity coverage ratio	51
VII. Explanations on leverage ratio	58
VIII. Explanations on the presentation of financial assets and liabilities at their fair values	59
IX. Explanations on the activities carried out on behalf and account of other persons	62
X. Explanations on risk management target and policies	62
XI. Explanations on risk hedge transactions	82
XII. Explanations on qualitative disclosures on remuneration policies	85
XIII. Explanations on business segments	87
SECTION FIVE	
Information and Disclosures Related to Consolidated Financial Statements	
I. Explanations and notes related to consolidated assets	89
II. Explanations and notes related to consolidated liabilities	106
III. Explanations and notes related to consolidated off-balance sheet accounts	114
IV. Explanations and notes related to consolidated income statement	117
V. Explanations and notes related to consolidated statement of changes in the shareholders' equity	122
VI. Explanations and notes related to consolidated statement of cash flows	123
VII. Explanations and notes related to risk group that the group belongs to	124
VIII. Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the bank	125
IX. Explanations and notes related to subsequent events	126
SECTION SIX	
Other Explanations	
I. Other explanations	126
SECTION SEVEN	
Explanations on Independent Auditor's Report	
I. Explanations on auditor's report	126
II. Explanations and notes prepared by independent auditors	126

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

SECTION ONE GENERAL INFORMATION ABOUT THE BANK

I. PARENT BANK'S FOUNDATION DATE, START-UP STATUS, HISTORY REGARDING THE CHANGES IN THIS STATUS:

Akbank T.A.Ş. ("the Bank", "the Parent Bank" or "Akbank") was established on 30 January 1948 as a private commercial bank, in accordance with the decision of the Council of Ministers, No.3/6710 and is authorized to perform all economic, financial and commercial activities, which are allowed by the laws of the Turkish Republic ("T.C."). The status of the Bank has not changed since its foundation.

II. EXPLANATION ABOUT THE PARENT BANK'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THAT THE PARENT BANK BELONGS TO:

The Bank's shares have been quoted on the Borsa Istanbul ("BIST") since 1990. In 1998, 4,03% of the outstanding share capital of the Bank was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipts ("ADRs"). As of 31 December 2019, approximately 51% of the shares are publicly traded, including the ADRs (31 December 2018: 51%).

The major shareholder of the Parent Bank, directly or indirectly, is Sabancı Group.

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE, SHARES OF THE PARENT BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITY:

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman:	Suzan SABANCI DİNÇER	Chairman	Graduate
Board of Directors:	Hayri ÇULHACI	Vice Chairman and Executive Board Member	Graduate
	Eyüp ENGİN	Executive Board Member	Undergraduate
	A. Fuat AYLA	Executive Board Member	Undergraduate
	Ş. Yaman TÖRÜNER	Board Member	Undergraduate
	I. Aydın GÜNTER	Board Member	Undergraduate
	Emre DERMAN	Board Member	Graduate
	Can PAKER	Board Member	PhD
	K. Özgür DEMİRTAŞ	Board Member	PhD
	S. Hakan BİNBAŞGİL	Board Member and CEO	Graduate
President and CEO:	S. Hakan BİNBAŞGİL	CEO	Graduate
Head of Internal Audit:	Savas KÜLCÜ	Head of Internal Audit	Graduate
Executive Vice Presidents:	Bülent OĞUZ	Retail Banking	Graduate
	H. Burcu CİVELEK YÜCE	Strategy, Digital Banking and Payment Systems	Graduate
	Ege GÜLTEKİN	Credit Monitoring and Follow-up	Graduate
	Levent ÇELEBİOĞLU	Corporate and Investment Banking	Undergraduate
	N. İlker ALTINTAŞ	Technology and Operation	PhD
	Mehmet Hakan TUGAL	Commercial Banking	Graduate
	Türker TUNALI	Financial Management	Undergraduate
	Şahin Alp KELER	Private Banking and Wealth Management	PhD
	Yunus Emre ÖZBEN	Credit Allocation	Graduate
	Zeynep ÖZTÜRK	Special Credits	Graduate
	Gamze Şebnem MURATOĞLU	Treasury	Graduate
	Pınar ANAPA	People and Culture	Graduate
Internal Audit Committee:	Eyüp ENGİN	Head of the Audit Committee	Undergraduate
	Ş. Yaman TÖRÜNER	Member of the Audit Committee	Undergraduate

The shares of individuals above are insignificant in the Parent Bank.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Eyüp Engin, the Chairman of the Board of Inspectors, was appointed as the new member of the Bank's Board of Directors at the Ordinary General Assembly and Head of the Audit Committee dated 25 March 2019, replacing A. Aykut Demiray. Savaş Külcü was assigned as the Chairman of the Board of Inspection instead of Eyüp Engin.

As of 31 May 2019, Emin Tolga Ulutaş who was an Executive Vice President in charge of the Direct Banking Business Unit resigned from his position. The name of the Direct Banking Business Unit is continuing its operations as "Strategy, Digital Banking and Payment Systems Business Unit and as of 3 June 2019, Burcu Civelek Yüce has been appointed as Executive Vice President of Strategy, Digital Banking and Payment Systems.

The name of the Human Resources and Strategy Business Unit is continuing its operations as "Human Resources Business Unit" and as of 3 June 2019, Pınar Anapa has been appointed as Executive Vice President of the Human Resources.

The name of the Human Resources Business Unit has changed as People and Culture on 29 August 2019.

IV. INFORMATION ON THE INDIVIDUAL AND CORPORATE SHAREHOLDERS HAVING CONTROL SHARES OF THE PARENT BANK:

Name/Commercial Title	Share Amounts (Nominal)	Share Percentages	Paid-in Capital (Nominal)	Unpaid Portion
Hacı Ömer Sabancı Holding A.Ş.	2.119.027	40,75%	2.119.027	-

V. INFORMATION ON THE PARENT BANK'S SERVICE TYPES AND FIELDS OF OPERATION:

The Bank's core business activities consist of retail banking, commercial banking, corporate-investment banking and private banking and wealth management, foreign exchange, money markets, securities transactions (treasury transactions) and international banking services. In addition to regular banking operations, the Bank also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. via its branch network. As of 31 December 2019, the Bank has 770 branches dispersed throughout the country and 1 branch operating abroad (31 December 2018: 780 branches and 1 branch operating abroad). As of 31 December 2019, the Bank has 12.750 employees (31 December 2018: 13.367).

The Parent Bank and its subsidiaries, Ak Finansal Kiralama A.Ş., Ak Yatırım Menkul Değerler A.Ş., AK Portföy Yönetimi A.Ş., Akbank AG, AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş. and together with A.R.T.S. Ltd., which is not subsidiary of the Bank, but over which the Bank has 100% controlling power due to the reason that this company is a "Structured Entity", has been included in the scope of consolidation. The Parent Bank together with its consolidated subsidiaries are referred to as the "Group".

As at 31 December 2019, the Group employed 13.136 people (31 December 2018: 13.757).

VI. A SHORT EXPLANATION ON THE DIFFERENCES BETWEEN THE COMMUNIQUE ON CONSOLIDATED FINANCIAL STATEMENT REPORTING AND THE CONSOLIDATION PROCEDURES REQUIRED BY TURKISH ACCOUNTING STANDARDS AND ABOUT INSTITUTIONS THAT ARE SUBJECT TO FULL CONSOLIDATION, PROPORTIONAL CONSOLIDATION, BY WAY OF DEDUCTION FROM CAPITAL OR THOSE THAT ARE SUBJECT TO NONE:

The Bank sees no difference between the Communiqué on Consolidated Financial Reporting and the consolidation procedures required by Turkish Accounting Standards. Information in regards to consolidated subsidiaries and consolidation methods are given in Section III. Note III.

VII. EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES TO IMMEDIATE TRANSFER OF CAPITAL BETWEEN PARENT BANK AND ITS SUBSIDIARIES AND REPAYMENT OF DEBTS:

None.

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

AKBANK T.A.Ş.

I. CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019 (STATEMENT OF FINANCIAL POSITION)

(Amounts are expressed in thousands of Turkish Lira (TL).)

ASSETS	Note (Section Five)	CURRENT PERIOD (31/12/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		50.353.146	88.847.971	139.201.117	46.382.717	77.050.098	123.432.815
1.1 Cash and Cash Equivalents		2.401.694	45.498.382	47.900.076	4.742.816	44.875.030	49.617.846
1.1.1 Cash and Balances with Central Bank	(I-a)	2.243.226	27.650.703	29.893.929	4.725.334	25.388.490	30.113.824
1.1.2 Banks	(I-d)	92.372	17.848.302	17.940.674	12.206	18.947.192	18.959.398
1.1.3 Money Markets		66.120	-	66.120	5.283	539.374	544.657
1.1.4 Expected Loss Provision (-)		24	623	647	7	26	33
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	195.719	7.069.120	7.264.839	41.355	6.827.669	6.869.024
1.2.1 Government Debt Securities		182.344	92.378	274.722	10.113	-	10.113
1.2.2 Equity Instruments		12.470	220.294	232.764	13.223	137.461	150.684
1.2.3 Other Financial Assets		905	6.756.448	6.757.353	18.019	6.690.208	6.708.227
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-e)	36.203.273	31.315.167	67.518.440	24.621.916	19.718.126	44.340.042
1.3.1 Government Debt Securities		35.534.282	16.168.796	51.703.078	23.928.005	12.574.559	36.502.544
1.3.2 Equity Instruments		15.777	607	16.384	13.013	607	13.620
1.3.3 Other Financial Assets		653.214	15.145.764	15.798.978	680.898	7.142.960	7.823.858
1.4 Derivative Financial Assets	(I-c, I-I)	11.552.460	4.965.302	16.517.762	16.976.630	5.629.273	22.605.903
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		9.458.665	4.932.085	14.390.750	15.240.691	5.375.604	20.616.295
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		2.093.795	33.217	2.127.012	1.735.939	253.669	1.989.608
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		147.259.503	87.515.563	234.775.066	127.799.798	91.661.834	219.461.632
2.1 Loans	(I-f)	144.802.842	81.973.456	226.776.298	127.299.268	82.014.178	209.313.446
2.2 Lease Receivables	(I-k)	1.534.777	3.605.542	5.140.319	1.885.058	4.530.478	6.415.536
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost	(I-g)	11.814.099	3.760.759	15.574.858	5.942.844	6.320.637	12.263.481
2.4.1 Government Debt Securities		11.479.840	2.379.418	13.859.258	5.942.844	3.811.339	9.754.183
2.4.2 Other Financial Assets		334.259	1.381.341	1.715.600	-	2.509.298	2.509.298
2.5 Expected Credit Loss (-)		10.892.215	1.824.194	12.716.409	7.327.372	1.203.459	8.530.831
III. ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-o)	666.067	-	666.067	264.384	-	264.384
3.1 Held for Sale Purpose		666.067	-	666.067	264.384	-	264.384
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		5.521	-	5.521	5.521	-	5.521
4.1 Investments in Associates (Net)	(I-h)	5.521	-	5.521	5.521	-	5.521
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		5.521	-	5.521	5.521	-	5.521
4.2 Subsidiaries (Net)	(I-i)	-	-	-	-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)	(I-j)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)		4.866.527	53.170	4.919.697	3.951.289	7.763	3.959.052
VI. INTANGIBLE ASSETS (Net)		948.305	4.883	953.188	640.599	5.594	646.193
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		948.305	4.883	953.188	640.599	5.594	646.193
VII. INVESTMENT PROPERTY (Net)	(I-m)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		9.971	-	9.971	274.086	31.948	306.034
IX. DEFERRED TAX ASSET	(I-n)	80.564	55.408	135.972	102.264	41.544	143.808
X. OTHER ASSETS (Net)	(I-p)	2.631.103	3.874.735	6.505.838	2.781.989	3.680.182	6.462.171
TOTAL ASSETS		206.820.707	180.351.730	387.172.437	182.202.647	172.478.963	354.681.610

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

AKBANK T.A.S.
I. CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019 (STATEMENT OF FINANCIAL POSITION)
(Amounts are expressed in thousands of Turkish Lira (TL).)

LIABILITIES	Note (Section Five)	CURRENT PERIOD (31/12/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-a)	95.854.279	148.858.054	244.712.333	81.384.628	127.245.272	208.629.900
II. FUNDS BORROWED	(II-c)	548.615	34.287.866	34.836.481	756.713	42.893.170	43.649.883
III. MONEY MARKETS		763.198	9.343.352	10.106.550	3.918.298	10.356.718	14.275.016
IV. SECURITIES ISSUED (Net)	(II-d)	4.924.276	8.612.669	13.536.945	4.854.728	8.216.719	13.071.447
4.1 Bills		2.391.332	-	2.391.332	2.847.485	-	2.847.485
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		2.532.944	8.612.669	11.145.613	2.007.243	8.216.719	10.223.962
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(II-b, II-g)	7.245.411	1.700.291	8.945.702	11.323.624	1.501.379	12.825.003
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		6.397.372	1.647.226	8.044.598	10.678.666	1.501.379	12.180.045
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		848.039	53.065	901.104	644.958	-	644.958
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)	(II-f)	576.563	47.591	624.154	-	-	-
X. PROVISIONS	(II-h)	1.411.459	181.183	1.592.642	1.080.235	262.149	1.342.384
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		450.238	646	450.884	324.504	745	325.249
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		961.221	180.537	1.141.758	755.731	261.404	1.017.135
XI. CURRENT TAX LIABILITY	(II-i)	772.096	59.603	831.699	465.431	65.112	530.543
XII. DEFERRED TAX LIABILITY		704.309	132.903	837.212	283.695	128.970	412.665
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND RELATED TO THE DISCONTIUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(II-j)	-	5.381.534	5.381.534	-	4.784.477	4.784.477
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	5.381.534	5.381.534	-	4.784.477	4.784.477
XV. OTHER LIABILITIES	(II-e)	7.465.579	3.939.153	11.404.732	7.784.203	3.589.048	11.373.251
XVI. SHAREHOLDERS' EQUITY	(II-k)	54.875.134	[512.681]	54.362.453	44.778.283	[991.242]	43.787.041
16.1 Paid-in capital		5.200.000	-	5.200.000	4.000.000	-	4.000.000
16.2 Capital Reserves		5.320.613	-	5.320.613	3.607.551	-	3.607.551
16.2.1 Share Premium		3.505.742	-	3.505.742	1.700.000	-	1.700.000
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.814.871	-	1.814.871	1.907.551	-	1.907.551
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.025.172	6.055	2.031.227	2.094.642	6.055	2.100.697
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1.632.533	[518.736]	1.113.797	[267.437]	[997.297]	[1.264.734]
16.5 Profit Reserves		34.576.406	-	34.576.406	28.961.397	-	28.961.397
16.5.1 Legal Reserves		1.626.891	-	1.626.891	1.621.374	-	1.621.374
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		32.684.032	-	32.684.032	27.075.472	-	27.075.472
16.5.4 Other Profit Reserves		265.483	-	265.483	264.551	-	264.551
16.6 Income or (Loss)		6.120.251	-	6.120.251	6.382.004	-	6.382.004
16.6.1 Prior Periods' Income or (Loss)		767.926	-	767.926	672.838	-	672.838
16.6.2 Current Period Income or (Loss)		5.352.325	-	5.352.325	5.709.166	-	5.709.166
16.7 Minority Interest		159	-	159	126	-	126
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		175.140.919	212.031.518	387.172.437	156.629.838	198.051.772	356.681.610

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

AKBANK T.A.S.
II. CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2019

[Amounts are expressed in thousands of Turkish Lira (TL).]

	Note (Section Five)	CURRENT PERIOD (31/12/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		162.285.048	473.496.707	635.781.755	217.077.279	503.919.575	720.996.854
I. GUARANTEES AND WARRANTIES	(III-2, 3)	19.905.773	22.793.252	42.699.025	22.122.020	30.673.351	52.795.371
1.1 Letters of Guarantee		16.949.962	14.187.155	31.137.117	19.262.070	15.680.573	34.942.643
1.1.1 Guarantees Subject to State Tender Law		282.800	1.422.854	1.705.654	404.937	2.056.174	2.461.111
1.1.2 Guarantees Given for Foreign Trade Operations		-	2.223.470	2.223.470	-	2.836.723	2.836.723
1.1.3 Other Letters of Guarantee		16.667.162	10.540.831	27.207.993	18.857.133	10.787.676	29.644.809
1.2 Bank Acceptances		-	50.678	50.678	-	2.740.341	2.740.341
1.2.1 Import Letter of Acceptance		-	50.678	50.678	-	2.740.341	2.740.341
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		8.409	4.396.101	4.404.510	47.035	6.485.727	6.532.762
1.3.1 Documentary Letters of Credit		8.409	3.747.283	3.755.692	47.035	5.905.823	5.952.858
1.3.2 Other Letters of Credit		-	648.818	648.818	-	579.904	579.904
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7 Factoring Guarantees		-	14.790	14.790	-	24.353	24.353
1.8 Other Guarantees		5.990	4.131.474	4.137.464	14.645	5.734.646	5.749.291
1.9 Other Collaterals		2.941.412	13.054	2.954.466	2.798.270	7.711	2.805.981
II. COMMITMENTS	(III-1)	43.611.686	12.978.081	56.589.767	42.300.536	12.166.965	56.467.499
2.1 Irrevocable Commitments		42.539.957	12.676.833	55.216.790	41.404.186	11.705.009	53.109.195
2.1.1 Asset Purchase Commitments		3.512.234	11.250.734	14.762.968	6.589.831	8.568.468	15.158.299
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		8.228.762	1.423.408	9.652.170	8.203.743	3.134.146	11.337.889
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		2.632.311	-	2.632.311	2.514.769	-	2.514.769
2.1.8 Tax and Fund Liabilities from Export Commitments		4.430	-	4.430	3.693	-	3.693
2.1.9 Commitments for Credit Card Limits		23.193.073	-	23.193.073	19.788.847	-	19.788.847
2.1.10 Commitments for Credit Cards and Banking Services Promotions		94.381	-	94.381	82.378	-	82.378
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		4.874.766	2.691	4.877.457	4.220.925	2.395	4.223.320
2.2 Revocable Commitments		1.071.729	301.248	1.372.977	896.348	461.956	1.358.304
2.2.1 Revocable Loan Granting Commitments		992.817	-	992.817	837.281	-	837.281
2.2.2 Other Revocable Commitments		78.912	301.248	380.160	59.067	461.956	521.023
III. DERIVATIVE FINANCIAL INSTRUMENTS		98.767.589	437.725.374	536.492.963	152.654.725	461.079.259	613.733.984
3.1 Hedging Derivative Financial Instruments		13.674.935	50.984.080	64.659.015	16.237.238	45.937.006	62.174.244
3.1.1 Fair Value Hedges		4.122.135	22.691.635	26.813.770	4.768.063	16.510.663	21.278.726
3.1.2 Cash Flow Hedges		9.552.800	28.292.445	37.845.245	11.469.175	29.426.343	40.895.518
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		85.092.654	386.741.294	471.833.948	136.417.487	415.142.253	551.559.740
3.2.1 Forward Foreign Currency Buy/Sell Transactions		6.344.720	14.506.012	20.850.732	10.443.845	17.807.630	28.251.475
3.2.1.1 Forward Foreign Currency Transactions-Buy		5.802.042	4.937.886	10.739.928	6.988.529	7.632.814	14.621.343
3.2.1.2 Forward Foreign Currency Transactions-Sell		542.678	9.568.126	10.110.804	3.455.316	10.174.816	13.630.132
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		73.868.613	322.537.764	396.406.377	98.347.488	324.424.673	422.772.161
3.2.2.1 Foreign Currency Swap-Buy		22.948.085	97.089.617	120.037.702	37.673.866	105.283.829	142.957.695
3.2.2.2 Foreign Currency Swap-Sell		48.590.528	74.408.155	122.998.683	57.920.302	84.122.398	142.042.700
3.2.2.3 Interest Rate Swap-Buy		1.165.000	75.519.996	76.684.996	1.376.660	67.509.223	68.885.883
3.2.2.4 Interest Rate Swap-Sell		1.165.000	75.519.996	76.684.996	1.376.660	67.509.223	68.885.883
3.2.3 Foreign Currency, Interest Rate and Securities Options		4.702.430	27.522.912	32.225.342	27.539.961	47.939.566	75.499.527
3.2.3.1 Foreign Currency Options-Buy		1.934.397	3.443.224	5.377.621	12.676.191	15.377.034	28.053.225
3.2.3.2 Foreign Currency Options-Sell		2.734.120	2.804.616	5.538.736	14.883.770	13.150.254	28.034.024
3.2.3.3 Interest Rate Options-Buy		-	10.637.536	10.637.536	-	9.706.139	9.706.139
3.2.3.4 Interest Rate Options-Sell		-	10.637.536	10.637.536	-	9.706.139	9.706.139
3.2.3.5 Securities Options-Buy		19.333	-	19.333	-	-	-
3.2.3.6 Securities Options-Sell		14.580	-	14.580	-	-	-
3.2.4 Foreign Currency Futures		85.946	85.005	170.951	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		85.946	-	85.946	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	85.005	85.005	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		90.945	22.089.601	22.180.546	66.193	24.970.384	25.036.577
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		871.352.485	344.368.703	1.215.721.188	832.861.014	307.602.995	1.140.464.009
IV. ITEMS HELD IN CUSTODY		61.762.629	24.508.688	86.271.317	55.629.940	19.655.922	75.285.862
4.1 Customer Fund and Portfolio Balances		9.483.940	1.309.375	10.793.315	3.954.484	-	3.954.484
4.2 Investment Securities Held in Custody		17.737.273	2.996.399	20.733.672	18.877.625	2.062.528	20.940.153
4.3 Cheques Received for Collection		28.123.634	3.036.679	31.160.313	26.095.801	2.704.389	28.800.190
4.4 Commercial Notes Received for Collection		6.116.849	3.118.920	9.235.769	6.151.125	3.550.546	9.701.671
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		300.933	14.047.315	14.348.248	550.905	11.338.459	11.889.364
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		209.087.002	109.793.747	318.880.749	202.720.210	89.021.704	291.741.914
5.1 Marketable Securities		785.963	1.137.538	1.923.501	805.358	1.368.190	2.173.548
5.2 Guarantee Notes		652.116	574.500	1.226.616	763.134	565.924	1.329.058
5.3 Commodity		-	135.780	135.780	113.226	7.890	121.116
5.4 Warranty		-	-	-	-	-	-
5.5 Immovables		166.259.977	84.587.022	250.846.999	165.010.393	65.430.456	230.440.849
5.6 Other Pledged Items		41.388.946	23.358.907	64.747.853	36.028.099	21.649.244	57.677.343
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL, GUARANTEES AND WARRANTIES		600.502.854	210.066.268	810.569.122	574.510.864	198.925.369	773.436.233
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1.033.637.533	817.865.410	1.851.502.943	1.049.938.293	811.522.570	1.861.460.863

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

AKBANK T.A.Ş.
III. CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2019
(Amounts are expressed in thousands of Turkish Lira (TL).)

INCOME AND EXPENSE ITEMS		Note	CURRENT PERIOD	PRIOR PERIOD
		(Section Five)	(01/01-31/12/2019)	(01/01-31/12/2018)
I.	INTEREST INCOME	(IV-a)	36.498.492	35.445.105
1.1	Interest on Loans	(IV-a-1)	28.136.339	26.383.644
1.2	Interest on Reserve Requirements		364.578	472.136
1.3	Interest on Banks	(IV-a-2)	754.821	793.556
1.4	Interest on Money Market Transactions		226.360	227.286
1.5	Interest on Marketable Securities Portfolio	(IV-a-3)	6.411.341	6.974.975
1.5.1	Fair Value Through Profit or Loss		4.257	5.417
1.5.2	Fair Value Through Other Comprehensive Income		5.134.857	5.575.098
1.5.3	Measured at Amortised Cost		1.272.227	1.394.460
1.6	Financial Lease Interest Income		460.232	508.121
1.7	Other Interest Income		144.821	85.387
II.	INTEREST EXPENSE (-)	(IV-b)	19.560.065	19.849.235
2.1	Interest on Deposits	(IV-b-4)	14.599.127	14.864.744
2.2	Interest on Funds Borrowed	(IV-b-1)	1.650.489	1.667.243
2.3	Interest Expense on Money Market Transactions		1.071.788	1.692.320
2.4	Interest on Securities Issued	(IV-b-3)	2.135.409	1.623.025
2.5	Interest on Leases		94.135	-
2.6	Other Interest Expenses		9.117	1.903
III.	NET INTEREST INCOME (I - II)		16.938.427	15.595.870
IV.	NET FEES AND COMMISSIONS INCOME		4.958.293	3.718.214
4.1	Fees and Commissions Received		6.292.102	4.767.331
4.1.1	Non-cash Loans		569.326	407.903
4.1.2	Other		5.722.776	4.359.428
4.2	Fees and Commissions Paid (-)		1.333.809	1.049.117
4.2.1	Non-cash Loans		3.605	1.825
4.2.2	Other		1.330.204	1.047.292
V.	DIVIDEND INCOME		6.743	6.567
VI.	TRADING INCOME / (LOSS) (Net)	(IV-c)	(1.145.675)	(637.489)
6.1	Trading Gains / (Losses) on Securities		296.385	(1.112.205)
6.2	Gains / (Losses) on Derivative Financial Transactions		1.123.645	4.653.563
6.3	Foreign Exchange Gains / (Losses)		(2.565.705)	(4.178.847)
VII.	OTHER OPERATING INCOME	(IV-d)	855.488	1.015.593
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		21.613.276	19.698.755
IX.	EXPECTED CREDIT LOSS (-)	(IV-e)	6.704.938	6.657.054
X.	OTHER PROVISION EXPENSES (-)		1.099.204	102.920
XI.	PERSONNEL EXPENSE (-)		2.757.578	2.261.321
XII.	OTHER OPERATING EXPENSES (-)	(IV-f)	4.124.730	3.541.026
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		6.926.826	7.136.434
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XVI.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XVII.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)		6.926.826	7.136.434
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(IV-h)	1.574.487	1.427.281
18.1	Current Tax Provision		1.830.603	1.123.468
18.2	Deferred Tax Income Effect (+)		629.451	845.137
18.3	Deferred Tax Expense Effect (-)		885.567	541.324
XIX.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(IV-i)	5.352.339	5.709.153
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from Non-current Assets Held for Sale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3	Income from Other Discontinued Operations		-	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses for Non-current Assets Held for Sale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3	Expenses for Other Discontinued Operations		-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET INCOME/(LOSS) (XIX+XXIV)	(IV-i)	5.352.339	5.709.153
25.1	Income/(Loss) from the Group	(IV-g)	5.352.325	5.709.166
25.2	Income/(Loss) from Minority Interest		14	(13)
Earning/(Loss) per share (in TL full)			0,01069	0,01427

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

AKBANK T.A.Ş.**IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

(Amounts are expressed in thousands of Turkish Lira (TL).)

	CURRENT PERIOD	PRIOR PERIOD
	(31/12/2019)	(31/12/2018)
I. CURRENT PERIOD INCOME/LOSS	5.352.339	5.709.153
II. OTHER COMPREHENSIVE INCOME	2.309.000	(1.411.490)
2.1 Not Reclassified Through Profit or Loss	(69.531)	5.422
2.1.1 Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Plan Remeasurement Gain/Loss	(89.142)	6.951
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	19.611	(1.529)
2.2 Reclassified Through Profit or Loss	2.378.531	(1.416.912)
2.2.1 Foreign Currency Translation Differences	453.906	1.041.539
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	3.987.740	(2.974.522)
2.2.3 Cash Flow Hedge Income/Loss	(1.321.392)	315.750
2.2.4 Foreign Net Investment Hedge Income/Loss	(198.880)	(493.088)
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(542.843)	693.409
III. TOTAL COMPREHENSIVE INCOME (I+II)	7.661.339	4.297.663

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

AKBANK T.A.S.

V. CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

(Amounts are expressed in thousands of Turkish Lira (TL)).

	Note (Section Five)	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss					Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss					Total Equity Except from Minority Interest	Total Shareholders' Equity				
		Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Property and Equipment	Accumulated Remeasurement Gain/Loss of Defined Benefit Plan	Other (Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	
CURRENT PERIOD																	
(31/12/2019)																	
I. Prior Period End Balance		4,000,000	1,700,000	-	1,907,551	2,207,533	(110,731)	3,895	2,329,472	(2,979,278)	(614,928)	28,961,397	672,838	5,709,166	43,786,915	126	43,787,041
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	(92,680)	-	-	-	-	-	-	-	-	-	(92,680)	-	(92,680)
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	(92,680)	-	-	-	-	-	-	-	-	-	(92,680)	-	(92,680)
III. Adjusted Beginning Balance (I+II)		4,000,000	1,700,000	-	1,814,871	2,207,533	(110,731)	3,895	2,329,472	(2,979,278)	(614,928)	28,961,397	672,838	5,709,166	43,694,235	126	43,694,361
IV. Total Comprehensive Income		-	-	-	-	-	(69,531)	-	453,906	3,110,437	(1,185,812)	-	-	5,352,325	7,661,325	14	7,661,339
V. Capital Increase by Cash		1,200,000	1,805,742	-	-	-	-	-	-	-	-	-	-	-	3,005,742	19	3,005,761
VII. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	61	-	-	-	-	-	(94,157)	95,088	-	992	-	992
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	5,709,166	-	(5,709,166)	-	-	-
11.1 Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,709,166	-	(5,709,166)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (I+II+III+...+X+XI)		5,200,000	3,505,742	-	1,814,871	2,207,594	(180,262)	3,895	2,783,378	131,169	(1,800,740)	34,576,406	747,926	5,362,325	54,342,294	159	54,342,453

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

AKBANK T.A.S.

V. CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

(Amounts are expressed in thousands of Turkish Lira (TL)).

Note (Section Five)	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss					Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity	
					Accumulated Revaluation Increase/Decrease of Property and Equipment	Accumulated Remeasurement Gain/Loss of Defined Benefit Plan	Other (Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Profit or (Loss)						Profit or (Loss)
PRIOR PERIOD (31/12/2018)																		
I. Prior Period End Balance	4,000,000	1,700,000	-	1,405,892	2,348,962	(116,153)	3,895	1,287,933	(770,120)	(476,604)	24,456,460	752,895	6,020,273	40,613,433	139	40,613,572		
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	501,659	-	-	-	-	110,969	-	-	-	-	612,628	-	612,628		
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 Effects of the Changes in Accounting Policies	-	-	-	501,659	-	-	-	-	110,969	-	-	-	-	612,628	-	612,628		
III. Adjusted Beginning Balance (I+II)	4,000,000	1,700,000	-	1,907,551	2,348,962	(116,153)	3,895	1,287,933	(659,151)	(476,604)	24,456,460	752,895	6,020,273	41,226,061	139	41,226,200		
IV. Total Comprehensive Income	-	-	-	-	-	5,422	-	1,041,539	(2,320,127)	(138,324)	-	-	5,709,166	4,297,676	(13)	4,297,663		
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII. Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X. Increase/Decrease by Other Changes	-	-	-	-	(141,429)	-	-	-	-	-	84,664	(80,057)	-	(136,822)	-	(136,822)		
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	4,420,273	-	(6,020,273)	(1,600,000)	-	(1,600,000)		
11.1 Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(1,600,000)	(1,600,000)	-	(1,600,000)		
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	4,420,273	-	(4,420,273)	-	-			
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Period-End Balance (I+II+III+...+XI)	4,000,000	1,700,000	-	1,907,551	2,207,533	(110,731)	3,895	2,329,472	(2,979,276)	(614,928)	28,961,397	672,838	5,709,166	43,786,915	126	43,787,041		

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

AKBANK T.A.Ş.**VI. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019**

(Amounts are expressed in thousands of Turkish Lira (TL)).

	Note (Section Five)	CURRENT PERIOD (31/12/2019)	PRIOR PERIOD (31/12/2018)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit before changes in operating assets and liabilities	15.027.474	10.873.189
1.1.1	Interest received	31.128.043	30.013.845
1.1.2	Interest paid	(20.049.770)	(19.433.579)
1.1.3	Dividend received	3.981	3.754
1.1.4	Fees and commissions received	6.236.140	4.771.235
1.1.5	Other income	2.232.070	(35.634)
1.1.6	Collections from previously written-off loans and other receivables	1.857.605	1.845.638
1.1.7	Cash Payments to personnel and service suppliers	(2.978.113)	(2.448.636)
1.1.8	Taxes paid	(230.634)	(206.973)
1.1.9	Other	(3.171.848)	(3.636.461)
1.2	Changes in operating assets and liabilities	329.514	(15.009.394)
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss	(392.258)	(137.684)
1.2.2	Net (increase) / decrease in due from banks and other financial institutions	2.042.262	(441.148)
1.2.3	Net (increase) / decrease in loans	(19.880.506)	(8.834.100)
1.2.4	Net (increase) / decrease in other assets	89.175	(1.087.656)
1.2.5	Net increase / (decrease) in bank deposits	(1.261.584)	(5.878.529)
1.2.6	Net increase / (decrease) in other deposits	37.978.898	12.609.364
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss	-	-
1.2.8	Net increase / (decrease) in funds borrowed	(8.686.838)	9.503.933
1.2.9	Net increase / (decrease) in payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	(9.559.635)	(20.743.574)
I.	Net cash provided from banking operations	15.356.988	(4.136.205)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities	(22.163.365)	6.755.629
2.1	Cash paid for acquisition of investments, associates and subsidiaries	-	-
2.2	Cash obtained from disposal of investments, associates and subsidiaries	-	-
2.3	Purchases of property and equipment	(1.225.140)	(1.074.283)
2.4	Disposals of property and equipment	23.072	5.228
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(31.065.143)	(14.547.720)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	10.251.002	15.688.550
2.7	Purchase of Financial Assets Measured at Amortised Cost	(5.397.163)	(1.654.189)
2.8	Sale of Financial Assets Measured at Amortised Cost	3.214.762	10.713.907
2.9	Other	2.035.245	(2.375.864)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities	3.820.442	(1.483.420)
3.1	Cash obtained from funds borrowed and securities issued	31.772.465	22.123.648
3.2	Cash used for repayment of funds borrowed and securities issued	(30.681.560)	(22.007.068)
3.3	Issued equity instruments	3.005.742	-
3.4	Dividends paid	-	(1.600.000)
3.5	Payments for finance leases	(276.205)	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	3.245.458	4.598.984
V.	Net increase in cash and cash equivalents (I+II+III+IV)	259.523	5.734.988
VI.	Cash and cash equivalents at beginning of the period	(V-a) 18.432.454	12.697.466
VII.	Cash and cash equivalents at end of the period	(V-a) 18.691.977	18.432.454

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

AKBANK T.A.Ş.**VII. PROFIT APPROPRIATION STATEMENT**

(Amounts are expressed in thousands of Turkish Lira (TL)).

	CURRENT PERIOD	PRIOR PERIOD
	(31/12/2019)	(31/12/2018)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	6.801.334	6.975.856
1.2	1.383.866	1.286.212
1.2.1	1.609.738	818.761
1.2.2	-	-
1.2.3	(225.872)	467.451
A.	5.417.468	5.689.644
1.3	-	-
1.4	-	-
1.5	(225.872)	-
B.	5.643.340	5.689.644
1.6	-	-
1.6.1	-	-
1.6.2	-	-
1.6.3	-	-
1.6.4	-	-
1.6.5	-	-
1.7	-	-
1.8	-	-
1.9	-	-
1.9.1	-	-
1.9.2	-	-
1.9.3	-	-
1.9.4	-	-
1.9.5	-	-
1.10	-	-
1.11	-	-
1.12	-	5.689.644
1.13	-	-
1.14	-	-
II. DISTRIBUTION OF RESERVES		
2.1	-	-
2.2	-	-
2.3	-	-
2.3.1	-	-
2.3.2	-	-
2.3.3	-	-
2.3.4	-	-
2.3.5	-	-
2.4	-	-
2.5	-	-
III. EARNINGS PER SHARE (*)		
3.1	0,011	0,014
3.2	1,1	1,4
3.3	-	-
3.4	-	-
IV. DIVIDEND PER SHARE		
4.1	-	-
4.2	-	-
4.3	-	-
4.4	-	-

(*) Amounts are expressed in TL.

NOTES:

(1) Authorized body for profit appropriation of the current period is the General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(2) Profit appropriation is being done according to unconsolidated financial statements.

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

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**SECTION THREE
EXPLANATIONS ON ACCOUNTING POLICIES**

I. EXPLANATIONS ON BASIS OF PRESENTATION:

a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value. Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

The preparation of consolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

b. Explanation for convenience translation to English:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

c. Accounting policies and valuation principles used in the preparation of the financial statements:

Accounting policies and valuation principles adopted when preparing financial statements are in line with the legislation, communiqué, explanation and circular principles released by BRSA concerning accounting and financial reporting, and, for matters which are not regulated by the foregoing, with the provisions of TAS/TFRS (together "BRSA Accounting and Financial Reporting Legislation") put into force by Public Oversight, Accounting and Auditing Standards Authority (POA). As per the TFRS 16 provisions related to the transition, financial statements and footnotes of previous periods have not readjusted. Impact and application regarding TFRS 16 transition process have been explained in footnote XXIX of Section Three.

d. Items Subject to different accounting policies in the preparation of consolidated financial statements:

There are no items subject to different accounting policies in the preparation of these consolidated financial statements.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND EXPLANATIONS ON FOREIGN CURRENCY TRANSACTIONS:

The Group's core business activities include retail banking, commercial banking, and corporate-investment banking and private banking and wealth management, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services. The Group performs financial leasing transactions through Ak Finansal Kiralama A.Ş. By nature the Group's activities are principally related to the use of financial instruments. As the main funding source, the Group accepts deposits from customers for various periods and invests these funds in high quality assets with high interest margins. Other than deposits, the Group's most important funding sources are equity, marketable securities issued, money market borrowings and mostly borrowings from foreign financial institutions. The Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Group's exposure to liquidity risk, interest rate risk, currency risk and credit risk while increasing profitability and strengthening the Group's equity. The Asset-Liability Committee ("ALCO") manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee ("ERC").

Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such transactions are recognized in the income statement under the account of "Net foreign exchange income/expense". Assets and liabilities of foreign subsidiaries are translated into Turkish lira using the foreign exchange rates prevailing at the balance sheet date, income and expenses of foreign subsidiaries are translated into Turkish Lira at the average exchange rates and all resulting exchange differences are accounted in the shareholders' equity under "Other profit reserves".

As of 31 December 2019, foreign currency denominated balances are translated into TL using the exchange rates of TL 5,9200 and TL 6,6397 for USD, EURO respectively.

III. EXPLANATIONS ON EQUITY INVESTMENTS:

Consolidated financial statements are prepared in accordance with the "Turkish Financial Reporting Standard for Consolidated Financial Statements" ("TFRS 10") and "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette no.26340 dated 8 November 2006.

Consolidation principles for subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Bank.

Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Bank's returns.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group and presented separately in the Group's income. Minority interests are presented in the consolidated balance sheet, in the shareholders' equity.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Parent Bank and its subsidiaries, Ak Yatırım Menkul Değerler A.Ş., Ak Portföy Yönetimi A.Ş., Akbank AG, Ak Finansal Kiralama A.Ş., AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş. and together with A.R.T.S. Ltd., which is not subsidiary of the Bank, but the Bank has 100% control power due to the reason that this company is "Structured Entity", has been included in the scope of consolidation. The Parent Bank together with its consolidated subsidiaries are referred to as the "Group" in these consolidated financial statements.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Ak Yatırım Menkul Değerler A.Ş. was established on 11 December 1996 to trade in capital markets in accordance with Capital Market Law. This company is delivering intermediary services in capital markets, discretionary portfolio management, derivative transactions, repurchase and reverse repurchase agreements with authorizations given by the Capital Markets Board for each transaction.

Ak Finansal Kiralama A.Ş. was established in 1988 for leasing operations and all kinds of agreements and transactions related to these operations.

Ak Portföy Yönetimi A.Ş. was established on 28 June 2000 and manages its own investment (mutual) funds and AvivaSA Emeklilik ve Hayat A.Ş. and some of the pension funds established by Axa Hayat Emeklilik A.Ş., Allianz Hayat Emeklilik A.Ş. and Allianz Yaşam Emeklilik A.Ş., The company also is managing both individual and institutional customers' portfolios, it continues investing in the Fund SICAV 2 Turkey on the international market and founder of 1 Sompo Japan in money market funds management activities.

Akbank AG operates in Germany, providing corporate, consumer and private banking services.

Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş., 100% owned by the Bank, has been established on 19 February 2018 to provide payment services and electronic money issuance under the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions registered in the trade registry.

A.R.T.S. Ltd. is a "Structured Entity" which was established in November 1999 for the purpose of supplying long-term financing.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

The Group'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 "IFRS 9 Financial Instruments" (IFRS 9).

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Derivative instruments are remeasured 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 basis on accounting of derivative instruments for hedging purposes are explained in Note XI of Section Four. 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 of 31 December 2019, the Group has no embedded derivative instruments.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income statement by using the "Effective interest rate method". Starting from 1 January 2018, Group has started to calculate interest accrual on non-performing loans. Net book value of the non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with effective interest rate and recognized with the gross book value of the non-performing loan.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES:

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest rate method" and IFRS 15 "Revenue from Contracts with Customers" 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 recognized as income at the time of collection.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Group categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortised Cost". Such financial assets are recognized or derecognized 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, the Group 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, the Group 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.

The Group 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.

The Group recognize 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 the Group 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 recognized 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 recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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 recognized 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 remeasured 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 recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized 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 the Group 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 utilized by the Group are foreign currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

Derivative financial instruments of the Group are classified under "IFRS 9 Financial Instruments" ("IFRS 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 recognized in the income statement under trading profit/loss line in profit/loss

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

from derivative financial transactions. The principles for the recognition of derivative transactions intended for hedging purposes are disclosed in the footnote numbered XI of Section Four. 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 recognized 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 recognized.

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 recognized 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 recognized 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

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

- If the loan classified as under follow-up
- 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.
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.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSS:

The Group allocates impairment for expected loss on financial assets measured at amortised cost and measured at fair value through other comprehensive income.

As of 1 January 2018, the Group recognize 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 of 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

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

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.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements ("Repos") are classified as "Financial assets at fair value difference through profit or loss", "Financial assets at fair value difference through other comprehensive income" and "Measured at amortised cost" in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. Funds obtained under repurchase agreements are accounted under "Funds provided under repurchase agreements" in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the "Effective interest (internal return) method".

Funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from money market" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the "Effective interest rate method".

The Group has securities lending transactions amounting TL 474.457 as of 31 December 2019 (31 December 2018: TL 335.021).

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (NET):

Assets held-for-sale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the regulations of "Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)".

The Group has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

The Group has no goodwill.

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Intangibles are amortised over three to fifteen years (their estimated useful lives) using the straight-line method. The useful life of the asset is determined by assessing the expected useful time of the asset, technical, technological and other kinds of wear and tear and all required maintenance expenses necessary to utilize the economic benefit from the asset.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

The Group has started to account properties under the tangible assets with their revalued amount instead of cost values in accordance with "TAS 16 Plant and Equipment" on 31 January 2017. The revaluation difference arising from the valuations made by the appraisal firms authorized by Capital Markets Board ("CMB") and BRSA is accounted in Investment Properties Revaluation Differences line under the Shareholders' Equity.

Where the carrying amount of an asset is greater than its estimated "Net realizable value amount", it is written down to its "Net realizable value amount" and the impairment loss is charged to the income statement.

Depreciation is calculated over the cost of property and equipment using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Buildings	50 years
Vault	5-50 years
Transportation Vehicles	5 years
Other property and equipments	3-15 years

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease its costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

With the "IFRS 16 Leases" standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognised under "Tangible Fixed Assets" as an asset (tenure) and under "Liabilities from Leasing" as a liability. Impact and application of IFRS 16 concerning the transition were explained in Section three, footnote XXIX.

The Group 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 recognized 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.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES:

Provisions and contingent liabilities are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources 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 recognized in the same period of occurrence in accordance with the periodicity principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Group; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise in the Group, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

a. Employment termination benefits and vacation rights:

Obligations related to employment termination and vacation rights are accounted in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19").

Under the Turkish Labor Law, the Bank and its subsidiaries operating in Turkey are required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. According to the related regulation, the Bank is obliged to pay termination benefits for employees who retire, quit for their military service obligations, who have been dismissed as defined in the related regulation or who have completed at least one year of service. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability. In accordance with TAS 19, actuarial gains and losses are recognized in equity.

b. Retirement Rights:

The Bank's personnel are members of the "Akbank T.A.Ş. Personnel Pension Fund Foundation" ("Pension Fund") established in accordance with the Social Security Law numbered 506, temporary article No.20. The financial statements of the Pension Fund have been audited as of year ends by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the "Actuarial Regulation" based on the same article.

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette no 25983 dated 1 November 2005 envisaged that Banks would transfer their pension funds to the Social Security Institution ("SSI") within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Turkish Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the TGNA General Meeting on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The main opposition party had appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. The Constitution Court has dismissed the appeal with the decision taken in the meeting dated 30 March 2011. The reasoned decision has been published in the Official Gazette numbered 28156 dated 28 December 2011.

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. Within the postponement right granted to the Council of Ministers

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

through the change in the first clause of the 20th provisional article of the "Social Insurance and General Health Insurance Law no. 5510" published on the Official Gazette no. 28227 dated 8 March 2012, the transfer process has been postponed for one more year with the decision of the Council of Ministers published on the Official Gazette no. 28987 dated 30 April 2014. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published in the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no.5510, "Council of Ministers" is authorized to determine the date of transfer to the Social Security Institution has been replaced with "President".

According to the New Law, following the transfer of the members of the fund to the SSI, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

The Group has made a provision in the financial statements for the technical deficit amounted 38.125 TL determined by the report prepared by an actuary registered in the actuaries register.

The consolidated affiliates do not have the above mentioned retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates are subject to the Social Security Institution and other defined contribution plans.

XVIII. EXPLANATIONS ON TAXATION:

a. Current Tax:

In Turkey, corporate tax rate is 20%. Corporate tax rate will be applied as 22% for a period of three years in 2018, 2019 and 2020, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated 5 December 2017. The corporate tax rate is applied to tax base which is calculated by adding certain non deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and exclusion of deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

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

Corporations calculate advance tax with their current rate on quarterly profits and pay until the evening of the same day by declaring until the 17th day of the second month following that period. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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 file their tax returns until the last day of the following fourth month after 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 this 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 recognized directly in equity is also credited or charged directly to equity.

Information on taxation in foreign associates are given below:

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Akbank AG (Germany)

German-resident corporations (i.e. corporations with legal or business centers 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. 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%.

b. Deferred Tax:

The Group 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 of 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 the Law that have been enacted, deferred tax asset and liabilities shall be measured at the tax rate 22% 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 recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

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 recognized directly in equity is also credited or charged directly to equity.

XIX. EXPLANATIONS ON BORROWINGS:

Debt instruments with different characteristics such as syndicated and securitized borrowings and post-financing obtained from foreign financial institutions, marketable securities issued in domestic and foreign markets and money market borrowings are major funding source of the Group. Mentioned borrowings are carried initially at acquisition cost and subsequently recognized at the discounted value calculated using by "Effective interest rate method".

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Issued capital of the bank was increased by TL 1.200.000.000 (full TL) from TL 4.000.000.000 (full TL) to TL 5.200.000.000 (full TL).

Within this scope,

- The total of funds earned were TL 3.005.741.611,22 (full TL) and TL 2.996.306.795,62 (full TL) of this amount results from using right of purchasing amounting TL 2.5 for each stock with a nominal value of TL 1 with the usage period of right of purchasing new stocks between 3 January 2019 and 17 January 2019, and TL 9.434.815,60 (full TL) results from the sales of the stock, which were left after using the right of purchasing new stocks, at the primary market of Borsa İstanbul A.Ş.
- Rights issue was completed on 28 February 2019 through completing registration and announcements pursuant to receiving the approvals from Capital Markets Board and Banking Regulation and Supervision Agency.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the off-balance sheet commitments.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2019 and 31 December 2018, there is no government grant for the Bank.

XXIII. EXPLANATIONS ON SEGMENT REPORTING:

An operating segment is a component of an entity;

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Reporting according to the operational segments is presented in Note IX of Section Four.

XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION:

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

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of 10% of distributions in excess of 5% of issued and fully paid-in share capital, but Holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

Ordinary General Assembly Meeting of the Bank was held on 25 March 2019. In the General Assembly Meeting, it was decided to allocate the entire unconsolidated net profit amounting TL 5.689.644, which was earned from activities in 2018, as extraordinary legal reserve.

XXV. EARNINGS PER SHARE:

Earnings per share disclosed in the income statement are calculated by dividing net profit for the year by the weighted average number of shares outstanding during the related period concerned.

	Current Period	Prior Period
	31 December 2019	31 December 2018
Net Profit for the Period of the Group	5.352.325	5.709.166
Average Number of Issued Common Shares (Thousand)	500.602.740	400.000.000
Earnings Per Share (Amounts presented as full TL)	0,01069	0,01427

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

The number of rights issued in 2019 is 120.000.000.000 (2018: None).

XXVI. RELATED PARTIES:

Parties defined in Article 49 of the Banking Law No.5411 are deemed as related parties. Transactions with related parties are presented in Note VII of Section Five.

XXVII. CASH AND CASH EQUIVALENT ASSETS:

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

XXVIII. RECLASSIFICATIONS:

Within the scope of "The Communiqué On The Amendments To The Communiqué Regarding Disclosures about Financial Statements and Related Notes to be Announced to Public by Banks " published in the Official Gazette No. 30673 dated 1 February 2019, the Group made some classifications on statement of financial position dated 31 December 2018 and profit or loss statement, other comprehensive income, statement of changes in shareholders' equity and cash flow dated 31 December 2018 to be in compliance with the presentation of financial statements dated 31 December 2019.

XXIX. DISCLOSURES OF TFRS 16 LEASES:

The group 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.

TFRS 16 "Leases" Standard

Group – lessee :

The Group 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. The Group reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

Right of use assets:

The right to use asset is first recognized by cost method and includes:

- a) The initial measurement amount of the lease obligation,
- b) the amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- c) all initial direct costs incurred by the Group

When Group applying the cost method, the existence of the right to use:

- a) accumulated depreciation and accumulated impairment losses are deducted and
- b) Measures the restatement of the lease obligation at the restated cost.

The group applies the provisions of depreciation regulated under the TMS 16 Tangible Assets Standards, while depreciating the rights of use assets.

The Lease Obligations:

At the effective date of the lease, the Group measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Group'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, the Group measures the leasing liability as follows:

- a) Increase the book value to reflect the interest on the lease obligation
- b) Reduces the book value to reflect the lease payments made and
- c) The book value is measured to reflect reassessments and restructuring, or reflect to fixed lease payments as of 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.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

First Transition to TFRS 16 Leasing Standard

"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. The Group applied TFRS 16 "Leasing" standard, which replaced TAS 17 "Leasing", as of 1 January 2019, the date of first implementation. The impact of the said transition on the equities were classified under "Other Capital Reserves" in expense equities amounting TL 118.848 Within this scope, deferred tax asset amounting TL 26.168 was reflected in the financial figures as of 1 January 2019 and classified under "Other Capital Reserves" in equities. The Bank rearranged the comparable amounts for the previous year by using the 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. Right and liability 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, the Group recognised lease liability concerning the lease 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 remaining lease payments on 1 January 2019.

Details based on the asset with regard to the recognised right of use is as follows:

	31 December 2019	1 January 2019
Real estate	852.500	784.613
Total right of use assets	852.500	784.613

Details of depreciation expense based on the asset with regard to the recognised right of use is as follows:

	31 December 2019	1 January 2019
Real estate	345.737	310.941
Total right of use assets depreciation	345.737	310.941

Lease agreements for vehicles and ATMs, which are determined as low value by the Bank with short-term lease agreements with a duration of 12 months or less, have been evaluated within the scope of the exemption granted by the standard. Within this scope, TL 113.340 has been paid in the relevant period.

The right and obligation of the lessee to use assets classified as finance leases has been measured at the carrying amount of such assets before the transition period.

	1 January 2019
Operational leasing commitments	1.061.378
- Contracts that are excluded from the scope of TFRS 16 (-)	113.106
Low value leases (-)	113.106
Total leasing liability	948.272
Discounted lease liabilities (1 January 2019)	592.493

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION FOUR
INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON EQUITY:

Total capital amount and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

As of 31 December 2019, the current period equity of the Group has been calculated as TL 63.110.300 (31 December 2018: TL 50.233.673), the capital adequacy ratio is 19,66% (31 December 2018: 16,77%). This ratio is above the minimum ratio required by the legislation.

a. Information about total consolidated capital items:

	Current Period 31 December 2019	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	7.014.871	
Share issue premiums	3.505.742	
Reserves	34.576.406	
Gains recognized in equity as per TAS	5.122.131	
Profit	6.120.251	
Current Period Profit	5.352.325	
Prior Period Profit	767.926	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	3.895	
Minorities' Share	159	
Common Equity Tier 1 Capital Before Deductions	56.343.455	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	86	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.279.788	
Improvement costs for operating leasing	41.222	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	778.469	778.469
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	2.099.565	
Total Common Equity Tier 1 Capital	54.243.890	

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Current Period 31 December 2019	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	54.243.890	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	5.328.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	3.540.059	
Tier II Capital Before Deductions	8.868.059	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	8.868.059	
Total Capital (The sum of Tier I Capital and Tier II Capital)	63.111.949	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	1.649	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Deduct Components		
The Sum of net long positions of investments (the portion which exceeds the 10 % of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Current Period 31 December 2019	Amounts related to treatment before 1/1/2014 (*)
TOTAL CAPITAL		
Total Capital	63.110.300	
Total risk weighted amounts	320.975.502	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	16,90%	
Tier 1 Capital Adequacy Ratio	16,90%	
Capital Adequacy Ratio	19,66%	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	4,57%	
a) Capital conservation buffer requirement (%)	2,50%	
b) Bank specific total common equity tier 1 capital ratio (%)	0,07%	
c) Systemic significant bank buffer ratio (%)	2,00%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	8,90%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	(701.240)	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4.538.537	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3.540.059	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Prior Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	5.907.551	
Share issue premiums	1.700.000	
Reserves	28.961.397	
Gains recognized in equity as per TAS	4.537.005	
Profit	6.382.004	
Current Period Profit	5.709.166	
Prior Period Profit	672.838	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	3.895	
Minorities' Share	126	
Common Equity Tier 1 Capital Before Deductions	47.491.978	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	295	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	4.034.408	
Improvement costs for operating leasing	33.984	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	570.758	570.758
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	4.639.445	
Total Common Equity Tier 1 Capital	42.852.533	

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Prior Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	42.852.533	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	4.734.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.650.648	
Tier II Capital Before Deductions	7.384.648	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	7.384.648	
Total Capital (The sum of Tier I Capital and Tier II Capital)	50.237.181	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	3.508	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Deduct Components		
The Sum of net long positions of investments (the portion which exceeds the 10 % of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Prior Period 31 December 2018	Amounts related to treatment before 1/1/2014 (*)
TOTAL CAPITAL		
Total Capital	50.233.673	
Total risk weighted amounts	299.614.763	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	14,30%	
Tier 1 Capital Adequacy Ratio	14,30%	
Capital Adequacy Ratio	16,77%	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	3,43%	
a) Capital conservation buffer requirement (%)	1,88%	
b) Bank specific total common equity tier 1 capital ratio (%)	0,05%	
c) Systemic significant bank buffer ratio (%)	1,50%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,30%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	143.808	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4.040.886	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2.650.648	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

b. Information about instruments that will be included in total capital calculation:

**Current Period
31 December 2019**

Details on Subordinated Liabilities:	
Issuer	AKBANK T.A.Ş
Identifier(s) [CUSIP, ISIN vb.]	XS1574750292 / US00972BAB53
Governing law (s) of the instrument	Subject to British Common Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Debt Instruments Disclosure of the Capital Markets Board and the Regulation on Equities of Banks of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Unconsolidated and Consolidated
Instrument type	Subordinated Liabilities (Securities)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	2.960 million TL (in full TL amount)
Nominal value of instrument	2.960 million TL (in full TL amount)
Accounting classification of the instrument	Subordinated Loans [347011 Accounting Number]
Issuance date of instrument	15 March 2017
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year 1 day (Maturity date: 16 March 2027)
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 16.03.2022. The reimbursement amount is 2.960 million TL (in full TL amount)
Subsequent call dates, if applicable	-
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	7,2%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, type of instrument convertible into	None
If convertible, issuer of instrument to be converted into	None
Write-down feature	
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the debt instruments which are non-subordinated loans.
In compliance with article number 7 and 8 of " Own fund regulation "	The instrument is in compliance with article number 8.
Details of incompliance with article number 7 and 8 of " Own fund regulation "	The instrument is not in compliant with article numbered 7.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE**

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**Current Period
31 December 2019**

Details on Subordinated Liabilities:	
Issuer	AKBANK T.A.Ş
Identifier(s) [CUSIP, ISIN vb.]	XS1772360803 / US00972BAC37
Governing law (s) of the instrument	Subject to British Common Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Debt Instruments Disclosure of the Capital Markets Board and the Regulation on Equities of Banks of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Unconsolidated and Consolidated
Instrument type	Subordinated Liabilities (Securities)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	2.368 million TL (in full TL amount)
Nominal value of instrument	2.368 million TL (in full TL amount)
Accounting classification of the instrument	Subordinated Loans (347011 Accounting Number)
Issuance date of instrument	27 February 2018
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year 60 day (Maturity date: 27 April 2028)
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	There is an early repayment option on 27.04.2023. The reimbursement amount is 2.368 million TL (in full TL amount)
Subsequent call dates, if applicable	-
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6,8%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	None
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	None
If convertible, fully or partially	None
If convertible, conversion rate	None
If convertible, mandatory or optional conversion	None
If convertible, type of instrument convertible into	None
If convertible, issuer of instrument to be converted into	None
Write-down feature	
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the debt instruments which are non-subordinated loans.
In compliance with article number 7 and 8 of " Own fund regulation "	The instrument is in compliance with article number 8.
Details of incompliance with article number 7 and 8 of " Own fund regulation"	The instrument is not in compliant with article numbered 7.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

- c. The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from expected credit loss provisions arising from loans classified under stage I and stage II and subordinated loans. In the calculation of Total Capital, up to 1,25% of expected credit loss from stage 1 and stage 2 over the credit risk amount and subordinated loans with nominal amounts, by reducing 20% each year if the remaining maturity is 100% less than 5 year, are taken into consideration as Tier II Capital. Additionally, the losses reflected to equity under TAS which is subject to deduction from TIER I capital are determined by excluding the losses from cash flow hedging. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. EXPLANATIONS ON CREDIT RISK:

- a. Credit risk is the risk that the counterparties may be unable to meet the terms of their agreements. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers' financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously determined credit limits are constantly revised according to changing conditions. The type and amount of collateral and guarantees to be obtained are specified on a customer basis during the determination of credit limits.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is closely monitored.

For daily treasury operations limit allocation and follow-up is performed by the Treasury Business Unit.

Credit worthiness of loan and other receivable debtors are watched regularly and in line with related regulations. In case of an increase in credit debtor's risk level credit limits are re-determined or additional guarantee is taken. For new credit accounts, account follow-up documents are taken in accordance with the related regulation.

The explanations on definition of overdue and impaired loans and information related to impairment and loan loss provisions are provided in Note X-c-4-a of Section Four.

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount
Conditional and unconditional receivables from central governments and Central Banks	97.354.373	91.370.221
Conditional and unconditional receivables from regional or local governments	46.956	35.285
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	71.982	65.033
Conditional and unconditional receivables from multilateral development banks	308.019	75.974
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	71.920.955	91.586.364
Conditional and unconditional receivables from corporate	192.712.668	192.253.111
Conditional and unconditional receivables from retail portfolios	97.682.127	91.334.028
Conditional and unconditional receivables secured by mortgages	18.843.239	25.126.028
Past due receivables	6.791.236	4.907.979
Receivables defined under high risk category by BRSA	297.191	24.766
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	309.776	620.906
Equity security investments	242.192	210.687
Other receivables	11.470.950	11.269.941
Total	498.051.664	508.880.323

(*) The figures represent total risk amounts before Credit Risk Mitigation and before credit conversion factor.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

- b. Risk control limits exist that are placed against credit and market risk from of forward transaction and option agreements and other similar agreements. Control limits exist on forward and option agreements and other similar agreements. The undertaken credit risk of these types of instruments is managed together with market risk.
- c. The risks of the forward, option and other similar type agreements are followed regularly and as deemed necessary based on the credit risk, the risks are tried to be minimized.
- d. Non-cash loans turned into cash loans are included in the same risk group as overdue cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

Rescheduled or restructured loans are followed according to Group's credit risk management and follow-up principles. Relevant customer's financial status and commercial operations are constantly analyzed and payment schedule is closely monitored by related business segment. Monitoring continues until the receivables from the loans are completely collected.

The Group considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

- e. The Group's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies.

When considered within the financial activities of other financial institutions, the Group as an active participant in the national and international banking market is not exposed to a significant credit risk concentration.

As seen in the Group's balance sheet, the ratio of loans under follow-up to total loans is as low as 6,7% (31 December 2018: 3,9%).

- f. 1. The proportion of the Group's top 100 and 200 cash loan balances in total cash loans is 38% and 46% respectively (31 December 2018: 34% and 41%).
- 2. The proportion of the Group's top 100 and 200 customers' non-cash loan balances in total non-cash loans is 61% and 75% (31 December 2018: 66% and 81%).
- 3. The proportion of the Group's top 100 and 200 customers' cash and non-cash loan balances in total balance sheet assets and non-cash loans is 22% and 27% respectively. (31 December 2018: 22% and 38%).
- g. The Bank provided expected credit loss provision (Stage 1 and Stage 2) amounting to TL 4.067.766 (31 December 2018: TL 4.040.886).

h. Information on loan types and expected credit loss provisions:

Current Period- 31.12.2019	Commercial Loans		Consumer Loans		Credit Cards		Financial Lease			Total
	Balance	Expected Credit Loss	Balance	Expected Credit Loss	Balance	Expected Credit Loss	Balance	Expected Credit Loss	Balance	Expected Credit Loss
Loans	175.909.902	9.980.873	33.717.006	1.362.081	17.149.390	962.411	5.140.319	401.711	231.916.617	12.707.076
Stage 1	138.538.764	486.248	28.687.077	59.540	14.579.181	57.358	4.082.394	46.066	185.887.416	649.212
Stage 2	25.146.235	3.188.192	3.427.255	100.130	1.540.707	67.061	484.459	63.171	30.598.656	3.418.554
Stage 3	12.224.903	6.306.433	1.602.674	1.202.411	1.029.502	837.992	573.466	292.474	15.430.545	8.639.310
Financial Assets	101.850.036	185.359	-	-	-	-	-	-	101.850.036	185.359
Other	12.222.751	53.097	-	-	-	-	-	-	12.222.751	53.097
Non-Cash Loans	42.699.025	297.102	-	-	-	-	-	-	42.699.025	297.102
Stage 1 and 2	42.440.518	232.314	-	-	-	-	-	-	42.440.518	232.314
Stage 3	258.507	64.788	-	-	-	-	-	-	258.507	64.788
Total	332.681.714	10.516.431	33.717.006	1.362.081	17.149.390	962.411	5.140.319	401.711	388.688.429	13.242.634

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

i. Information on the expected credit loss of loans ():**

	Stage 1	Stage 2	Stage 3
Opening (31 December 2018)	737.932	2.863.613	4.880.901
Additions (*)	317.250	1.391.275	2.386.510
Disposals (**)	(207.625)	(1.061.581)	(216.050)
Effect of change in foreign exchange	28.776	174.315	-
Loans classified under Stage 1 in two periods (Model effect)	(126.320)	-	-
Loans classified under Stage 1 in two periods (Change in balance effect)	12.743	-	-
Transfers from Stage 1 to Stage 2 (Stating and balance change effect)	(107.971)	321.186	-
Loans classified under Stage 2 in two periods (Model effect)	-	(108.630)	-
Loans classified under Stage 2 in two periods (Change in balance effect)	-	681.674	-
Transfers from Stage 2 to Stage 1 (Stating and balance change effect)	18.434	(211.484)	-
Transfers from Stage 1 to Stage 3	(24.007)	-	514.588
Transfers from Stage 2 to Stage 3	-	(631.814)	2.267.496
Loans classified under Stage 2 in two periods (Change in balance and model effect)	-	-	646.088
Write-offs	-	-	(1.183.319)
Sold Portfolio effect	-	-	(656.904)
Closing (31 December 2019)	649.212	3.418.554	8.639.310

(*) Loans which are not included in the loan portfolio as of 31 December 2018 and included in the credit portfolio and calculated provision as of 31 December 2019.

(**) Loans which are included in the credit portfolio and calculated provisions as of 31 December 2018 but which are not included in the loan portfolio as of 31 December 2019.

(***) In the calculations the transitions between the records in both periods have been considered by making additions and disposals.

j. Information on movement of loans:

	Stage 1	Stage 2	Stage 3	Total
Opening (31 December 2018)	177.937.025	29.352.929	8.439.028	215.728.982
Additions	50.832.320	2.989.554	1.463.534	55.285.408
Disposals	(41.490.936)	(4.556.714)	(1.733.360)	(47.781.010)
Sold portfolio	-	-	(668.247)	(668.247)
Write-offs	-	-	(1.230.345)	(1.230.345)
Transfers to Stage 1	1.905.004	(1.905.004)	-	-
Transfers to Stage 2	(9.261.624)	9.261.624	-	-
Transfers to Stage 3	(1.883.739)	(7.276.196)	9.159.935	-
Foreign exchange effect	7.849.366	2.732.463	-	10.581.829
Closing (31 December 2019)	185.887.416	30.598.656	15.430.545	231.916.617

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

k. Information on debt securities, treasury bills and other eligible bills:

Current Period - 31 December 2019	Financial Assets at Fair Value Through P&L	Financial Assets at Fair Value Through Other Comprehensive Income	Financial Assets Measured at Amortised Cost	Total
Moody's Rating				
Aaa	170.485	2.319.297	334.259	2.824.041
Aa1, Aa2, Aa3	-	275.375	-	275.375
A1, A2, A3	-	272.190	-	272.190
Baa1, Baa2, Baa3	-	132.165	-	132.165
Ba1	-	-	-	-
Ba2	-	-	-	-
Ba3	-	-	-	-
B1, B2, B3	137.668	64.078.364	15.240.599	79.456.631
Total	308.153	67.077.391	15.574.858	82.960.402

Prior Period - 31 December 2018	Financial Assets at Fair Value Through P&L	Financial Assets at Fair Value Through Other Comprehensive Income	Financial Assets Measured at Amortised Cost	Total
Moody's Rating				
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	253.903	-	253.903
A1, A2, A3	-	239.278	-	239.278
Baa1, Baa2, Baa3	-	266.730	-	266.730
Ba1	-	840	-	840
Ba2	-	62.051	-	62.051
Ba3	22.006	37.193.092	9.754.326	46.969.424
B1, B2, B3	-	6.072.943	2.509.155	8.582.098
Total	22.006	44.088.837	12.263.481	56.374.324

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

I. Profile on significant risks in significant regions:

Current Period		Risk Categories (*)																
31 December 2019	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	91.717.587	46.956	67.698	-	-	17.779.105	166.660.994	62.043.382	18.274.516	6.424.337	121.833	-	-	-	309.776	241.585	11.470.950	375.158.719
European Union																		
Countries	3.314.123	-	-	125.617	-	28.477.684	9.122.925	20.687	16.018	366.875	-	-	-	-	-	607	-	41.444.536
OECD Countries(**)	-	-	-	-	-	1.316.943	59.401	5.292	2.048	-	-	-	-	-	-	-	-	1.383.684
Off- Shore Regions	-	-	-	-	-	195.389	35.709	57	171	-	-	-	-	-	-	-	-	231.326
USA, Canada	2.321.359	-	-	-	-	8.613.520	435	9.652	986	1	-	-	-	-	-	-	-	10.945.953
Other Countries	1	-	-	182.402	-	766.566	814.246	9.222	3.529	23	-	-	-	-	-	-	-	1.775.989
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	97.353.070	46.956	67.698	308.019	-	57.149.207	176.693.710	62.088.292	18.297.268	6.791.236	121.833	-	-	-	309.776	242.192	11.470.950	430.940.207
Prior Period		Risk Categories (*)																
31 December 2018	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	76.995.418	26.833	10.949	-	-	15.915.706	161.250.081	55.944.935	27.395.994	3.033.045	-	-	-	-	458.683	18.529	9.746.187	350.796.360
European Union																		
Countries	2.170.940	-	-	-	-	31.340.941	7.622.381	20.869	11.903	519.818	-	-	-	-	-	607	-	41.687.458
OECD Countries(**)	-	-	-	-	-	3.576.357	47.605	2.110	3.047	5	-	-	-	-	-	-	-	3.629.124
Off- Shore Regions	-	-	-	-	-	117.626	-	86	228	-	-	-	-	-	-	-	-	117.939
USA, Canada	-	-	-	-	-	9.833.594	342.600	3.164	1.464	9	-	-	-	-	-	-	-	10.180.830
Other Countries	-	-	-	-	-	664.092	1.112.998	9.299	5.044	7.463	-	-	-	-	-	-	-	1.798.895
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	79.166.358	26.833	10.949	-	-	61.448.315	170.375.664	55.980.463	27.417.679	3.560.340	-	-	-	-	458.683	19.135	9.746.187	408.210.606

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

- | | |
|--|--|
| 1. Conditional and unconditional receivables from central governments and Central Banks | 9. Conditional and unconditional receivables secured by mortgages |
| 2. Conditional and unconditional receivables from regional or local governments | 10. Past due receivables |
| 3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | 11. Receivables defined under high risk category by BRSA |
| 4. Conditional and unconditional receivables from multilateral development banks | 12. Securities collateralized by mortgages |
| 5. Conditional and unconditional receivables from international organizations | 13. Securitization positions |
| 6. Conditional and unconditional receivables from banks and brokerage houses | 14. Short-term receivables from banks, brokerage houses and corporates |
| 7. Conditional and unconditional receivables from corporates | 15. Investments similar to collective investment funds |
| 8. Conditional and unconditional receivables from retail portfolios | 16. Equity security transactions |
| | 17. Other receivables |

(**) EU countries, OECD countries other than USA and Canada

(***) Assets and liabilities that are not distributed according to a consistent principle

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

m. Risk Profile according to sectors and counterparties:

Current Period	Risk Classifications (*)																	TL	FC	Total
	31 December	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
Agricultural	-	-	-	-	-	-	55.629	291.397	76.017	12.616	101	-	-	-	-	-	-	435.720	40	435.760
Farming and raising livestock	-	-	-	-	-	-	27.206	212.570	52.540	9.341	27	-	-	-	-	-	-	301.644	40	301.684
Forestry	-	-	-	-	-	-	28.274	75.004	22.375	3.265	67	-	-	-	-	-	-	128.985	-	128.985
Fishing	-	-	-	-	-	-	149	3.823	1.102	10	7	-	-	-	-	-	-	5.091	-	5.091
Manufacturing	-	-	-	-	-	-	58.454.196	6.023.369	2.997.518	1.454.423	14.431	-	-	-	-	-	-	68.442.499	501.438	68.943.937
Mining	-	-	-	-	-	-	2.043.228	192.766	100.491	301.965	246	-	-	-	-	-	-	2.630.751	7.945	2.638.696
Production	-	-	-	-	-	-	35.342.204	5.699.240	2.824.952	658.513	7.596	-	-	-	-	-	-	44.052.935	479.570	44.532.505
Electricity, Gas, Water	-	-	-	-	-	-	21.068.764	131.363	72.075	493.945	6.589	-	-	-	-	-	-	21.758.813	13.923	21.772.736
Construction	-	-	63	-	-	-	29.986.489	2.114.850	2.228.573	2.209.993	75.727	-	-	-	-	-	-	36.553.042	62.653	36.615.695
Services	1.145	46.956	18.057	308.019	-	56.987.549	79.043.025	15.752.498	6.236.244	2.428.649	28.591	-	-	-	-	9.642	-	160.645.967	214.408	160.860.375
Wholesale and Retail Trade	-	-	83	-	-	-	23.504.697	12.637.745	3.825.132	1.159.565	23.779	-	-	-	-	-	-	41.004.137	146.864	41.151.001
Hotel,Food,Beverage Services	-	-	-	-	-	-	3.730.558	831.593	1.093.099	427.885	930	-	-	-	-	-	-	6.031.947	52.118	6.084.065
Transportation and Telecommunication	1.123	-	-	-	-	-	14.193.188	1.052.774	369.762	112.482	1.094	-	-	-	-	-	-	15.717.354	13.069	15.730.423
Financial Institutions	-	-	-	308.019	-	56.987.549	28.170.919	64.325	38.880	474.731	691	-	-	-	-	7.818	-	86.052.732	200	86.052.932
Real Estate and Lending Services	-	-	-	-	-	-	6.745.935	93.434	395.312	147.240	46	-	-	-	-	-	-	7.381.956	11	7.381.967
Self employment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service	-	-	276	-	-	-	628.030	140.758	30.847	718	18	-	-	-	-	-	-	800.456	191	800.647
Education Service	22	-	551	-	-	-	321.140	240.401	155.596	68.367	411	-	-	-	-	-	-	786.421	67	786.488
Health and social Services	-	46.956	17.147	-	-	-	1.748.558	691.468	327.616	37.661	1.622	-	-	-	-	1.824	-	2.870.964	1.888	2.872.852
Other	97.351.925	-	49.578	-	-	161.658	9.154.371	37.906.178	6.758.916	685.555	2.983	-	-	-	309.776	232.550	11.470.950	164.037.212	47.228	164.084.440
Total	97.353.070	46.956	67.698	308.019	-	57.149.207	176.693.710	62.088.292	18.297.268	6.791.236	121.833	-	-	-	309.776	242.192	11.470.950	430.114.440	825.767	430.940.207

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

- | | |
|--|--|
| 1. Conditional and unconditional receivables from central governments and Central Banks | 9. Conditional and unconditional receivables secured by mortgages |
| 2. Conditional and unconditional receivables from regional or local governments | 10. Past due receivables |
| 3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | 11. Receivables defined under high risk category by BRSA |
| 4. Conditional and unconditional receivables from multilateral development banks | 12. Securities collateralized by mortgages |
| 5. Conditional and unconditional receivables from international organizations | 13. Securitization positions |
| 6. Conditional and unconditional receivables from banks and brokerage houses | 14. Short-term receivables from banks, brokerage houses and corporates |
| 7. Conditional and unconditional receivables from corporates | 15. Investments similar to collective investment funds |
| 8. Conditional and unconditional receivables from retail portfolios | 16. Equity security transactions |
| | 17. Other receivables |

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior Period	Risk Classifications (*)																	TL	FC	Total
	31 December	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
Agricultural	-	-	-	-	-	-	43.730	308.527	80.214	3.985	-	-	-	-	-	-	-	424.317	12.139	436.456
Farming and raising livestock	-	-	-	-	-	-	29.791	222.964	59.031	2.812	-	-	-	-	-	-	-	314.449	149	314.597
Forestry	-	-	-	-	-	-	2.247	81.739	20.330	1.155	-	-	-	-	-	-	-	104.932	539	105.470
Fishing	-	-	-	-	-	-	11.692	3.824	854	18	-	-	-	-	-	-	-	4.936	11.452	16.389
Manufacturing	-	-	105	-	-	-	61.321.149	5.365.979	3.764.681	767.910	-	-	-	-	-	-	-	28.440.149	42.779.674	71.219.824
Mining	-	-	-	-	-	-	2.345.366	182.586	124.645	4.216	-	-	-	-	-	-	-	780.371	1.876.443	2.656.813
Production	-	-	105	-	-	-	38.884.118	5.007.822	3.488.272	319.104	-	-	-	-	-	-	-	21.991.574	25.707.847	47.699.421
Electricity, Gas, Water	-	-	-	-	-	-	20.091.665	175.571	151.764	444.589	-	-	-	-	-	-	-	5.668.205	15.195.385	20.863.589
Construction	-	-	-	-	-	-	31.259.773	2.664.795	3.967.062	545.375	-	-	-	-	-	-	-	17.566.335	20.870.670	38.437.005
Services	1.142	26.833	3.110	-	-	61.413.582	69.284.113	15.708.562	11.192.281	1.758.578	-	-	-	-	-	6.880	-	67.555.790	91.839.290	159.395.080
Wholesale and Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade	-	-	86	-	-	-	22.751.575	12.698.399	4.548.214	648.005	-	-	-	-	-	-	-	32.171.130	8.475.149	40.646.279
Hotel,Food,Beverage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	3.849.583	667.979	1.757.253	339.119	-	-	-	-	-	-	-	3.619.896	2.994.038	6.613.934
Transportation and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication	1.123	-	-	-	-	-	12.435.122	1.130.440	255.169	86.853	-	-	-	-	-	-	-	2.258.446	11.650.260	13.908.706
Financial Institutions	-	-	-	-	-	61.413.569	22.456.339	37.606	3.696.818	526.883	-	-	-	-	-	5.056	-	25.102.152	63.034.120	88.136.272
Real Estate and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending Services	-	-	-	-	-	-	5.364.827	98.369	250.625	63.633	-	-	-	-	-	-	-	1.115.052	4.662.402	5.777.454
Self employment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service	-	-	168	-	-	-	680.523	120.902	128.713	905	-	-	-	-	-	-	-	379.370	551.841	931.211
Education Service	18	-	864	-	-	-	276.354	232.764	231.678	54.601	-	-	-	-	-	-	-	698.006	98.273	796.279
Health and social	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	1	26.833	1.991	-	-	14	1.469.790	722.102	323.810	38.580	-	-	-	-	-	1.824	-	2.211.738	373.206	2.584.944
Other	79.165.216	-	7.735	-	-	34.733	8.466.899	31.932.600	8.413.441	484.492	-	-	-	-	458.683	12.255	9.746.187	91.786.395	46.935.846	138.722.241
Total	79.166.358	26.833	10.949	-	-	61.448.315	170.375.664	55.980.463	27.417.679	3.560.340	-	-	-	-	458.683	19.135	9.746.187	205.772.986	202.437.620	408.210.606

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks."

- | | |
|--|--|
| 1. Conditional and unconditional receivables from central governments and Central Banks | 9. Conditional and unconditional receivables secured by mortgages |
| 2. Conditional and unconditional receivables from regional or local governments | 10. Past due receivables |
| 3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | 11. Receivables defined under high risk category by BRSA |
| 4. Conditional and unconditional receivables from multilateral development banks | 12. Securities collateralized by mortgages |
| 5. Conditional and unconditional receivables from international organizations | 13. Securitization positions |
| 6. Conditional and unconditional receivables from banks and brokerage houses | 14. Short-term receivables from banks, brokerage houses and corporates |
| 7. Conditional and unconditional receivables from corporates | 15. Investments similar to collective investment funds |
| 8. Conditional and unconditional receivables from retail portfolios | 16. Equity security transactions |
| | 17. Other receivables |

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

n. Term distribution of risks with term structure:

31 December 2019 Risk Categories	Time to Maturity					Unallocated
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year	
Conditional and unconditional receivables from central governments and Central Banks	3.359.347	28.455.458	8.537.754	7.367.603	49.632.908	-
Conditional and unconditional receivables from regional or local governments	-	-	5.864	-	41.092	-
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	6.186	25.411	622	10	35.469	-
Conditional and unconditional receivables from multilateral development banks	33.893	-	182.402	91.724	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	20.026.961	2.565.421	4.845.821	1.232.966	28.478.038	-
Conditional and unconditional receivables from corporates	14.762.574	12.659.176	12.863.559	29.516.970	106.891.431	-
Conditional and unconditional receivables from retail portfolios	1.132.414	1.878.208	18.233.842	6.801.148	34.042.680	-
Conditional and unconditional receivables secured by mortgages	468.617	648.035	1.069.552	2.127.032	13.984.032	-
Past due receivables	-	-	-	-	-	6.791.236
Receivables defined under high risk category by BRSA	5.745	16.318	7.792	17.651	74.327	-
Securities collateralized by mortgages	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	309.273	503	-	-	-	-
Equity security investments	-	-	-	-	-	242.192
Other Receivables	-	-	-	-	-	11.470.950
Total	40.105.010	46.248.530	45.747.208	47.155.104	233.179.977	18.504.378

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

o. Explanations regarding risk categories mentioned in 6th clause of Capital Adequacy Measurement and Evaluation Communiqué:

Ratings given by Fitch Ratings are used in determining risk weight class of the counterparties. The ratings of Fitch Ratings are used for Banks and Corporate Receivables asset class and are limited to receivables that have counterparties abroad. If the risk weight class solely consists of receivables from central governments and central banks, the credit ratings of the countries are taken into account. Below are the Credit Quality Degrees corresponding to Fitch Ratings.

Ratings to be matched	Credit Quality Degrees	Fitch
Ratings of long-term credits	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below
Ratings of short-term credits	1	F1+ and F1
	2	F2
	3	F3
	4	Below F3
	5	---
	6	---
Long-term securitization position ratings	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and below
Short-term securitization position ratings	1	F1+ and F1
	2	F2
	3	F3
	Diğerleri	F3 below
Matchings regarding collective investment institutes	1	AAA and AA-
	2	A+ and A-
	3	BBB+ and BBB-
	4	BB+ and BB-
	5	B+ and B-
	6	CCC+ and below

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

p. Risk amounts according to risk weights:

31 December 2019	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted from Equity
Risk Weights														
Amount Before Credit Risk Mitigation														
Mitigation	81.073.391	86.190	487.106	-	20.896.915	-	30.739.298	72.148.153	224.290.225	1.218.929	-	-	-	1.649
Amount After Credit Risk Mitigation														
Risk Mitigation	84.060.602	86.190	487.106	-	20.526.708	8.223.761	29.925.125	59.532.687	212.594.944	926.045	-	-	-	1.649

(*) In accordance with the Regulation on Measurement and Evaluation of Banks' Capital Adequacy risk weights of 2% and 4% have been added to the Calculation of the Capital Liability for Risks Arising from Central Counterparties as of the current period.

r. Miscellaneous information regarding important sectors or counterparty type ():**

31 December 2019 Sectors / Counterparties	Loans (*)		Provisions (*)
	Impaired		
	Significant Increase in Credit Risk (Stage II)	Credit-Impaired Losses (Stage III / Specific Provision)	Expected Credit Loss Provisions
Agricultural	58.081	33.929	24.277
Farming and raising livestock	51.186	26.154	19.385
Forestry	6.374	7.701	4.764
Fishing	521	74	128
Manufacturing	4.683.627	2.865.654	2.306.420
Mining	139.659	420.559	132.325
Production	2.263.496	1.573.654	1.139.861
Electricity, Gas, Water	2.280.472	871.441	1.034.234
Construction	6.274.205	4.928.768	3.250.336
Services	4.013.637	4.952.841	3.116.192
Wholesale and Retail Trade	2.085.392	2.839.508	1.864.905
Hotel, Food, Beverage Services	688.496	566.323	204.938
Transportation and Telecommunication	274.216	233.895	143.252
Financial Institutions	119.540	997.059	535.481
Real Estate and Lending Service	92.424	99.131	97.671
Self Employment Service	9.834	4.391	4.213
Education Service	86.745	115.569	56.515
Health and social services	656.990	96.965	209.217
Other	15.569.106	2.649.353	3.360.639
Total	30.598.656	15.430.545	12.057.864

(*) Breakdown of cash loans

(**) The balances of loans at fair value profit or loss has not been included.

s. Information related to impairment and loan loss provisions:

31 December 2019	Opening balance	Provisions reserved during the period	Provision reversals	Other adjustments (*)	Closing balance
Specific Provisions (Stage 3)	4.880.901	7.423.336	(1.824.705)	(1.840.222)	8.639.310
Expected Credit Losses (Stage 1 and Stage 2)	3.601.545	466.221	-	-	4.067.766

(*) Presents the Write-Offs and Sales from Loans under Follow-up portfolio.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

t. Risk involved in counter-cyclical capital buffer calculation:

31 December 2019

Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	219.010.964	6.415.404	225.426.368
Ireland	5.724.999	17.625	5.742.624
Holland	1.633.627	73	1.633.700
Great Britain	1.186.601	23.572	1.210.173
Russian Federation	441.317	25.519	466.836
Luxemburg	461.286	-	461.286
France	240.871	-	240.871
USA	178.647	-	178.647
Croatia	124.325	-	124.325
Egypt	51.808	11.344	63.152
Other	218.580	2.055	220.635

III. EXPLANATIONS ON CURRENCY RISK

The difference between the Group's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. The Bank keeps the foreign exchange exposure amount within the limits set by the ERC. The ERC, taking into account the economic conditions and market developments, sets a limit for the size of a foreign exchange exposure. Those limits are individually determined and followed for both the net overall foreign currency position and for the foreign exchange exposure. Derivative financial instruments like forward foreign exchange contracts and currency swaps are used as tools for foreign exchange exposure management.

The Parent Bank's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below:

	USD	EURO
Balance Sheet Evaluation Rate	TL 5,9200	TL 6,6397
1.Day bid rate	TL 5,9200	TL 6,6397
2.Day bid rate	TL 5,9402	TL 6,6506
3.Day bid rate	TL 5,9370	TL 6,6117
4.Day bid rate	TL 5,9370	TL 6,6117
5.Day bid rate	TL 5,9370	TL 6,6117

The simple arithmetic average of the Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are presented in the table below:

USD : TL 5,8408
 EURO : TL 6,4922

As of 31 December 2018;

	USD	EURO
Balance Sheet Evaluation Rate	TL 5,2600	TL 6,0182

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Information related to Group's Currency Risk:

The table below summarizes the Group's net foreign currency position, categorized by currency. Foreign currency indexed assets are classified as Turkish Lira assets according to the Uniform Chart of Accounts. In currency risk calculation, foreign currency indexed assets are considered as foreign currency items. In accordance with the "Communiqué on Calculation of Foreign Currency Net Position/Capital Standard Ratio by banks in stand-alone and consolidated basis"; prepaid expenses in assets and and shareholders' equity in liabilities are excluded in the currency risk calculation. Therefore, there are differences between the amounts of foreign currency denominated assets and liabilities demonstrated on the table below and the amounts on the balance sheet.

Current Period – 31 December 2019	EURO	USD	Other FC	Total
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	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) (*****)	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
Financial Derivative Assets	37.973.894	85.934.310	7.222.087	131.130.291
Financial Derivative Liabilities	39.649.374	55.235.656	2.281.333	97.166.363
Non-cash Loans	10.952.020	11.192.434	648.798	22.793.252
Prior Period – 31 December 2018				
Total Assets	72.825.804	96.596.689	5.912.155	175.334.648
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 (*****)	(13.231.094)	38.120.115	831.974	25.720.995
Financial Derivative Assets	33.384.001	107.101.730	3.366.893	143.852.624
Financial Derivative Liabilities	46.615.095	68.981.615	2.534.919	118.131.629
Non-cash Loans	13.863.804	16.296.526	513.021	30.673.351

(*) Of the Cash Equivalents and Central Bank and Other FC, TL 1.224.161 (31 December 2018: TL 3.490.205) are precious metal deposit account in demand.

(**) The foreign currency indexed loans balance in the Turkish Lira accounts is TL 936.478 (31 December 2018: TL 3.062.779).

(***) Derivative financial assets and expected credit losses are classified under other assets. The expected loss amount of foreign currency indexed loans balance is TL 17.794 (31 December 2018: TL 120.518). Prepaid assets amounted TL 62.849 (31 December 2018: TL 86.577) is excluded in the financial statements.

(****) Of Bank Deposits Other FC of the TL 3.314 (31 December 2018: TL 1.892) and the foreign currency deposits TL 4.491.847 (31 December 2018: TL 2.484.399) are precious metal deposit account in demand.

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

(*****) 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.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Currency risk sensitivity analysis:

The following table details the Parent Bank's sensitivity to a 10% change in exchange rates:

	Effect on Profit/Loss(*)
	Current Period
Change in exchange rate	31 December 2019
(+) 10%	20.415
(-) 10%	(20.415)

(*) Presents amounts before Tax.

	Effect on Profit/Loss(*)
	Prior Period
Change in exchange rate	31 December 2018
(+) 10%	(16.444)
(-) 10%	16.444

(*) Presents amounts before Tax.

IV. EXPLANATIONS ON INTEREST RATE RISK:

"Interest Rate Risk" can be defined as the impact of interest rate changes on interest-sensitive asset and liability items of both on and off-balance sheets of the Group. The ERC sets limits for the interest rate sensitivity of on and off-balance sheet items and the sensitivity is closely monitored and reported weekly. In the case of high market fluctuations, daily transaction based reporting and analyses are made.

The Group manages the interest rate risk on a portfolio basis and tries to minimize the risk effect on the profitability, financial exposure and cash flows by applying different strategies. Basic methods such as using fixed or floating interest rates for different portfolios and maturities, setting the fixed margin in floating rates, or varying the rates for the short or long-term positions are applied actively.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

Current Period - 31 December 2019	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank Banks	726.416	-	-	-	-	29.167.513	29.893.929
Financial Assets at Fair Value Through Profit or Loss	3.978.963	13.417	-	-	-	13.948.294	17.940.674
Interbank Money Market Placements	20.042	2.672	6.860.315	121.421	27.121	233.268	7.264.839
Financial Assets at measured Fair Value Other Comprehensive Income	21.263	44.857	-	-	-	-	66.120
Loans (*)	5.617.995	5.626.542	20.937.234	25.214.664	9.680.956	441.049	67.518.440
Financial Assets measured at amortised cost	64.889.342	24.291.100	51.365.711	69.302.548	6.506.434	15.561.482	231.916.617
Other Assets (**)	2.843.838	1.155.013	6.008.502	4.907.947	659.558	-	15.574.858
	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) (***)	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 (****)	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

(*) 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 of 1 January 2018, said amount was indicated on "without interest" column since there is no other suitable column in the above table.

(**) Derivative financial assets and expected credit losses are classified under other assets.

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

(****) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

Prior Period – 31 December 2018	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing	Total
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							
Loss	7.759	4.134	10.113	-	-	156.810	178.816
Interbank Money Market Placements	544.657	-	-	-	-	-	544.657
Financial Assets at 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 (***)	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 (Net)	2.486.106	1.484.991	4.220.066	2.968.019	1.104.299	-	12.263.481
Other Assets (****)	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) (*)	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 (**)	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

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

(**) Shareholders' equity is presented under "Other liabilities" item at "Non-interest bearing" column.

(***) 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 of 1 January 2018, said amount was indicated on "without interest" column since there is no other suitable column in the above table.

(****) Derivative financial assets and expected credit losses are classified under other assets.

b. Average interest rates for monetary financial instruments (%):

Average interest rates in the above tables are the weighted average rates of the related balance sheet items.

Current Period – 31 December 2019	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	-	-	10,00
Banks	0,03	1,41	-	10,70
Financial Assets at Fair Value Through Profit or Loss	0,90	5,62	-	11,17
Interbank Money Market Placements	-	-	-	17,78
Financial Assets at Fair Value Other Comprehensive Income	2,70	5,20	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
Liabilities				
Bank Deposits (**)	0,05	2,15	-	9,43
Other Deposits (**)	0,36	1,70	-	8,42
Funds from Interbank Money Market	0,21	2,34	-	9,64
Miscellaneous Payables	-	2,16	-	-
Marketable Securities Issued (Net) (*)	4,00	5,68	-	12,14
Borrowings	2,11	4,08	-	13,12

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

(**) Demand deposit balances are included in average interest rate calculation.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior Period – 31 December 2018	EURO	USD	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	2,00	-	13,00
Banks	0,22	2,35	-	23,83
Financial Assets at Fair Value Through Profit or Loss	-	-	-	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	-	26,70
Liabilities				
Bank Deposits (**)	0,26	3,51	-	22,55
Other Deposits (**)	0,90	3,42	0,01	17,18
Funds from Interbank Money Market	0,15	3,19	-	23,80
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net) (*)	4,00	5,63	1,29	19,42
Borrowings	2,32	4,57	-	14,04

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

(**) Demand deposit balances are included in average interest rate calculation.

V. EXPLANATIONS ON POSITION RISK OF EQUITY SECURITIES:

The Bank doesn't have any subsidiaries and affiliates that are traded on the "BIST".

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO:

The liquidity risk of the Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. Liquidity risk arises from situations in which the Bank is unable to meet the cash outflows with its cash sources and borrowing opportunities over collateralizing marketable securities, in case of sudden fund withdrawals by the individual/institutional funders of the Bank.

a) Information on risk capacity of the Bank, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Bank's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet Bank's liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Bank has capacity to meet a high risk with broad and stable deposit, strong base capital structure and diversified foreign borrowing sources and is capable of providing additional liquidity with high quality liquid securities in its portfolio and available limits at both the Central Bank of Turkey and other Money markets.

Management of liquidity risk is shared by the ERC, ALCO, Treasury Department and Risk Management Department. The ERC determines the liquidity management policies and the appropriate liquidity risk level in line with the Bank's risk appetite and monitors whether the liquidity risk is managed under the framework of determined policies and within the defined limits.

The different categories of defined limits are;

- Limits related to wholesale funding sources,
- Limits related to liquid asset buffer,
- Limits related to the cash inflows coverage capacity to cash outflows,
- Limits related to cash outflow coverage capacity in the stress environment.

ALCO takes decision to use alternative funding sources, pricing of obtained funds and granted loans, and other decisions of Daily liquidity management. Treasury Department ensures that the Bank meets its short, middle and long term liabilities, with the transactions made in accordance with ALCO decisions order to utilize excess funding or close the funding gap, occurring on foreign currencies or maturity terms. Risk Management Department measures and monitors the liquidity risk, with the reports prepared and analyses made, and informs the top management. Liquidity risk reporting consists of periodic and special

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

purpose reports prepared to be discussed in the ERC and ALCO meetings, stress tests, scenario analyses, risk limit compliance reports and legal liquidity reports.

b) Information on the centralization degree of liquidity management and funding strategy and the functioning between the Bank and the Bank's subsidiaries:

Each of the Bank's subsidiaries within the consolidation scope manages its own liquidity. Nevertheless, there are defined limits related to the funding amount that the Bank will provide to a subsidiary, in case of liquidity issues. Cumulative liquidity gap resulted in stress scenarios of subsidiaries, should not exceed the fund limits provided by the Bank.

c) Information on the Bank's funding strategy including the policies on funding types and variety of maturities:

The Bank targets to obtain additional funding sources besides the strong capital structure, from the most possible diversified, long term stable sources, considering cost factors. In this direction, concentration ratios such as share of retail funding sources in total funding sources, share of deposits of high amount in total deposits, share of borrowings made from the market in total market volume are monitored and limited with the applied risk limits. Treasury Unit performs necessary work to obtain long term foreign funding.

d) Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Bank's total liabilities:

Almost all of the Bank's liabilities are in TL, USD or EUR currencies and TL funds comprise of mainly equity and deposits. The Bank's liquidity in TL is managed with repurchase agreements made at CBRT/BIST using high quality securities owned by the Bank. Together with keeping the main purpose as using liabilities in TL in funding assets in TL, foreign currency liabilities are used in creating assets in TL using foreign exchange swaps, when necessary. Liquidity management is performed in the scope of internal risk limits, such as short term borrowing limits from markets determined by the Bank, market concentration limits, liquidity stress scenario, and cumulative liquidity gap.

Foreign currency funds are obtained through foreign exchange deposit accounts, foreign based, foreign currency loans, securities issued and repurchase agreements. Foreign currency liquidity management is performed using internal risk limits defined for liquidity buffer kept at correspondent banks and monitored daily in the scope of the Bank's risk limits, and cumulative gap in the scope of liquidity stress scenario, and other risk limits defined for wholesale funding and concentration. The Bank has available foreign currency borrowing limits at CBRT/BIST and other banks.

e) Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposit.

f) Information on the use of stress tests:

In cases of negative conditions such as an impairment in the securities in the Bank's portfolio, inability to replace short and long term borrowings, fast cash outflow, increase in non-performing loan ratio, high margin calls, the extent and duration of sufficient liquidity is analyzed by the stress tests made by the Risk Management Department. Risk limits determined according to analysis results exist within the Bank. It is ensured that the necessary actions are taken by sharing the analysis results and risk limit compliance status with the ALCO, ERC and related business units.

g) General information on urgent and unexpected liquidity situation plans:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity Contingency Plan, which is approved and reviewed every year by the ERC. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. In case one or several emergency situations occur, Bank's Liquidity Contingency Plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Liquidity Coverage Ratio:

	Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
	TL+FC	FC	TL+FC	FC
Current Period – 31 December 2019				
HIGH QUALITY LIQUID ASSETS (HQLA)				
1	High quality liquid assets		77.855.943	41.149.120
CASH OUTFLOWS				
2	Retail and Customers Deposits		13.890.847	8.473.834
3	Stable deposits		1.374.440	-
4	Less stable deposits		12.516.407	8.473.834
5	Unsecured Funding other than Retail and Small Business Customers Deposits		43.041.388	27.745.563
6	Operational deposits		-	-
7	Non-Operational Deposits		35.863.380	23.674.808
8	Other Unsecured Funding		7.178.008	4.070.755
9	Secured funding		516.999	516.999
10	Other Cash Outflows		75.358.359	44.411.019
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions		74.337.000	43.465.453
12	Debts related to the structured financial products		10.370	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities		1.010.989	945.566
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments		50.232	-
15	Other irrevocable or conditionally revocable commitments		2.814.956	527.831
16	TOTAL CASH OUTFLOWS		135.672.781	81.675.246
CASH INFLOWS				
17	Secured Lending Transactions		-	-
18	Unsecured Lending Transactions		22.930.327	12.931.479
19	Other contractual cash inflows		70.537.808	52.746.244
20	TOTAL CASH INFLOWS		93.468.135	65.677.723
			Upper limit applied amounts	
21	TOTAL HQLA STOCK		83.535.258	41.642.153
22	TOTAL NET CASH OUTFLOWS		42.204.646	20.418.811
23	Liquidity Coverage Ratio (%)		198,10	204,05

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior Period - 31 December 2018	Rate of "Percentage to be taken into account" not Implemented Total value (*)		Rate of "Percentage to be taken into account" Implemented Total value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 High quality liquid assets			62.115.029	41.023.489
CASH OUTFLOWS				
2 Retail and Customers Deposits	135.961.243	70.812.253	12.528.138	7.081.225
3 Stable deposits	21.359.720	-	1.067.986	-
4 Less stable deposits	114.601.523	70.812.253	11.460.152	7.081.225
5 Unsecured Funding other than Retail and Small Business Customers Deposits	76.724.402	54.574.871	38.672.168	26.678.979
6 Operational deposits	-	-	-	-
7 Non-Operational Deposits	73.644.112	54.302.703	36.742.368	26.408.105
8 Other Unsecured Funding	3.080.290	272.168	1.929.800	270.874
9 Secured funding	-	-	55.501	55.501
10 Other Cash Outflows	62.457.150	40.461.061	52.748.041	31.451.064
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	51.674.570	30.452.091	51.674.570	30.452.091
12 Debts related to the structured financial products Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
13 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	10.782.580	10.008.970	1.073.471	998.973
14 Other irrevocable or conditionally revocable commitments	775.027	-	38.751	-
15	62.153.153	17.346.360	3.107.658	867.318
16 TOTAL CASH OUTFLOWS			107.150.257	66.134.087
CASH INFLOWS				
17 Secured Lending Transactions	3.774.025	3.774.025	-	-
18 Unsecured Lending Transactions	41.387.759	28.394.466	33.782.118	26.630.775
19 Other contractual cash inflows	45.640.815	29.873.356	45.637.514	29.873.279
20 TOTAL CASH INFLOWS	90.802.599	62.041.847	79.419.632	56.504.054
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			62.115.029	41.023.489
22 TOTAL NET CASH OUTFLOWS			28.967.779	16.533.522
23 Liquidity Coverage Ratio (%)			216,23	248,58

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in one month maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, corporate deposits, bank deposits, foreign funds and borrowings from banks. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

Periodic increases are observed in the liquidity coverage ratio during the weeks where the foreign currency reserve option is used in reserve requirements in CBRT, high amounts are maintained in bank placements or repurchase agreement volume decreases, on the other hand, fluctuations may occur in the liquidity coverage ratio during the weeks where the share of corporate or bank funds increase, or long term foreign funds which are replaced when due, such as syndicated loans are due in one month. Despite these fluctuations, it is observed that the ratio does not decrease below 194% during the period and remain at a quite higher level that the legal lower limit.

Although the derivative transactions create net cash flow of small amount in terms of total liquidity coverage ratio, fluctuations in foreign currency derivative transactions, especially in foreign exchange swaps cause the foreign currency liquidity coverage ratio to be affected.

The Bank's high quality liquid assets mainly comprise of CBRT accounts by 37% and securities issued by Treasury of Republic of Turkey by 54%. Funding sources are mainly distributed between individual and retail deposits by 64%, corporate deposits by 26%, borrowings from banks by 3% and collateralized borrowings such as repurchase agreements by 1%.

Cash outflow amounting to TL 1.760 million is calculated based on the change of margin call amounts of derivative transactions and repurchase agreements during the last two years.

Akbank AG, part of the consolidation group and has an effect on liquidity coverage ratio in respect of its size, is subject to legal liquidity ratio projected by regulatory authority situated in its business location. In respect of its long term deposit insurance and borrowing structure which is hard to withdraw before maturity because of legal regulations, consolidated liquidity coverage ratio is higher than unconsolidated ratio.

In accordance with the "Regulation On Calculation of Bank's Liquidity Coverage Ratio", published in Official Gazette no. 28948, dated 21 March 2014, liquidity coverage ratio is calculated for the last three months are presented below.

Current Period - 31.12.2019

	TL+FC	FC
October	195,97	222,89
November	194,26	205,87
December	204,07	183,38

Prior Period - 31.12.2018

	TL+FC	FC
October	205,37	246,10
November	245,86	274,78
December	197,45	224,87

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

Breakdown of assets and liabilities according to their outstanding maturities:

Current Period – 31 December 2019	Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Unallocated	Total
Assets								
Cash Equivalents and Central Bank Banks	17.359.130	12.527.839	6.960	-	-	-	-	29.893.929
Financial Assets at Fair Value Through Profit or Loss	13.948.294	3.978.963	13.417	-	-	-	-	17.940.674
Interbank Money Market Placements	233.268	9.925	530	6.872.173	121.822	27.121	-	7.264.839
Financial Assets measured at other comprehensive income	-	21.263	44.857	-	-	-	-	66.120
Loans (*)	441.049	444.121	2.126.573	13.755.388	38.853.989	11.897.320	-	67.518.440
Financial Assets measured at amortised cost	130.937	50.318.181	24.201.764	42.137.606	78.158.642	21.538.941	15.430.546	231.916.617
Other Assets (**)	-	147.301	280.173	3.752.287	10.735.539	659.558	-	15.574.858
Other Assets (**)	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
Borrowings	51.713.242	132.490.853	33.937.379	11.321.205	7.493.410	980.691	-	237.936.780
Funds from Interbank Money Market	-	370.785	2.700.010	13.921.226	14.187.643	3.656.817	-	34.836.481
Marketable Securities Issued (Net) (***)	-	1.209.681	654.391	2.253.559	4.236.210	1.752.709	-	10.106.550
Miscellaneous Payables	-	4.474.181	1.136.750	246.560	4.878.115	8.182.873	-	18.918.479
Other Liabilities (****)	610.543	298.188	145.697	282.834	2.001.636	703.013	5.110.951	9.152.862
Other Liabilities (****)	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)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	461.971	525.869	210.967	5.920.462	2.846.529	-	9.965.798
Financial Derivative Liabilities	-	57.483.288	27.843.540	44.927.036	94.048.788	56.042.115	-	280.344.767
Non-cash Loans (****)	-	2.447.214	203.957	6.506.926	12.239.893	21.301.035	-	42.699.025
Prior Period – 31 December 2018								
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
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)	-
Net Off-balance sheet Position	-	77.620	(1.315.703)	333.174	8.660.889	5.674.553	-	13.430.533
Financial Derivative Assets	-	72.096.655	34.606.470	46.684.420	101.972.261	65.710.763	-	321.070.569
Financial Derivative Liabilities	-	72.019.035	35.922.173	46.351.246	93.311.372	60.036.210	-	307.640.036
Non-cash Loans (****)	-	4.239.932	5.288.100	16.267.385	4.944.533	22.055.421	-	52.795.371

(*) Included lease receivables. The non-performing loans is presented "Unallocatable" column.

(**) 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.

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

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

(*****) Amounts related to Letters of Guarantee represent contractual maturity and related amounts. Amounts are demand and can be withdrawn optional.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

Breakdown of liabilities due to their remaining contractual maturities:

Current Period - 31 December 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	200.503.743	24.704.573	11.813.403	7.838.529	1.042.921	245.903.169
Funds borrowed from other financial institutions	408.290	2.902.877	14.913.116	16.061.358	3.884.442	38.170.083
Funds from interbank money market	1.212.743	681.306	2.368.909	4.455.719	1.877.196	10.595.873
Marketable Securities Issued (Net)	4.505.109	1.359.997	673.624	6.451.999	9.075.598	22.066.327

Prior Period - 31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Liabilities						
Deposits	160.497.771	24.443.993	19.238.430	5.752.733	572.306	210.505.233
Funds borrowed from other financial institutions	970.489	3.248.653	19.811.915	17.913.407	6.345.665	48.290.129
Funds from interbank money market	3.926.499	837.456	2.055.139	6.320.219	2.077.886	15.217.199
Marketable Securities Issued (Net)	626.698	2.583.448	1.142.470	14.146.698	2.880.523	21.379.837

Breakdown of derivative instruments due to their remaining contractual maturities:

Current Period - 31 December 2019	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
- Inflow	55.018.176	43.705.762	34.753.796	39.514.897	4.701.585
- Outflow	(54.997.273)	(41.973.311)	(39.769.422)	(39.770.648)	(4.522.721)
Interest rate derivatives:					
- Inflow	13.350	184.023	744.424	1.590.564	674.261
- Outflow	(16.355)	(200.297)	(675.078)	(1.472.805)	(619.052)
Derivatives held for hedging					
Foreign exchange derivatives:					
- Inflow	1.060.768	1.652.945	1.219.583	10.321.428	6.065.938
- Outflow	(470.411)	(1.506.372)	(1.626.145)	(8.640.972)	(6.010.963)
Interest rate derivatives:					
- Inflow	21.047	133.207	350.615	956.601	330.112
- Outflow	(10.645)	(155.872)	(543.770)	(1.460.712)	(606.412)
Total Inflow	56.113.341	45.675.937	37.068.418	52.383.490	11.771.896
Total Outflow	(55.494.684)	(43.835.852)	(42.614.415)	(51.345.137)	(11.759.148)

Prior Period - 31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 years	5 Years and Over
Derivatives held for trading					
Foreign exchange derivatives:					
- Inflow	68.810.593	58.496.001	51.520.970	50.226.799	6.755.663
- Outflow	(61.801.687)	(53.753.751)	(62.051.437)	(48.054.324)	(6.584.737)
Interest rate derivatives:					
- Inflow	61.522	183.587	902.044	2.343.890	1.115.964
- Outflow	(75.794)	(184.474)	(867.948)	(2.201.300)	(1.028.432)
Derivatives held for hedging					
Foreign exchange derivatives:					
- Inflow	25.513	126.593	5.367.326	8.792.627	5.741.823
- Outflow	(50.097)	(558.905)	(4.720.895)	(7.728.482)	(6.325.470)
Interest rate derivatives:					
- Inflow	34.098	194.215	597.285	1.649.181	443.294
- Outflow	(9.363)	(116.505)	(551.869)	(1.805.732)	(680.984)
Total Inflow	68.931.726	59.000.397	58.387.625	63.012.497	14.056.744
Total Outflow	(61.936.941)	(54.613.635)	(68.192.149)	(59.789.838)	(14.619.623)

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

VII. EXPLANATIONS ON LEVERAGE RATIO:

a. Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2019, leverage ratio of the Group calculated from the arithmetic average of the last 3 months is 10,71% (31 December 2018: 9,03%). This ratio is above the minimum ratio which is 3%.

b. Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS:

	Current Period 31 December 2019	Prior Period 31 December 2018 (**)
1 Total assets in the consolidated financial statements prepared in accordance with TAS (*)	387.775.601	371.069.543
2 Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	(143.000)	(106.333)
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	4.931.013	5.052.237
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(13.855.418)	(18.663.166)
5 Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(1.222.119)	(1.655.423)
6 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	121.029.921	136.053.411
7 Total Risk	498.515.998	491.750.269

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.

(**) The arithmetic average of the last 3 months in the related periods.

c. Disclosure of Leverage ratio template:

	Current Period 31 December 2019 (*)	Prior Period 31 December 2018 (*)
Balance sheet Assets		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	369.924.352	345.914.898
2 [Assets deducted from Core capital]	-	-
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	369.924.352	345.914.898
Derivative financial assets and credit derivatives		
4 Cost of replenishment for derivative financial assets and credit derivatives	12.695.680	16.077.472
5 Potential credit risk amount of derivative financial assets and credit derivatives	4.931.013	5.052.237
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	17.626.693	21.129.709
Financing transactions secured by marketable security or commodity		
7 Risk amount of financing transactions secured by marketable security or commodity	1.841.829	3.552.867
8 Risk amount arising from intermediary transactions	-	-
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	1.841.829	3.552.867
Off-balance sheet transactions		
10 Gross notional amount of off-balance sheet transactions	110.345.243	122.808.218
11 [Correction amount due to multiplication with credit conversion rates]	(1.222.119)	(1.655.423)
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	109.123.124	121.152.795
Capital and total risk		
13 Core Capital	53.368.506	44.224.046
14 Total risk amount (sum of lines 3, 6, 9 and 12)	498.515.998	491.750.269
Leverage ratio		
15 Leverage ratio	10,71	9,03

(*) Three months average values.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Calculations of financial assets and liabilities at their fair values:

The fair values of financial assets measured at amortised cost are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand deposit represents the amount to be paid upon request. The fair value of the overnight deposit represents the carrying value. The expected fair value of the fixed rate deposit is calculated by discounted cash flow with the use of the market interest rates of similar liabilities and loans.

The fair value of marketable securities issued is calculated according to broker price quotations and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	Current Period 31 December 2019	Prior Period 31 December 2018	Current Period 31 December 2019	Prior Period 31 December 2018
Financial Assets	333.016.709	290.044.322	337.865.171	279.912.310
Interbank Money Market Placements	66.120	544.657	66.120	543.029
Banks	17.940.674	18.959.398	17.861.462	18.946.088
Financial Assets at Fair Value Through Other Comprehensive Income (Net)	67.518.440	44.340.042	67.518.440	44.340.042
Financial Assets Measured at Amortised Cost	15.574.858	12.263.483	15.786.054	11.858.083
Loans (*)	231.916.617	213.936.744	236.633.095	204.225.068
Financial Liabilities	309.872.025	276.724.484	310.595.298	275.283.210
Bank Deposits	6.775.553	8.051.385	6.771.079	8.038.247
Other Deposits	237.936.780	200.578.514	238.485.531	200.556.524
Borrowings	34.836.481	43.649.883	34.391.281	42.838.254
Marketable Securities Issued (Net)	18.918.479	13.071.447	19.542.679	12.476.931
Miscellaneous Payables	11.404.728	11.373.254	11.404.728	11.373.254

(*) 31 December 2018 loan balances have shown with their net balances.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

b. Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows:

- a) Quoted market prices (non-adjusted) (1st level)
- b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- c) Data not based on observable data regarding assets or liabilities (3rd level).

Fair value hierarchy of the financial assets and liabilities of the Group according to the foregoing principles is given in the table below:

Current Period - 31 December 2019	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	274.722	-	-	274.722
- Share Certificates	232.764	-	-	232.764
- Other Financial Assets (*)	33.533	401	6.723.419	6.757.353
Financial Assets at Fair Value Through Other Comprehensive				
- Government Debt Securities	51.703.078	-	-	51.703.078
- Share Certificates	-	-	-	-
- Other Financial Assets	13.781.425	2.017.553	-	15.798.978
Derivative Financial Assets				
- Derivative Financial Assets at Fair Value Through Profit or Loss	774	14.389.976	-	14.390.750
- Derivative Financial Assets at Fair Value Through Other Comprehensive Income	-	2.127.012	-	2.127.012
Loans	-	236.633.095	-	236.633.095
Financial Assets Measured at Amortised Cost				
- Government Debt Securities	14.030.740	-	-	14.030.740
- Other Financial Assets	1.755.313	-	-	1.755.313
Total Assets	81.812.349	255.168.037	6.723.419	343.703.805
Derivative Financial Liabilities				
- Derivative Financial Liabilities at Fair Value Through Profit or Loss	311	8.044.287	-	8.044.598
- Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	-	901.104	-	901.104
Deposits	-	245.256.610	-	245.256.610
Funds Borrowed	-	34.391.281	-	34.391.281
Funds from Interbank Money Market	-	9.339.944	-	9.339.944
Securities Issued (Net)	-	19.542.679	-	19.542.679
Total Liabilities	311	317.475.905	-	317.476.216

(*) Fair value of the financial assets at fair value through profit or loss classified under third level, has been determined based on results of valuation work that include various valuation technics. The potential changes in the fundamental estimations and assumptions included in the valuation work can affect the carrying fair value of the loan.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior Period - 31 December 2018	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss				
- Government Debt Securities	10.113	-	-	10.113
- Share Certificates	150.684	-	-	150.684
- Other Financial Assets	18.019	-	-	18.019
Financial Assets at Fair Value Through Other Comprehensive				
- Government Debt Securities	36.502.564	-	-	36.502.564
- Share Certificates	-	-	-	-
- Other Financial Assets	6.637.480	1.186.378	-	7.823.858
Derivative Financial Assets				
- Derivative Financial Assets at Fair Value Through Profit or Loss	1.371	20.614.924	-	20.616.295
- Derivative Financial Assets at Fair Value Through Other Comprehensive Income	-	1.989.608	-	1.989.608
Loans (*)	-	197.534.860	6.690.208	204.225.068
Financial Assets Measured at Amortised Cost				
- Government Debt Securities	9.411.205	-	-	9.411.205
- Other Financial Assets	2.446.878	-	-	2.446.878
Total Assets	55.178.314	221.325.770	6.690.208	283.194.292
Derivative Financial Liabilities				
- Derivative Financial Liabilities at Fair Value Through Profit or Loss	248	12.179.797	-	12.180.045
- Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	-	644.958	-	644.958
Deposits	-	208.594.771	-	208.594.771
Funds Borrowed	-	42.838.254	-	42.838.254
Funds from Interbank Money Market	-	13.393.164	-	13.393.164
Securities Issued (Net)	-	17.476.378	-	17.476.378
Total Liabilities	248	295.127.322	-	295.127.570

(*) Fair value of the loans classified under third level, has been determined based on results of valuation work that include various valuation technics. The potential changes in the fundamental estimations and assumptions included in the valuation work can affect the carrying fair value of the loan. Loan balances have shown with their net balances.

As explained in the note of VII-b of the Third Section, share certificates, that are classified as financial assets at fair value through other comprehensive income are carried at cost less impairment since they are not traded in active markets and their fair values cannot be measured reliably, are not shown in the table above.

There are no transfers between the 1st and the 2nd levels in the current year.

The movement of financial assets in Level 3 is presented below:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Balances at Beginning of Period	6.690.208	-
Purchases During the Period	-	-
Disposals Through Sale/Redemptions	-	-
Valuation Effect	759.654	-
Transfers	(726.443)	6.690.208
Balances at the End of Period	6.723.419	6.690.208

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

IX. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. Details of these transactions are provided in the off-balance sheet table. The Bank has no trust transactions.

X. EXPLANATIONS ON RISK MANAGEMENT TARGET AND POLICIES:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables, which have to be prepared within the scope of Internal rating-based (IRB) approach, are not presented.

a. Explanations on Risk Management and Risk Weighted Amount (RWA):

1. The Bank's risk management approach:

Effective risk management constitutes one of the most important competitive strength of the Bank. Risk management system is assessed as a critical process which includes all units starting from the Board of Directors level. General strategies regarding Bank's risk management are given below:

- Effective management of risks within the Group's risk profile based on materiality; implementing a centralized risk framework that includes all major risk areas.
- Managing existing and potential risks from the beginning through forward looking risk strategies, policies and procedures, models and parameters.
- Applying a risk-focused management approach in the strategic decision process.
- Complying with all national risk management requirements, where the Bank operates.

The Bank's Board of Directors has the ultimate responsibility for setting up and monitoring the efficiency of such a risk management system. The Board of Directors fulfills its monitoring responsibility through the Auditing Committee, the Executive Risk Committee, the Credit Committee and other related intermediary committees and by means of regular risk, control and audit reporting system.

The Board of Directors approves and regularly reviews Bank's main risk approach, risk principles and policies which are initially discussed and decided by the Executive Risk Committee.

The Board of Directors also determines Bank's risk appetite by risk limits taking market conditions and Bank's risk taking capacity into consideration. Risk limits are made up of regulatory and internal limits on the basis of risk types.

Bank's Senior Management is responsible to the Bank's Board of Directors that daily activities are executed within the risk management procedures and risk limits determined by the Board of Directors and that risk management system operates in effective and efficient manner. The Internal Audit, the Internal Control and Compliance Presidency and The Risk Management Departments which directly report to the Board of Directors operate in coordination with the business units of the Bank. In this scope, it is also Senior Management's responsibility to take necessary measures in order to resolve identified weaknesses, deficiencies and errors stated in the reports of internal and external audits, internal control and risk management.

Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to analyze the potential risks that the Bank may be exposed in extreme cases, various scenario analyses are performed and contingency plans are prepared. The Bank's internal capital adequacy assessment process ("ICAAP") has been established and the ICAAP has been performed parallel to the annual budget process on an annual basis. Moreover, various risk mitigation techniques are utilized to limit and provide protection against risks the Bank is exposed. The effectiveness and efficiency of the risk mitigation techniques are regularly monitor.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. Overview of RWA:

	Risk Weighted Amount		Minimum capital requirement
	Current Period 31 December 2019	Prior Period 31 December 2018	Current Period 31 December 2019
1 Credit risk (excluding counterparty credit risk) (CCR)	268.541.573	248.816.671	21.483.326
2 Standardized approach (SA)	268.541.573	248.816.671	21.483.326
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	16.975.855	22.807.044	1.358.068
5 Standardized approach for counterparty credit risk (SA-CCR)	16.975.855	22.807.044	1.358.068
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-
9 Investments made in collective investment companies – mandate-based approach	309.273	237.585	24.742
10 Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	6.256.135	5.087.744	500.491
17 Standardized approach (SA)	6.256.135	5.087.744	500.491
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	28.892.666	22.665.719	2.311.413
20 Basic Indicator Approach	28.892.666	22.665.719	2.311.413
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	320.975.502	299.614.763	25.678.040

b. Linkages between financial statements and regulatory exposures:

1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories:

Legal consolidation refers to the consolidation that includes the consolidation of subsidiaries which are credit institutions or financial institutions in accordance with Article 5 paragraph 1 of the Communiqué on the Preparation of Consolidated Financial Statements of Banks published in the Official Gazette dated November 8, 2006 and numbered 26340. Accounting consolidation refers to the consolidation in which all of the subsidiaries are included in the scope of consolidation in accordance with the Article 5 paragraph 6 of the same communiqué, irrespective of whether these subsidiaries are credit institutions or financial institutions, or not.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

	Carrying values as reported in published financial statements (*)	Carrying values of items				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework (**)	
Current Period - 31.12.2019						
Assets						
Cash and balances at central bank	29.893.929	29.893.929	-	-	-	-
Banks	17.940.027	17.940.027	-	-	-	-
Receivables from money markets	66.120	66.120	-	-	-	-
Financial assets at fair value through P&L	7.264.839	6.943.419	-	-	321.420	-
Financial assets at fair value through other comprehensive income	67.518.440	67.518.354	-	-	-	86
Derivative financial assets	16.517.762	-	16.517.762	-	3.651.493	-
Loans (Net)	214.470.932	214.469.283	-	-	-	1.649
Lease Receivables (Net)	4.738.608	4.738.608	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Financial assets measured at amortised cost (Net)	15.565.526	15.565.526	-	-	-	-
Non-current assets and disposal groups classified as held for sale (Net)	666.067	666.067	-	-	-	-
Investments in associates (Net)	5.521	5.521	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Investments in joint ventures (Net)	-	-	-	-	-	-
Tangible assets (Net)	4.919.697	4.878.475	-	-	-	41.222
Intangible assets (Net)	953.188	-	-	-	-	953.188
Investment properties (Net)	-	-	-	-	-	-
Tax assets	9.971	9.971	-	-	-	-
Deferred tax assets	135.972	135.972	-	-	-	-
Other assets	6.505.838	6.505.838	-	-	-	-
Total assets	387.172.437	369.337.110	16.517.762	-	3.972.913	996.145
Liabilities						
Deposits	244.712.333	-	-	-	-	244.712.333
Funds Borrowed	34.836.481	-	-	-	-	34.836.481
Money Markets	10.106.550	-	10.106.550	-	-	10.106.550
Securities Issued	13.536.945	-	-	-	-	13.536.945
Funds	-	-	-	-	-	-
Financial Liabilities At Fair Value Through Profit Or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	8.945.702	-	8.945.702	-	3.236.587	8.945.702
Factoring Liabilities	-	-	-	-	-	-
Lease Liabilities	624.154	-	-	-	-	-
Provisions	1.592.642	-	-	-	-	1.592.642
Current Tax Liability	831.699	-	-	-	-	831.699
Deferred Tax Liability	837.212	-	-	-	-	837.212
Liabilities For Property and Equipment Held For Sale and Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt Instruments	5.381.534	-	-	-	-	5.381.534
Other Liabilities	11.404.732	-	-	-	-	11.404.732
Shareholders' Equity	54.362.453	-	-	-	-	54.362.453
Total liabilities	387.172.437	-	19.052.252	-	3.236.587	386.548.283

(*) Since the accounting and legal consolidation scope of the Bank are identical, the financial statement information is shown in one column.

(**) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are represented in "Subject to market risk framework" column.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

	Carrying values as reported in published financial statements (*)	Carrying values of items				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework (**)	
Prior Period - 31.12.2018						
Assets						
Cash and Cash Equivalents	30.113.824	30.113.824	-	-	-	-
Banks	18.959.398	18.959.398	-	-	-	-
Money Markets	544.657	544.657	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	178.816	178.816	-	-	-	-
Financial Assets at Fair Value Through Other						
Comprehensive income	44.340.042	44.137.860	-	-	201.887	295
Financial Assets Measured at Amortised Cost (Net)	12.263.481	12.263.481	-	-	-	-
Derivative Financial Assets	22.605.903	-	22.605.903	-	6.356.603	-
Loans (Net)	213.936.744	213.936.744	-	-	-	3.508
Property and Equipment Held For Sale Purpose and Related To Discontinued Operations (Net)	264.384	264.384	-	-	-	-
Investments in Associates (Net)	5.521	5.521	-	-	-	-
Subsidiaries (Net)	-	-	-	-	-	-
Joint Ventures (Net)	-	-	-	-	-	-
Property and Equipment (Net)	3.959.052	3.925.068	-	-	-	33.984
Intangible Assets (Net)	646.193	-	-	-	-	646.193
Investment Property (Net)	-	-	-	-	-	-
Current Tax Asset	306.034	306.034	-	-	-	-
Deferred Tax Asset	143.808	143.808	-	-	-	-
Other Assets	6.413.756	6.413.756	-	-	-	-
Total assets	354.681.613	331.193.351	22.605.903	-	6.558.490	683.980
Liabilities						
Deposits	208.629.900	-	-	-	-	208.629.900
Funds Borrowed	43.649.883	-	-	-	-	43.649.883
Money Markets	14.275.016	-	14.275.016	-	-	14.275.016
Securities Issued	13.071.447	-	-	-	-	13.071.447
Funds	-	-	-	-	-	-
Financial Liabilities At Fair Value Through Profit Or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	12.825.003	-	12.825.003	-	3.469.539	12.825.003
Factoring Liabilities	-	-	-	-	-	-
Lease Liabilities	-	-	-	-	-	-
Provisions	1.342.384	-	-	-	-	1.342.384
Current Tax Liability	530.543	-	-	-	-	530.543
Deferred Tax Liability	412.665	-	-	-	-	412.665
Liabilities For Property and Equipment Held For Sale and Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt Instruments	4.784.477	-	-	-	-	4.784.477
Other Liabilities	11.373.254	-	-	-	-	11.373.254
Shareholders' Equity	43.787.041	-	-	-	-	43.787.041
Total liabilities	354.681.613	-	27.100.019	-	3.469.539	354.681.613

(*) Since the accounting and legal consolidation scope of the Bank are identical, the financial statement information is shown in one column.

(**) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are represented in "Subject to market risk framework" column.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

Current Period - 31.12.2019		Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework(*)
1	Asset carrying value amount under scope of regulatory consolidation	359.524.967	369.337.110	-	16.517.762	3.972.913
2	Liabilities carrying value amount under regulatory scope of consolidation	624.154	-	-	19.052.252	3.236.587
3	Total net amount under regulatory scope of consolidation	358.900.813	369.337.110	-	35.570.014	7.209.500
4	Off-balance sheet amounts	369.191.923	29.930.260	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	8.704.903	-	-	-
8	Differences due to prudential filters	-	-	-	-	(953.365)
9	Differences due to risk reduction	-	(9.566.280)	-	(17.612.841)	-
10	Exposure amounts considered for regulatory purposes		398.405.993	-	17.957.173	6.256.135

(*)The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

Prior Period - 31.12.2018		Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework(*)
1	Asset carrying value amount under scope of regulatory consolidation	326.981.641	331.193.351	-	22.605.903	6.558.490
2	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	27.100.019	3.469.539
3	Total net amount under regulatory scope of consolidation	326.981.641	331.193.351	-	49.705.922	10.028.029
4	Off-balance sheet amounts	416.934.991	36.349.639	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	5.648.173	-	-	-
8	Differences due to prudential filters	-	-	-	-	(4.940.285)
9	Differences due to risk reduction	-	(6.415.738)	-	(26.407.445)	-
10	Exposure amounts considered for regulatory purposes		366.775.425	-	23.298.477	5.087.744

(*)The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

3. Explanations of differences between accounting and regulatory exposure amounts:

a) Financial and regulatory scope of consolidation:

There is no difference between the financial and regulatory scope of consolidation.

b) Differences between accounting and regulatory exposure amounts:

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of "Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio".

- c) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks":

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically.

The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

c. Credit risk explanations:

1. General qualitative information about credit risk:

Risk limits are defined by Board of Directors in a such manner that covers all possible important risk components, in accordance with the Bank's operations and the size and complexity of products and services. Care is taken to ensure that the risk limits are in line with market expectations and reflect the Bank's risk appetite and Bank's strategies. The credit policies are established in consistence with risk limits.

Credit rating models are used in loan allocation processes in accordance with the risk appetite, credit policies and targets of the Bank. Rating all credit customers is essential for the Bank. Credit ratings are used as the main factor in determining target segments, authority levels, prices, limits and collateralization levels in loan portfolios. Application models are used during initial loan underwriting and behavioral models are used for customers whose previous credit performance could be monitored. Behavioral models are mainly used in the credit monitoring process and in the evaluation process of portfolio risk.

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain adequate collateral from the customers. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. In this context, the minimum margin is determined by considering the quality of the collateral and collection expectancy in case of default and it is ensured that appropriate collateral is obtained for the loan type.

Credit risk is encountered when the counterparty is unable to fulfill its obligations defined with the agreement. All credit risk bearing banking products are managed with prudent credit policies and procedures in the Bank. The credit quality of the counterparty is evaluated with an internal rating score in all credit transactions. In order to monitor the credit risk, internal limits are determined on the basis of sector, customer, credit type and customer segment.

Credit risk management is a process in which credit risks are assessed and monitored in a consistent manner, besides all credit portfolios are included on a consolidated basis. During the process of credit risk management, the Risk Management Department conducts measurement, monitoring and reporting activities of the credit risk using statistical models. In addition to the credit risk-related risk limits, various concentrations in the loan portfolio are also analyzed. It is assured to act within the policy of allocation, monitoring, Limit Follow-up and management, by establishing policy regarding to Country risk and concentration risk management. Cost of loan and collections of non-performing loans are monitored periodically. In addition, stress testing and scenario analysis studies are carried out on the loan portfolio.

Assessment of the internal systems established to encompass all branches and departments and related entities are among the highest priorities of the Board of Directors to ensure the continuity of its operations, competencies and activities. Within the scope of internal systems, the duties and responsibilities of the Board of Directors are carried out by the Board of

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Directors, the Audit Committee, the Executive Risk Committee, Internal Audit, Internal Control, Risk Management activities and Internal Systems Responsible.

The Board of Directors is responsible for determining the risk baseline of the Bank, the risk approach and the level of risk taking. The Board of Directors manages the risks through the Executive Risk Committee. The committee is responsible for establishing risk policies, determining methods for measuring and managing risks, and establishing and monitoring appropriate risk limits. All risk policies established by the Executive Risk Committee are written and integrated into the Bank's long-term general strategy.

2. Credit quality of assets:

		Gross carrying values of (according to TAS)			Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures			
Current Period - 31.12.2019						
1	Loans	15.430.545	216.486.072	12.707.076	219.209.541	
2	Debt Securities	-	89.799.213	83.688	89.715.525	
3	Off-balance sheet exposures	258.507	97.657.308	304.813	97.611.002	
4	Total	15.689.052	403.942.593	13.095.577	406.536.068	

		Gross carrying values of (according to TAS)			Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures			
Prior Period - 31.12.2018						
1	Loans	8.439.028	213.980.162	8.482.446	213.936.744	
2	Debt Securities	-	56.374.324	48.385	56.325.939	
3	Off-balance sheet exposures	258.446	105.646.122	388.224	105.516.343	
4	Total	8.697.474	376.000.608	8.919.055	375.779.026	

3. Changes in stock of defaulted loans and debt securities:

		Current Period 31.12.2019	Prior Period 31.12.2018
1	Defaulted loans and debt securities at end of the previous reporting period	8.697.474	5.141.300
2	Loans and debt securities that have defaulted since the last reporting period	10.714.875	10.048.233
3	Returned to non-defaulted status	24.193	26.936
4	Amounts written off	1.898.592	4.583.202
5	Other changes	1.800.512	1.881.923
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) Definitions	15.689.052	8.697.474

4. Additional disclosure related to the credit quality of assets:

a) Definitions of overdue and provision allocated receivables are presented below:

The Bank considers loans that have overdue principal and interest payments and are classified as 2nd Group in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" as "past due loans." Loans that have overdue principal and interest payments for more than 90 days after the maturity date or the debtor of which are deemed unworthy by the Bank are considered "impaired / specific provision reserved loans."

The Bank calculates general loan loss provision for "overdue loans" and specific provision for "impaired loans" in accordance with Communiqué on "Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made".

b) The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application:

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

All loans that have completed the 90 day overdue period are automatically taken into follow-up accounts and they are subjected to specific provision within the related month at the Bank. In exceptional cases, the delinquency process is suspended due to a court decision and the Bank's credit amount in this scope is insignificant as of 31 December 2019.

- c) Definitions of the methods used when determining the provision amount, are presented in Note VII-c of Section Three.
 d) Definitions of restructured receivables:

Banks can restructure both the first, second group loans and other receivables as well as non-performing loans and receivables. The first, second group loans and other receivables are restructured to enhance customer's ability to repay the loan. Besides, it involves changes in the contractual conditions with the demand of customer. While Non-performing loans and receivables are restructured to ensure the collection of the receivables by changing the cash flow of the loan.

- e) Breakdown of receivables by geographical area, sector and outstanding maturity:

Breakdown by geographical area:

	Current Period 31.12.2019	Prior Period 31.12.2018
Domestic	207.806.435	205.272.380
European Union Countries	8.113.434	7.995.920
OECD Countries (*)	29.434	10.757
Off-Shore Banking Regions	-	-
USA, Canada	2.474	39.697
Other	534.295	661.408
Total	216.486.072	213.980.162

(*) OECD Countries other than EU countries, USA and Canada.

Breakdown by sector:

	Current Period 31.12.2019	Prior Period 31.12.2018
Agricultural	713.229	910.917
Farming and raising livestock	631.654	616.229
Forestry	78.223	286.917
Fishing	3.352	7.771
Manufacturing	54.196.614	53.644.811
Mining	2.421.717	2.890.485
Production	33.864.911	33.665.195
Electricity, Gas, Water	17.909.986	17.089.131
Construction	30.674.491	33.913.762
Services	63.685.010	70.868.901
Wholesale and Retail Trade	28.052.964	26.081.774
Hotel,Food,Beverage Services	4.429.101	4.893.307
Transportation and Telecommunication	6.455.628	11.589.738
Financial Institutions	16.122.386	24.833.186
Real Estate and Lending Services	4.122.113	304.271
Self employment Service	1.871.654	711.914
Education Service	644.503	662.888
Health and social Services	1.986.661	1.791.823
Other	67.216.728	54.641.771
Total	216.486.072	213.980.162

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Breakdown by outstanding maturity:

Current Period 31.12.2019	Demand Deposit	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	130.937	50.318.181	24.201.764	42.137.606	78.158.642	21.538.942	216.486.072

Prior Period 31.12.2018	Demand Deposit	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	407.234	37.596.615	24.049.587	50.028.752	78.223.864	23.674.110	213.980.162

f) Amounts of provision allocated receivables based on geographical area and sector and amounts deducted from the assets with the related provisions:

Breakdown by geographical area:

	Current Period - 31.12.2019		Prior Period - 31.12.2018	
	Loans Under Follow-up	Provisions	Loans Under Follow-up	Provisions
Domestic	14.707.946	8.283.609	7.855.575	4.804.969
European Union Countries	722.400	355.524	583.164	75.672
OECD Countries (*)	-	-	-	-
Off-Shore Banking				
Regions	30	29	30	28
USA, Canada	39	39	164	146
Other	130	109	95	86
Total	15.430.545	8.639.310	8.439.028	4.880.901

(*) OECD Countries other than EU countries, USA and Canada.

Breakdown by sector:

	Current Period - 31.12.2019		Prior Period - 31.12.2018	
	Loans Under Follow-up	Provisions	Loans Under Follow-up	Provisions
Agricultural	33.929	21.313	12.161	8.075
Farming and raising livestock	26.154	16.813	8.698	5.791
Forestry	7.701	4.436	3.291	2.130
Fishing	74	64	172	154
Manufacturing	2.865.654	1.411.233	1.764.405	989.906
Mining	420.559	118.595	42.603	38.321
Production	1.573.654	915.142	925.008	613.309
Electricity, Gas, Water	871.441	377.496	796.794	338.276
Construction	4.928.768	2.571.861	1.111.111	577.364
Services	4.952.841	2.661.805	3.425.132	1.639.248
Wholesale and Retail Trade	2.839.508	1.679.819	1.800.721	1.132.145
Hotel,Food,Beverage Services	566.323	138.437	453.680	112.242
Transportation and			195.173	92.163
Telecommunication	233.895	121.414		
Financial Institutions	997.059	522.328	613.231	98.029
Real Estate and Lending			144.627	81.011
Services	99.131	89.629		
Self employment Service	4.391	3.673	4.916	3.973
Education Service	115.569	47.202	104.043	49.439
Health and social Services	96.965	59.303	108.741	70.246
Other	2.649.353	1.973.098	2.126.219	1.666.308
Total	15.430.545	8.639.310	8.439.028	4.880.901

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

g) Aging analysis for overdue receivables:

	Current Period	Prior Period
	31.12.2019	31.12.2018
30-60 days overdue	1.253.357	4.268.500
60-90 days overdue	1.554.869	1.676.140
Total	2.808.226	5.944.640

h) Breakdown of restructured receivables based on whether or not provisions are allocated:

Restructured Receivables	Current Period	Prior Period
	31.12.2019	31.12.2018
Loans restructured from Loans under Follow-up and Other Receivables	18.150.678	12.456.701
Loans restructured from Non-Performing Loans	749.792	252.881

General provision is allocated for the loans restructured from standard loans and loans under Follow-up and other receivables, specific provision is allocated for the loans restructured from non-performing loans.

i) Credit risk mitigation techniques:

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The risk amount and the amount of collateral are also compared against the value losses that may occur in the collateral, and in case of gap between risk and collateral, the Bank Monitoring System automatically generates "Risky Transaction Registration".

In the calculation of capital adequacy ratio, real estate mortgages are subject to valuation process in accordance with the related legislation. There is no physical collateral used for risk reduction other than real estate.

Financial guarantees used in capital adequacy calculations are blocked deposits held at the bank and there is no netting other than these.

Collateral management processes are written in credit policies and checks are made to ensure that there is no concentration of third party guarantor type and collateral.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

5. Credit risk mitigation techniques – overview:

Current Period - 31.12.2019		Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans	211.695.292	7.514.249	6.113.347	4.223.971	3.254.282	-	-
2	Debt Securities	89.715.525	-	-	-	-	-	-
3	Total	301.410.817	7.514.249	6.113.347	4.223.971	3.254.282	-	-
4	Of which defaulted	15.689.052	-	-	-	-	-	-

Prior Period - 31.12.2018		Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans	206.312.068	7.624.676	5.704.796	9.910.626	8.818.566	-	-
2	Debt Securities	56.325.939	-	-	-	-	-	-
3	Total	262.638.007	7.624.676	5.704.796	9.910.626	8.818.566	-	-
4	Of which defaulted	8.697.474	-	-	-	-	-	-

6. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

The ratings given by the international credit rating agency Fitch Ratings are used to determine the risk weights to be applied in the calculation of capital adequacy. Fitch Ratings are limited to the receivables of the counterparty residing abroad; central government or central banks, banks and corporate receivables.

7. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

Current Period - 31.12.2019		Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	97.045.441	308.932	100.332.836	7.447	19.276.444	19,21%
2	Exposures to regional governments or local authorities	46.956	-	46.956	-	23.478	50,00%
3	Exposures to public sector entities	34.236	37.746	34.236	27.710	61.946	100,00%
4	Exposures to multilateral development banks	308.019	-	308.019	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	34.607.299	37.313.656	34.607.299	14.253.551	27.116.938	55,50%
7	Exposures to corporates	148.188.186	44.524.482	142.412.240	28.367.158	166.174.507	97,30%
8	Retail exposures	57.251.736	40.430.391	55.004.330	4.528.357	44.649.515	75,00%
9	Exposures secured by residential property	8.096.458	317.712	8.090.022	133.739	2.878.316	35,00%
10	Exposures secured by commercial real estate	9.075.467	1.353.603	9.005.695	989.631	6.498.786	65,02%
11	Past-due loans	6.791.236	-	6.069.582	-	5.078.686	83,67%
12	Higher-risk categories by the Agency Board	-	297.190	-	121.440	171.601	-
13	Exposures secured by commercial real estate	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	309.776	-	309.776	-	309.776	100,00%
16	Other assets	11.470.950	-	11.470.950	-	8.118.771	70,78%
17	Investments in equities	242.192	-	242.192	-	242.192	100,00%
18	Total	373.467.952	124.583.712	367.934.133	48.429.033	280.600.956	67,39%

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

Prior Period - 31.12.2018		Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	75.742.406	3.425.166	84.432.566	149.220	16.719.246	19,77%
2	Exposures to regional governments or local authorities	26.833	-	26.833	-	13.416	50,00%
3	Exposures to public sector entities	5.600	10.154	5.306	2.066	7.372	100,00%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	34.531.326	42.274.292	34.531.326	17.769.900	26.508.607	50,68%
7	Exposures to corporates	133.788.589	58.341.580	124.926.153	36.318.389	157.977.461	97,97%
8	Retail exposures	51.506.981	35.527.485	46.927.084	4.199.363	38.344.835	75,00%
9	Exposures secured by residential property	11.077.380	481.147	11.059.476	206.744	3.943.177	35,00%
10	Exposures secured by commercial real estate	15.118.612	1.539.025	14.947.670	997.960	11.535.900	72,35%
11	Past-due loans	3.560.340	-	3.560.340	-	3.715.515	104,36%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures secured by commercial real estate	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	243.711	214.972	243.711	4.472	248.183	100,00%
16	Other assets	9.746.187	-	9.746.187	-	6.066.111	62,24%
17	Investments in equities	19.135	-	19.135	-	19.135	100,00%
18	Total	335.367.100	141.813.821	330.425.787	59.648.114	265.098.968	67,96%

8. Standardised Approach – Exposures by asset classes and risk weights:

Current Period - 31.12.2019												Other risk weights	Total risk amount (*)
Asset classes / Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	200%			
1	Exposures to central governments or central banks	79.641.000	-	289.669	-	2.321.358	-	18.056.563	-	-	31.693	100.340.283	
2	Exposures to regional governments or local authorities	-	-	-	-	46.956	-	-	-	-	-	46.956	
3	Exposures to public sector entities	-	-	-	-	-	-	61.946	-	-	-	61.946	
4	Exposures to multilateral development banks	308.019	-	-	-	-	-	-	-	-	-	308.019	
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	
6	Exposures to institutions	-	-	18.735.862	-	13.566.213	-	16.503.006	55.769	-	-	48.860.850	
7	Exposures to corporates	759.415	-	1.501.163	-	4.245.767	-	163.731.449	-	-	541.604	170.779.398	
8	Retail exposures	-	-	-	-	-	59.532.687	-	-	-	-	59.532.687	
9	Exposures secured by residential property	-	-	-	8.223.761	-	-	-	-	-	-	8.223.761	
10	Exposures secured by commercial real estate	-	-	-	-	6.993.081	-	3.002.245	-	-	-	9.995.326	
11	Past-due loans	-	-	-	-	2.750.752	-	2.549.871	768.959	-	-	6.069.582	
12	Higher-risk categories by the Agency Board	-	-	-	-	997	-	19.127	101.316	-	-	121.440	
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	309.776	-	-	-	309.776	
16	Investments in equities	-	-	-	-	-	-	242.192	-	-	-	242.192	
17	Other assets	3.352.169	-	14	-	-	-	8.118.767	-	-	-	11.470.950	
18	Total	84.060.603	-	20.526.708	8.223.761	29.925.124	59.532.687	212.594.942	926.044	-	573.297	416.363.166	

(*) Total credit risk exposure amount after Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM).

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

Prior Period - 31.12.2018											Other	Total risk
Asset classes / Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	risk weights	amount [*)	
1 Exposures to central governments or central banks	67.569.712	-	366.035	-	-	-	16.646.039	-	-	-	84.581.785	
2 Exposures to regional governments or local authorities	-	-	-	-	26.833	-	-	-	-	-	26.833	
3 Exposures to public sector entities	-	-	-	-	-	-	7.372	-	-	-	7.372	
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	
5 Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	
6 Exposures to institutions	202.080	-	23.212.856	-	14.040.507	-	14.845.783	-	-	-	52.301.226	
7 Exposures to corporates	1.314.832	-	83.905	-	3.770.253	-	156.075.553	-	-	-	161.244.543	
8 Retail exposures	-	-	-	-	-	51.126.447	-	-	-	-	51.126.447	
9 Exposures secured by residential property	-	-	-	11.266.221	-	-	-	-	-	-	11.266.221	
10 Exposures secured by commercial real estate	-	-	-	-	8.819.460	-	7.126.170	-	-	-	15.945.630	
11 Past-due loans	-	-	-	-	1.069.647	-	1.110.693	1.379.999	-	-	3.560.340	
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	248.183	-	-	-	248.183	
16 Investments in equities	-	-	-	-	-	-	19.135	-	-	-	19.135	
17 Other assets	3.680.072	-	5	-	-	-	6.066.110	-	-	-	9.746.187	
18 Total	72.766.696	-	23.662.801	11.266.221	27.726.700	51.126.447	202.145.039	1.379.999	-	-	390.073.902	

(*) Total credit risk exposure amount after Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM).

d. Counterparty Credit risk (CCR) explanations:

1. Qualitative disclosure related to counterparty credit risk:

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies, corporate segment, micro segment customers, private banking customers and individual customers. The products are grouped as interest swap transactions, foreign currency option transactions (plain vanilla), foreign exchange option transactions (exotic), interest option transactions, commodity Transactions, credit derivatives and repo transactions.

"Conformity Test" is applied to the customers to determine whether the products to be presented to the customers are in compliance with the customers' financial status and their knowledge and experience. The tests to be applied are prepared in a way that bank can evaluate the information received from the customers with the method including "risk and return preference" and knowledge and experience" classifications determined by the Bank.

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and / or the counterparty.

For the transactions within the scope of the CCR, appropriate limits to the risk appetite, policies and strategies of the Bank are determined. The determined limits are approved by the Board of Directors for the banks. For the firms and individuals apart from banks regular loan approval processes and limits are conducted.

The counterparty credit risk limits for financial institutions are also determined separately and presented to the Board of Directors for approval. The determined limits are reviewed at least once a year. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewed and necessary changes are made. If deemed necessary, the approved limits are blocked by the Credit Committee / Credit Allocation Business Unit and by the approval of the Board of Directors.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

In counterparty credit risk management of financial institutions, risk mitigation methods such as netting agreements, collateral and "margin" agreements are used. Collateralization principles and procedures are applied for companies and individuals other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated / determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

The risk of reverse tendency within the scope of the CCR appears in two ways as the risk of general reversal and the risk of specific reversal.

To avoid the general counter trend risk;

- Depending on the direction of the financing expenses of the corporate and commercial companies, it is taken care that the interest swap transactions made are aimed at "hedging". If the short-term liability of the firm is more than short-term liabilities susceptible to interest, interest rate swaps will be applied to the firm with the fixed interest rate. In the other case, interest rate swap transactions that the company pays variable interest are made.
- It is also important to note that the transactions are "hedged" for foreign currency transactions. If the firm is in a long position in the foreign exchange market, the transactions that the foreign exchange seller is the company and if the company is in the short position in the foreign exchange market, the transactions that the foreign exchange buyer is the company are taken into consideration.

To avoid the risk of specific counter trend risk;

- In the option transactions made on the other party's own shares, transactions are not made where the same counterparty is the option seller.
- In the credit derivative transactions on the counterparty's own credit risk, there are no transactions that the counterparty is the protection seller

For the actions taken under the CCR, the obligation to provide additional collateral due to the possible decline in the credibility of the Bank is followed.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. Analysis of counterparty credit risk exposure by approach:

Current Period - 31.12.2019		Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1	Standardised Approach (for derivatives)	11.519.585	4.623.614		1,4	16.068.273	10.819.881
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					1.888.899	910.288
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					1.888.899	910.288
6	Total						11.730.169

(*) Effective Expected Positive Exposure

Prior Period - 31.12.2018		Replacement cost	Potential future exposure	EEPE (*)	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
1	Standardised Approach (for derivatives)	14.611.271	5.320.025		1,4	19.931.296	14.524.323
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					3.367.180	1.520.377
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					3.367.180	1.520.377
6	Total						16.044.700

(*) Effective Expected Positive Exposure

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. Credit valuation adjustment (CVA) capital charge:

	Current Period - 31.12.2019		Prior Period - 31.12.2019	
	Exposure at default post-CRM	RWA	Exposure at default post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge				
1 (i) Value at Risk (VaR) component (including the 3×multiplier)	-	-	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3 All portfolios subject to the Standardised CVA capital charge	16.609.876	5.225.746	19.931.297	6.739.551
4 Total subject to the CVA capital charge	16.609.876	5.225.746	19.931.297	6.739.551

4. Standardised approach of CCR exposures by regulatory portfolio and risk weights:

Current Period - 31.12.2019

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Regulatory portfolioa									
Claims from central governments and central banks	4.124	-	-	-	-	2.094	-	-	2.094
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	26.880	-	-	26.880
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	2.290.425	8.726.111	-	120.949	-	-	4.942.089
Corporates	-	-	-	58	-	6.676.710	-	-	6.676.738
Retail portfolios	-	-	-	-	109.825	-	-	-	82.368
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-
Total	4.124	-	2.290.425	8.726.169	109.825	6.826.633	-	-	11.730.169

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior Period - 31.12.2018

Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Regulatory portfolio									
Claims from central governments and central banks	76.180	-	-	-	-	1.994	-	-	1.994
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	112	-	-	112
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	2.746.064	9.934.757	-	2.558	-	-	5.519.149
Corporates	-	-	-	444	-	10.479.324	-	-	10.479.546
Retail portfolios	-	-	-	-	52.570	-	-	-	39.427
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	4.472	-	-	4.472
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-
Total	76.180	-	2.746.064	9.935.201	52.570	10.488.460	-	-	16.044.700

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amount excludes exposures to "Central counterparty" which are reported in Counterparty credit risk.

5. Composition of collateral for CCR exposure: Related table is not presented due to not having derivative collaterals which is considered in the calculation of capital adequacy ratio.
6. Credit derivatives exposures:

	Current Period - 31.12.2019		Prior Period - 31.12.2018	
	Protection bought	Protection Sold	Protection bought	Protection Sold
Nominal				
Single-name credit default	1.018.240	29.600	5.917.500	26.300
Index credit default swaps	-	-	-	-
Total return swaps	-	7.633.926	-	7.603.757
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total notionals	1.018.240	7.663.526	5.917.500	7.630.057
Fair values				
Positive fair value (asset)	71.879	2.704.586	642.017	2.607.339
Negative fair value (liability)	-	(34)	-	(1.235)

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

7. Exposures to central counterparties (CCP):

	Current Period - 31.12.2019		Prior Period - 31.12.2018	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)		21.208		22.790
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which				
3 (i) OTC Derivatives	541.603	19.940	572.078	22.772
4 (ii) Exchange-traded Derivatives	-	-	-	-
5 (iii) Securities financing transactions	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	31.693	1.268	7.655	18
11 Exposures to non-QCCPs (total)				
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)				
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iii) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-

e. Securitization explanations: The Bank has no securitization transactions.

f. Explanations on market risk:

1. Qualitative disclosure requirements related to market risk:

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary.

Market risk is calculated by two different methods, namely the "inherent model" and the "standard method". According to inherent model market risk is measured by Value at Risk ("VaR") approach which takes into account different risk factors. VaR calculations use variance-covariance, historical simulation and Monte Carlo simulation methods. The software used can perform calculations with an advanced yield curve and volatility models. The VaR model is based on the assumptions of 99% confidence interval and a 10-day holding period. VaR analyses are performed on a daily basis and reported to the Senior Management. VaR analyses are also used as risk and limit management instrument for trading transactions. The limits are reviewed periodically according to market conditions and the application of specified limits is subject to authority restrictions and therefore the control effectiveness is increased. VaR analyses are supported with scenario analyses and stress tests, and take into consideration the effects of low-probability events which have significant impact and the effects of market

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

fluctuations. Retrospective tests of the model outputs are performed regularly. The standard method is used for the legal reporting.

The following table indicates the details of the market risk calculation as of 31 December 2019, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

2. Standardised approach:

	Current Period 31.12.2019	Prior Period 31.12.2018
	RWA	RWA
Outright products (*)		
1 Interest rate risk (general and specific)	2.220.963	2.644.038
2 Equity risk (general and specific)	61.762	29.800
3 Foreign exchange risk	3.899.635	2.381.081
4 Commodity risk	-	-
Options		
5 Simplified approach	-	-
6 Delta-plus method	73.775	32.825
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	6.256.135	5.087.744

(*) Outright products refer to positions in products that are not optional.

g. Explanations on operational risk:

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of 31 March 2016, is used in the annual operational risk calculation of the Bank. The amount subject to the operational risk as of 31 December 2019 is calculated by using the gross income of the Bank in 2016, 2017 and 2018.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of financial assets at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and indemnity insurance gains from the total of net interest income and non interest income.

	31.12.2016	31.12.2017	31.12.2018	Total/Positive GI year number	Ratio (%)	Total
Gross income	11.948.171	14.107.718	20.172.377	3	15	2.311.413
Amount subject to Operational Risk (Amount*12,5)						28.892.666

h. Interest rate risk related to banking book:

Interest rate risk for all banking transactions outside the trading portfolio are followed under interest rate risk related to the banking book. Interest rate risk related to the trading portfolio is followed under market risk.

ALCO performs daily management of interest rate risk in accordance with the risk limits set by the Executive Risk Committee in relation to interest rate sensitivities of the banking book. ALCO meetings are held on a weekly basis.

In addition to interest rate sensitivities measured and reported weekly, daily and transaction-based analyses are also performed when significant fluctuations occur in markets.

Repricing term mismatch and duration mismatch analyses, net economic value change analyses under different interest rate stress scenarios and income simulations are used for interest rate risk management. Repricing risk, yield curve risk, basis risk and optionality risk are considered under interest rate risk scope.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.b OF SECTION THREE

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

The interest rate risk arising from banking book is calculated and reported on a monthly basis according to "Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method" published in the Official Gazette no 28034 on 23 August 2011.

The Group's calculation of the interest rate risk derived from banking books is presented below:

Currency	Applied Shock (+/- x basis points)	Gains / Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity
TL	(400)	3.588.028	5,69%
TL	500	(4.027.453)	(6,38)%
USD	(200)	922.614	(1,46)%
USD	200	(882.350)	(1,40)%
EURO	(200)	(35.477)	(0,06)%
EURO	200	(828.729)	(1,31)%
Total (for negative shocks)		4.475.165	7,09%
Total (for positive shocks)		(5.738.532)	(9,09)%

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

XI. EXPLANATIONS ON HEDGE TRANSACTIONS:

The Group hedges its TL and foreign denominated fixed rate financial assets with cross currency swaps and interest swaps. Within the scope of fair value hedge, fair value changes of hedging instrument and hedged item are accounted in the income statement. As long as the hedge relationship is effective, fair value change of the hedged item is disclosed together with its related asset or liability in the balance sheet for TL denominated fixed rate mortgage loans. Fair value changes which have already been booked in equity, have been reclassified from equity to income statement for TL and FC denominated fixed rate financial assets measured at fair value through other comprehensive income.

The Group hedges against its cash flow risk stemming from foreign currency denominated floating rate financial liabilities with interest rate and cross currency swaps. Within the scope of cash flow hedge accounting, effective part of the fair value changes of the hedging instrument are accounted in equity under "Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss" whereas ineffective part is accounted in the income statement. At instances when cash flows relating to hedged item (interest expense) affect the income statement, profit/loss of the related hedging item is taken out of the equity and reflected on the income statement.

Prospective tests are performed at the inception of the hedge relationships and both prospective and retrospective tests are performed at each reporting period-end regularly by using "Dollar off-set method". In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments between the designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of TAS 39.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked due to ineffectiveness of efficiency tests;

- The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,
- Adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

The replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

The Group hedges against its cash flow risk stemming from foreign currency denominated floating rate financial liabilities with interest rate and cross currency swaps. Within the scope of cash flow hedge accounting, effective part of the fair value changes of the hedging instrument are accounted in equity under "Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss" whereas ineffective part is accounted in the income statement.

According to the Financial Stability Board's report of "Major Indicator Interest Rates Reform" which was dated July 2014, the Group evaluates the transition effects related to hedging transactions within the scope of the 'Indicator Interest Rate Reform' which expresses the market-wide reform regarding the interest rate.

As of 31 December 2019, contractual amounts of derivative financial instruments designated as hedging instruments and the net fair values carried in the balance sheet of the Bank are summarized in the following table:

	Current Period 31 December 2019			Prior Period 31 December 2018		
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Interest Rate and Cross Currency Swaps						
-TL	13.674.935	5.166.090	919.269	16.237.237	4.693.776	647.569
-FC	50.984.080	184.727	244.871	45.937.007	364.658	41.041
Total	64.659.015	5.350.817	1.164.140	62.174.244	5.058.434	688.610

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1. Explanations on Accounting Net Investment Hedge:

The Group has been using hedge against fair value strategy to hedge against foreign currency risk born of EUR 320 million which represents share premiums and paid-in-capital of Akbank AG, one of its subsidiaries. EUR 320 million of syndication loans used by the Group have been classified as "hedge instruments."

2. Explanations on Fair Value Hedge:

Current Period - 31 December 2019

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC financial assets at other comprehensive income	Interest rate risk	(265.774)	230.915	(34.859)
Cross-currency swap	Fixed interest rate TL financial assets at other comprehensive income,	Interest rate and currency risk	(76.688)	73.920	(2.768)
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC Borrowings	Interest rate and currency risk	2.101.157	(2.092.746)	8.411
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC Borrowings	Interest rate and currency risk	(23.858)	23.858	-
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	(9)	6	(3)

(*) Includes fair value differences arising from changes in foreign exchange rates for hedges against interest rate and foreign currency from the interest rate and foreign exchange risks.

(**) Represents the cumulative amounts booked under "Gains/Losses on Derivative Financial Transactions" and "Gains/Losses on Foreign Exchange Transactions" since the beginning of hedge accounting.

Prior Period - 31 December 2018

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC financial assets at other comprehensive income	Interest rate risk	(43.581)	33.893	(9.688)
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC borrowings	Interest rate and currency risk	2.632.655	(2.658.615)	(25.960)
Cross-currency swap	Fixed interest rate FC Issued Eurobond, FC Lease Receivables	Interest rate and currency risk	9.438	(9.438)	-
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	93	(95)	(2)
Cross-currency swap	Fixed interest rate FC Issued Eurobond, FC Lease Receivables	Interest rate and currency risk	22.074	(22.686)	(612)

(*) Includes fair value differences arising from changes in foreign exchange rates for hedges against interest rate and foreign currency from the interest rate and foreign exchange risks.

(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

As of 31 December 2019 fair value hedge transactions have been proven to be effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked due to ineffectiveness of efficiency tests with the information related discontinuous transactions are given below:

- As of 31 December 2019, related to fair value hedge transactions, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL 1.566 (31 December 2018: TL 7.263).

3. Explanations on Cash Flow Hedge:

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/(loss) recognized in OCI during the period	Net gain/(loss) reclassified to income statement during the year	Ineffective portion recognized in income statement
			Assets	Liabilities			
Interest Rate Swap	Floating-rate long Term FC funds borrowed	Cash Flow risk due to changes in interest rate of funds	(33.217)	53.065	(189.937)	69.300	(5.134)
Cross Currency Swap	Short term FC commercial deposits	Cash Flow risk due to changes in interest rate of funds	2.093.795	268.156	(1.591.231)	(592.705)	(131.285)
Cross Currency Swap	Floating-rate FC given loans	Cash Flow risk due to changes in interest rate of funds	-	88.830	391.002	268.384	(7.037)
Interest Rate Swap	Short term TL deposits	Cash Flow risk due to changes in interest rate of funds	-	491.053	(207.806)	(8.627)	(10.056)

As of 31 December 2019 cash flow hedge transactions have been determined as effective.

In addition, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked with the information related discontinuous transactions are given below:

- As of 31 December 2019, related to cash flow hedge transactions, the remaining before tax amount in equity after amortization of the fair value change of the hedging instruments, since the beginning of hedge accounting is TL 10.105 (31 December 2018: TL (6.113)).

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

XII. QUALITATIVE DISCLOSURES ON REMUNERATION POLICIES

Explanations on Remuneration Committee:

The Remuneration Committee consisting of two members from the board of directors who have no executive duties convened and evaluated the remuneration policies once in 2019. As a result of the meeting and related evaluations, the committee decided on updating of the policies in accordance with the existing practices. The main duties and responsibilities of the Remuneration Committee have been determined briefly as follows:

- Overseeing the remuneration processes and practices with the aim of providing an independent and effective remuneration system.
- Reviewing the remuneration policy practices within the framework of the Corporate Governance principles and ensuring that the remuneration management system is up to date.
- Submitting the evaluation and recommendations on remuneration policies and practices within the framework of Corporate Governance principles to the Board of Directors as an annual report
- Reviewing as to whether remuneration policies, processes and practices comply with risk appetite, strategies and long term targets of the Bank
- Ensuring the implementation of premium payments within the framework of Corporate Governance principles.
- Determining payments to the members of the Board of Directors if they assume a different function in the bank
- Ensuring the preparation of the decisions regarding the remuneration, particularly the decisions about the remuneration of qualified employees, submitted to the approval of the Board of Directors; the regular observation of compliance and effectiveness of the remuneration policies with the risk appetite and targets of the bank; providing support and opinion to the Board of Directors with regard to the establishment and supervising of the operations of the remuneration system; overseeing the remuneration of the senior management of the units within the scope of Internal Systems

The general principles of the Bank's remuneration policy apply to all bank employees.

Members of the Board of Directors and senior executives that have a significant impact on the Bank's risk profile are classified under the qualified employees. By the end of 2019, there are 19 employees that are considered as qualified employees in the Bank.

Information on the Design and Structure of the Remuneration Process:

While determining the Bank's wage structure;

- Internal balance of wages and budgetary opportunities,
- Job description and level of responsibility of employees,
- Individual performance of each employee,
- The overall performance of the team and general performance of the bank,
- Employee competencies,
- Compliance with the Bank's internal and external legislation

are taken into consideration.

Structured the Remuneration Policy for gaining, keeping, rewarding and motivating human resources are necessary for sustainable success to the bank is created as follows.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

- Complying with the scope and structure of the Bank's operations, strategies, long-term targets and risk management structures,
- Preventing the excessive risk taking and contributing the effective risk management,

Evaluation of Remuneration Process Regarding the Methods of Addressing Current and Future Risks

In the remuneration processes, credit risk, operational risk, legal risk and reputation risk are taken into consideration with the applied risk management. The risks arising from employees during the determination of premiums are also taken into consideration. Some portion of the premium payments of the qualified employees are paid with non-cash assets indexed to the Bank's share value and some portion of them is postponed. In certain cases, written agreements have been made with these employees for the cancellation of deferred payments. In the recent year, there has been no change in the methods of handling risks in remuneration practices.

Evaluation of the Methods of Associating Premiums with Performance

Performance and risks generally determined for the Bank are considered on a preferential basis for calculating the total amount of premiums. The premium budget is distributed to the employees in line with the unit performance affiliated with individual performance and fixed income.

The units within the scope of Internal Systems have independent premium systems from Bank's performance system hence their budgets are separately managed. All decisions regarding the wage and premium processes of these units are agreed at the Board of Directors level.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

XIII. EXPLANATIONS ON BUSINESS SEGMENTS:

The Group operates in three main business segments including retail banking, commercial banking, and corporate-investment and private banking and wealth management with treasury activities. These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organizational structure.

The profitability system generating segment information provides profitability information on the basis of account customer, customer relationship manager, branch segment and product. This information is made available to the branch and Head Office personnel through a web-based management reporting system.

Retail banking offers a variety of retail services such as deposit accounts, retail loans, commercial installment loans, credit cards, insurance products and asset management services. The consumer banking products and services also include bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

Corporate Banking and Commercial Banking and SME Banking provide financial solutions and banking services to large, medium and small size corporate and commercial customers. The products and services offered to corporate and commercial customers include TL and foreign currency denominated working capital loans financing for investments, foreign trade financing, derivative instruments for hedging purposes of foreign currency and interest risk, letters of credit, foreign currency trading, corporate finance services and deposit and cash management services. In addition, the Bank provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities. In the scope of private banking, The Bank serves the members of the high-income customers who have expectations for upper-class service quality both in banking and investment transactions. Within the scope of international banking activities, activities are also being carried out in order to provide long-term funding, to provide funding under a price reflecting the country's risk, to diversify funding resources and to form an international investor base on this area.

The Treasury Unit conducts TL and FC spot and forward transactions, treasury bonds, government bonds, Eurobond and private sector bond transactions and also derivative trading activities within determined limits. These transactions are performed according to the Bank's requirements. Furthermore, Treasury Unit also carries out marketing and pricing activities of treasury products for customers and branch network.

Information on business segments as of 31 December 2019 and 31 December 2018 presented in the following tables. Explanations on business segments are prepared on the basis of data obtained from Bank Management Reporting System.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Retail Banking	Commercial Banking, SME Banking, Corporate-Investment and Private Banking	Treasury	Other and Unallocated	Group's Total Activities
Current Period - 31 December 2019					
Operating Income	9.554.449	7.740.260	2.635.580	1.676.244	21.606.533
Profit from Operating Activities	3.212.508	1.641.173	2.243.069	(176.667)	6.920.083
Income from Subsidiaries	-	-	-	6.743	6.743
Profit before Tax	3.212.508	1.641.173	2.243.069	(169.924)	6.926.826
Tax Expense	-	-	-	(1.574.487)	(1.574.487)
Minority Shares	3.212.508	1.641.173	2.243.069	(1.744.411)	5.352.339
Net Profit for the Period					
Segment Assets	78.687.822	162.204.989	123.749.563	6.539.052	371.181.426
Investments in Associates.	-	-	-	5.521	5.521
Undistributed Assets	-	-	-	15.985.490	15.985.490
Total Assets					387.172.437
Segment Liabilities	156.685.999	82.201.250	74.576.328	6.564.326	320.027.903
Undistributed Liabilities	-	-	-	12.782.081	12.782.081
Shareholders' Equity	-	-	-	54.362.453	54.362.453
Total Liabilities					387.172.437

	Retail Banking	Commercial Banking, SME Banking, Corporate-Investment and Private Banking	Treasury	Other and Unallocated	Group's Total Activities
Prior Period - 31 December 2018					
Operating Income	8.780.673	6.846.656	1.341.430	2.723.429	19.692.188
Profit from Operating Activities	3.783.576	1.387.588	1.011.768	946.935	7.129.867
Income from Subsidiaries	-	-	-	6.567	6.567
Profit before Tax	3.783.576	1.387.588	1.011.768	953.502	7.136.434
Corporate Tax	-	-	-	(1.427.281)	(1.427.281)
Minority Shares	3.783.576	1.387.588	1.011.768	(473.779)	5.709.153
Net Profit for the Period					
	71.535.56				
Segment Assets	4	155.414.381	106.291.403	7.093.603	340.334.951
Investments in Associates.	-	-	-	-	5.521
Undistributed Assets	-	-	-	-	14.341.141
Total Assets					354.681.610
Segment Liabilities	131.439.325	70.722.739	89.927.997	6.902.026	298.992.087
Undistributed Liabilities	-	-	-	-	11.902.485
Shareholders' Equity	-	-	-	-	43.787.041
Total Liabilities					354.681.610

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

**SECTION FIVE
INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

a. Information related to cash equivalents and the account of the Central Bank of the Republic of Turkey (the "CBRT"):

1. Information on cash equivalents and the account of the CBRT:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Cash/Foreign Currency	1.510.067	1.772.129	1.796.419	1.826.133
The CBRT (*)	733.159	25.808.586	2.928.915	23.504.830
Other (**)	-	69.988	-	57.527
Total	2.243.226	27.650.703	4.725.334	25.388.490

(*) Precious metal account amounting to TL 1.154.187 are included in FC (31 December 2018: TL 3.432.683).

(**) Precious metal account amounting to TL 69.974 are included in FC (31 December 2018: TL 57.522).

2. Information related to the account of the CBRT:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Unrestricted Demand Deposits	6.753	-	124	-
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Requirement	726.406	25.808.586	2.928.791	23.504.830
Total	733.159	25.808.586	2.928.915	23.504.830

3. Explanation on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. The CBRT pays interest to banks that provide credit growth in accordance with the communique principles dated December 9, 2019 and numbered 2019/19, for Turkish Lira required reserves.

The required reserve rates for TL liabilities vary between 1 % and 7% for TL deposits and other liabilities according to their maturities as of 31 December 2019 (31 December 2018: 1,5% and 8% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 21% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2019 (31 December 2018: 4% and 20% for all foreign currency liabilities).

b. Financial Assets at Fair Value Through Profit or Loss

As of 31 December 2019, financial assets at fair value through profit or loss given as collateral/blocked amount to TL 10.049 (31 December 2018: TL 10.599); and there are no financial assets subject to repo transactions (31 December 2018: None).

Other Financial Assets:

In the previous period, syndication loans extended to Ojer Telekomünikasyon A.Ş. were restructured. Within this scope, a pledge was established in favor of lenders in order to establish collateral for these loans. LYY Telekomünikasyon A.Ş., which was established as a special-purpose company in which 192.500.000.000 Group A shares, which constitute 55% of Türk Telekom's issued capital, are all direct or indirect partners. The acquisition of the company (formerly Levent Yapılandırma Yönetimi A.Ş.) was completed on 21 December 2018. The Bank has participated in LYY Telekomünikasyon A.Ş. with a 35.56% share in the receivables from OTAŞ.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Later on, at the Ordinary General Assembly Meeting of LYY Telekomünikasyon A.Ş. which was held on 23 September 2019, it was decided to convert some of the loan into capital and add it to the capital of LYY Telekomünikasyon A.Ş. The nominal value of their shares in TL increased from 18 TL to 1.416.090 TL. This amount is classified in the financial statements under the line "Assets for Sale and Discontinued Operations". As of 31 December 2019, the value of the part pursued as loan is TL 6.723.419, and it is classified under "Other Financial Assets" under "Financial Assets at Fair Value through Profit 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".

Financial assets, whose fair value difference is reflected in profit and loss and the part that is transformed into capital, amount to TL 7.200.669 in total, these are measured at fair value within the scope of TFRS 9 Financial Instruments Standard and TFRS 5 Non-current Assets Held for Sale and Discontinued Operations Standard. This value is determined based on the valuation study of an independent valuation company. In this valuation study, the fair value was determined by taking into account the average of different methods (discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports). Within the scope of IFRS 13, loans are followed under Level 3. Possible changes in the basic assumptions in the valuation study will affect the carrying value of the loan and the amount converted into capital.

If the growth rate and risk-free return rate on investment used in the discounted cash flow method in the valuation report are increased or decreased by 0.25%, provided that all other variables are constant, the total value of assets recognized in the financial statements and profit before tax will increase by about TL 170 million or will decrease by TL 150 million.

The main purpose of the creditor banks is to transfer the mentioned Türk Telekom shares to an expert investor by providing the necessary conditions as quickly as possible. An international investment bank has been assigned as consultant for the sale of LYY Telekomünikasyon A.Ş.'s 55% shares in Türk Telekomünikasyon A.Ş. on 19 September 2019. Within this context, necessary work and discussions with potential investors will be initiated.

c. Trading derivative financial assets:

Table of positive differences related to derivative financial assets (*)

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Forward Transactions	482.816	162	1.004.135	-
Swap Transactions	5.892.415	4.719.651	11.211.063	4.810.361
Futures Transactions	-	-	-	-
Options	11.139	60.763	67.656	454.254
Other	-	-	-	-
Total	6.386.370	4.780.576	12.282.854	5.264.615

(*) Excluding hedging derivatives financial assets.

d. Information on banks account and foreign banks:

1. Information on banks account:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Banks				
Domestic	90.699	881.906	9.099	664.819
Foreign	1.673	16.966.396	3.107	18.282.373
Head Quarters and Branches Abroad	-	-	-	-
Total	92.372	17.848.302	12.206	18.947.192

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. Information on foreign banks account:

	Unrestricted Amount	Restricted Amount (**)	Unrestricted Amount	Restricted Amount (**)
	Current Period	Current Period	Prior Period	Prior Period
	31 December 2019	31 December 2019	31 December 2018	31 December 2018
European Union Countries	8.266.904	3.627.070	7.880.602	4.387.506
USA, Canada	4.634.554	-	5.372.917	615.389
OECD Countries (*)	65.098	-	16.399	-
Off-Shore Banking Regions	168	289.669	134	-
Other	84.606	-	12.533	-
Total	13.051.330	3.916.739	13.282.585	5.002.895

(*) OECD Countries other than EU countries, USA and Canada.

(**) Restricted amounts which mainly consist of collaterals related to borrowings are kept in several banks.

e. Information on financial assets fair value through other comprehensive income:

1. As of 31 December 2019, financial assets fair value through other comprehensive income subject to repurchase agreements amounting to TL 8.422.563 (31 December 2018: TL 12.114.655); and those given as collateral/blocked amounting to TL 17.108.499 (31 December 2018: TL 8.854.043).

2. (i) Information on financial assets fair value through other comprehensive income:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Debt Securities	68.420.444	46.920.338
Quoted at Stock Exchange (*)	66.265.514	45.524.169
Unquoted at Stock Exchange	2.154.930	1.396.169
Share Certificates	16.384	13.620
Quoted at Stock Exchange	-	-
Unquoted at Stock Exchange	16.384	13.620
Impairment Provision (-)	918.388	2.593.916
Total	67.518.440	44.340.042

(*) Investment funds are included.

f. Information related to loans:

1. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	31 December 2019		31 December 2018	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	97	-	1.440
Corporate Shareholders	-	97	-	1.440
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	6.723.184	1.048.264	5.476.437	1.073.121
Loans Granted to Employees	132.254	-	114.675	-
Total	6.855.438	1.048.361	5.591.112	1.074.561

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled (*):
(i). Loans at amortised cost (*):

Current Period – 31 December 2019	Loans and other receivables under follow up			
	Standard Loans and Other Receivables	Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
Loans and Receivables with Revised Contract Terms			Refinance	
Cash Loans				
Non-specialized Loans				
Loans given to enterprises	34.534.813	1.711.929	6.179	2.646.579
Export Loans	13.308.149	191.573	26.535	216.764
Import Loans	1.810.906	-	-	-
Loans Given to Financial Sector	11.501.623	104	-	-
Consumer Loans	28.687.077	2.459.337	944.603	23.315
Credit Cards	14.579.181	892.762	647.945	-
Other	81.465.667	7.168.480	593.626	13.068.925
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	185.887.416	12.424.185	2.218.888	15.955.583

(*). The balances of loans at fair value profit or loss has not been included. Included lease receivables.

Expected Credit Loss Stage I and Stage II (*)	Standard Loans	Current Period	Standard Loans	Prior Period
		31 December 2019		Loans under Follow-up
12 Month Expected Credit Losses	649.212	-	737.932	-
Significant Increase in Credit Risk	-	3.418.554	-	2.863.613
Total	649.212	3.418.554	737.932	2.863.613

(*). Included expected credit losses of lease receivables.

3. Breakdown of loans according to their maturities:

	Loans Under Follow-up		
	Standard Loans	Non-restructured	Restructured or rescheduled
Short-term Loans	52.184.838	2.456.903	937.971
Medium and Long-term Loans	133.702.578	9.967.282	17.236.500
Total	185.887.416	12.424.185	18.174.471

(*). The balances of loans at fair value profit or loss has not been included.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards:

Current Period - 31.12.2019	Short-term	Medium and Long-term	Total
Consumer Loans-TL	416.245	30.237.038	30.653.283
Mortgage Loans	641	9.304.396	9.305.037
Automotive Loans	499	136.892	137.391
Consumer Loans	415.105	20.795.750	21.210.855
Other	-	-	-
Consumer Loans- Indexed to FC	-	1.065	1.065
Mortgage Loans	-	1.065	1.065
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	12.854.524	617.059	13.471.583
With Installment	4.719.975	616.476	5.336.451
Without Installment	8.134.549	583	8.135.132
Consumer Credit Cards-FC	14.658	-	14.658
With Installment	-	-	-
Without Installment	14.658	-	14.658
Personnel Loans-TL	3.762	70.496	74.258
Mortgage Loans	-	3.117	3.117
Automotive Loans	-	80	80
Consumer Loans	3.762	67.299	71.061
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	57.635	108	57.743
With Installment	20.366	108	20.474
Without Installment	37.269	-	37.269
Personnel Credit Cards-FC	253	-	253
With Installment	-	-	-
Without Installment	253	-	253
Credit Deposit Account-TL (Real Person)	1.385.726	-	1.385.726
Credit Deposit Account-FC (Real Person)	-	-	-
Total Consumer Loans	14.732.803	30.925.766	45.658.569

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior Period - 31.12.2018	Short-term	Medium and Long-term	Total
Consumer Loans-TL	641.242	27.032.858	27.674.100
Mortgage Loans	1.600	10.799.366	10.800.966
Automotive Loans	1.211	136.735	137.946
Consumer Loans	638.431	16.096.757	16.735.188
Other	-	-	-
Consumer Loans- Indexed to FC	-	1.289	1.289
Mortgage Loans	-	1.289	1.289
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Credit Cards-TL	11.428.605	568.087	11.996.692
With Installment	3.869.730	566.715	4.436.445
Without Installment	7.558.875	1.372	7.560.247
Consumer Credit Cards-FC	11.816	-	11.816
With Installment	-	-	-
Without Installment	11.816	-	11.816
Personnel Loans-TL	5.100	57.903	63.003
Mortgage Loans	-	3.592	3.592
Automotive Loans	-	36	36
Consumer Loans	5.100	54.275	59.375
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	51.496	24	51.520
With Installment	16.959	24	16.983
Without Installment	34.537	-	34.537
Personnel Credit Cards-FC	152	-	152
With Installment	-	-	-
Without Installment	152	-	152
Credit Deposit Account-TL (Real Person)	1.403.700	-	1.403.700
Credit Deposit Account-FC (Real Person)	-	-	-
Total Consumer Loans	13.542.111	27.660.161	41.202.272

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

5. Information on commercial installment loans and corporate credit cards:

Current Period - 31.12.2019	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	159.072	13.267.296	13.426.368
Mortgage Loans	236	6.130	6.366
Automotive Loans	4.912	809	5.721
Consumer Loans	153.924	13.260.357	13.414.281
Other	-	-	-
FC Indexed Commercial Installment Loans	-	98.153	98.153
Mortgage Loans	-	521	521
Automotive Loans	-	-	-
Consumer Loans	-	97.632	97.632
Other	-	-	-
Commercial Installment Loans-FC	9.807	353.752	363.559
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	9.807	353.752	363.559
Other	-	-	-
Corporate Credit Cards-TL	2.561.575	10.361	2.571.936
With Installment	842.379	10.344	852.723
Without Installment	1.719.196	17	1.719.213
Corporate Credit Cards-FC	3.715	-	3.715
With Installment	-	-	-
Without Installment	3.715	-	3.715
Credit Deposit Account-TL (Legal Person)	1.029.463	-	1.029.463
Credit Deposit Account-FC (Legal person)	-	-	-
Total	3.763.632	13.729.562	17.493.194
Prior Period - 31.12.2018	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	1.013.895	12.614.322	13.628.217
Mortgage Loans	5.555	8.397	13.952
Automotive Loans	38.764	66	38.830
Consumer Loans	969.576	12.605.859	13.575.435
Other	-	-	-
FC Indexed Commercial Installment Loans	4.555	353.390	357.945
Mortgage Loans	-	1.019	1.019
Automotive Loans	-	-	-
Consumer Loans	4.555	352.371	356.926
Other	-	-	-
Commercial Installment Loans-FC	8.487	199.661	208.148
Mortgage Loans	-	-	-
Automotive Loans	3.515	-	3.515
Consumer Loans	4.972	199.661	204.633
Other	-	-	-
Corporate Credit Cards-TL	2.693.636	50	2.693.686
With Installment	795.746	43	795.789
Without Installment	1.897.890	7	1.897.897
Corporate Credit Cards-FC	2.752	-	2.752
With Installment	-	-	-
Without Installment	2.752	-	2.752
Credit Deposit Account-TL (Legal Person)	1.159.752	-	1.159.752
Credit Deposit Account-FC (Legal person)	-	-	-
Total	4.883.077	13.167.423	18.050.500

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

6. Loans according to types of borrowers:

	Current Period 31 December 2019	Prior Period 31 December 2018
Public	3.079.818	1.508.632
Private	228.836.799	214.220.350
Total	231.916.617	215.728.982

7. Distribution of domestic and foreign loans (*): Loans are classified according to the locations of the customers.

	Current Period 31 December 2019	Prior Period 31 December 2018
Domestic Loans	222.653.350	206.437.542
Foreign Loans	9.263.267	9.291.440
Total	231.916.617	215.728.982

(*) Included leasing receivables.

8. Loans granted to investments in associates and subsidiaries: None.

9. (i) Credit-Impaired Losses (Stage III / Special Provision) (*):

	Current Period 31 December 2019	Prior Period 31 December 2018
Loans and Other Receivables with Limited Collectibility	2.183.880	724.871
Loans and Other Receivables with Doubtful Collectibility	2.054.163	1.226.217
Uncollectible Loans and Receivables	4.401.267	2.929.813
Total	8.639.310	4.880.901

(*) Included leasing receivables.

10. Information on non-performing loans (Net):

10. (i) Information on non-performing loans restructured or rescheduled and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period: 31 December 2019			
(Gross Amounts Before Specific Provisions)	65.197	336.693	324.109
Rescheduled Loans and Other Receivables	65.197	336.693	324.109
Prior Period: 31 December 2018			
(Gross Amounts Before Specific Provisions)	37.886	108.383	106.612
Rescheduled Loans and Other Receivables	37.886	108.383	106.612

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

10. (ii) Information on the movement of total non-performing loans (*):

	III. Group	IV. Group	V. Group
	Loans and Other	Loans and Other	Uncollectible Loans
	Receivables with	Receivables with	and Other
	Limited Collectibility	Doubtful Collectibility	Receivables
Prior Period End Balance: 31 December 2018	1.681.186	2.853.788	3.904.054
Additions (+)	9.275.423	978.001	461.390
Transfers from Other Categories of Non-Performing Loans (+)	-	6.434.858	5.631.430
Transfers to Other Categories of Non-Performing Loans (-)	6.434.858	5.631.430	-
Collections (-)	533.124	554.481	737.100
Write-offs (-) (***)	5.755	5.810	1.218.780
Sold Portfolio (**)	163	1.140	666.944
Corporate and Commercial Loans	40	993	277.023
Consumer Loans	114	78	199.687
Credit Cards	9	68	184.546
Other	-	-	5.688
Balance at the End of the Period	3.982.709	4.073.786	7.374.050
Specific Provisions (-)	2.183.880	2.054.163	4.401.267
Net Balance at Balance Sheet	1.798.829	2.019.623	2.972.783

(*) Included leasing receivables.

(**) TL 714 million (in full TL amount) portion of the Bank's non-performing loan portfolio has been sold at a price of TL 32,9 million TL (in full TL amount) to Istanbul Varlık Yönetimi A.Ş. and Gelecek Varlık Yönetim A.Ş. 113,8 million TL portion of 714 million TL has been written off as of 2017 and before. Ak Finansal Kiralama A.Ş. sold 50.8 million TL of non-performing finance lease receivables to Met-Ay Varlık Yönetim A.Ş. for a consideration of 425 thousand TL.

(***) The amount of write-off made 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 27 November 2019 and numbered 30961 is 1.119.998 thousand TL and its effect on the NPL ratio is 49 basis point.

10. (iii) Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and Other	Loans and Other	Uncollectible Loans
	Receivables with	Receivables with	and Other
	Limited	Doubtful	Receivables
	Collectibility	Collectibility	Receivables
Current Period: 31 December 2019			
Balance at the End of the Period	328.325	1.221.406	2.779.344
Specific Provision (-)	144.060	454.769	1.285.111
Net Balance on Balance Sheet	184.265	766.637	1.494.233
Prior Period: 31 December 2018			
Balance at the End of the Period	239.210	1.583.409	1.011.627
Specific Provision (-)	87.114	532.960	562.963
Net Balance at Balance Sheet	152.096	1.050.449	448.664

In Parent Bank, non-performing loans granted as foreign currency are followed under TL accounts of balance sheet.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

10. (iv) Breakdown of non-performing loans according to their gross and net values(*):

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net): 31 December 2019			
Loans granted to corporate entities and real persons (Gross)	3.982.709	4.073.786	7.374.050
Specific Provision Amount (-)	2.183.880	2.054.163	4.401.267
Loans granted to corporate entities and real persons (Net)	1.798.829	2.019.623	2.972.783
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-
Prior Period (Net): 31 December 2018			
Loans granted to corporate entities and real persons (Gross)	1.681.186	2.853.788	3.904.054
Specific Provision Amount (-)	724.871	1.226.217	2.929.813
Loans granted to corporate entities and real persons (Net)	956.315	1.627.571	974.241
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Advances Receivables (Net)	-	-	-

(*)Included leasing receivables.

10. (v) Information on the collection policy of non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period: 31 December 2019			
Interest accruals and valuation differences	240.819	602.739	1.313.881
Provision (-)	126.538	343.611	797.273
Prior Period: 31 December 2018			
Interest accruals and valuation differences	163.127	361.402	139.094
Provision (-)	84.613	168.980	105.678

(*) Included leasing receivables.

11. Information on the collection policy of non-performing loans and other receivables:

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals.

12. Information on the write-off policy:

Write-off The general policy of the Bank in the deletion of NPLs from assets is that the receivables that are documented that the collection is not possible during the legal follow-up process and that are classified under the 5th group and do not have reasonable expectations regarding their recovery and 100% of all fraud and fraud-related follow-up accounts with a provision ratio. Legal proceedings are tracked from where they left off for the follow-up accounts that are not recorded in the legal proceedings.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

g. Financial Assets Measured at Amortised Cost

1. Information on financial subject to repurchase agreements and those given as collateral/blocked:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Given as collateral/blocked	352.296	-	-	659.977
Subject to repurchase agreements	145.327	1.229.269	151.531	2.482.866
Total	497.623	1.229.269	151.531	3.142.843

2. Information about Government debt securities:

	Current Period 31 December 2019	Prior Period 31 December 2018
Government debt	13.080.081	9.062.489
Treasury bonds	-	-
Other government debts	779.177	691.694
Total	13.859.258	9.754.183

3. Information on financial assets measured at amortised cost:

	Current Period 31 December 2019	Prior Period 31 December 2018
Debt Securities	15.602.381	12.328.066
Quoted at stock exchange	15.602.381	12.328.066
Not quoted at stock exchange	-	-
Impairment (-)	27.523	64.585
Total	15.574.858	12.263.481

4. The movement of financial assets at amortised costs:

	Current Period 31 December 2019	Prior Period 31 December 2018
Balance at the Beginning of the Period	12.263.481	18.883.032
Foreign Currency Differences on Monetary Assets	414.623	1.683.147
Purchases During Year	5.397.163	1.654.189
Disposals Through Sales and Redemptions (*)	(3.214.759)	(10.713.907)
Impairment Provision (-)	37.062	184.506
Change in Amortised Cost	677.288	572.514
Balance at the End of the Period	15.574.858	12.263.481

(*) The Bank has reviewed its management model for securities in accordance with TFRS 9 standard in the prior period. Securities amounting to TL 4.927.185 previously classified as held to maturity and measured at amortised cost are classified to fair value through other comprehensive income because of the appropriate management model is intended to be used for selling or financing cash flows.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

h. Information on investments in associates (Net):

1. Non-consolidated associates:

1 (i). Reasons for being out of consolidation for non-consolidated associates: In accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks they have been left out of the scope of consolidation.

1 (ii). Information about non-consolidated associates:

Title	Address (City / Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1 Bankalararası Kart Merkezi A.Ş.	Istanbul/Turkey	9,98	9,98
2 Kredi Kayıt Bürosu A.Ş.	Istanbul/Turkey	9,09	9,09

1 (iii). Main financial figures of associates, in the order of the above table.

The financial figures stated below have been obtained from the financial statements date 30 September 2019.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	147.868	93.468	73.689	3.852	-	28.503	15.603	-
2	348.965	224.008	234.334	8.774	-	26.579	34.818	-

1 (iv). Movement schedule for non-consolidated subsidiaries:

	Current Period 31 December 2019	Prior Period 31 December 2018
Balance at the Beginning of the Period	5.521	3.923
Movements During the Period		
Purchases	-	-
Bonus Shares and Contributions to Capital	-	1.598
Dividends from Current Year Income	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Impairment Provision (-)	-	-
Balance at the End of the Period	5.521	5.521
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

2. Consolidated subsidiaries within the current period: None.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

i. Information on subsidiaries (Net):

1. Information related to shareholders' equity of major subsidiaries:

The following amounts have been obtained from the financial statements as of 31 December 2019 prepared in accordance with legislation in which companies are subject to.

	Ak Finansal Kiralama A.Ş.	Ak Yatırım Menkul Değerler A.Ş.	Ak Portföy Yönetimi A.Ş.	Akbank AG	AkÖde A.Ş.
Paid in Capital	360.007	96.802	10.534	740.648	27.000
Share Premium	-	-	-	-	-
Reserves	494.060	66.116	18.234	4.006.165	(14)
Gains recognized in equity as per TAS	-	(2.010)	(150)	-	-
Profit/Loss	95.149	362.028	108.825	364.203	(15.347)
- Net Current Period Profit	95.149	128.174	65.994	364.203	(12.255)
- Prior Year Profit/Loss	-	233.854	42.831	-	(3.092)
Development Cost of Operating Lease (-)	37	754	-	-	-
Remaining other intangible assets after offset with the related deferred tax liability excluding mortgage servicing rights	1.222	12.421	365	4.755	-
Total Common Equity	947.957	509.761	137.078	5.106.261	11.639
Total Additional Tier I Capital	-	-	-	-	-
Portion of Goodwill and Other Intangible Assets and Related Deferred Tax Liabilities not deducted from the Common Equity as per the 1st Clause of Provisional Article 2 of the "Regulation on the Equity of Banks" (-)	-	-	-	-	-
Total Tier I Capital	947.957	509.761	137.078	5.106.261	11.639
Tier II Capital	85.351	221	1	35.269	-
CAPITAL	1.033.308	509.982	137.079	5.141.530	11.639
Deductions from Capital	-	-	-	-	-
TOTAL CAPITAL	1.033.308	509.982	137.079	5.141.530	11.639

The Bank's subsidiaries, included in the consolidated calculation of capital requirement, do not have additional capital requirements.

2. Non-consolidated subsidiaries: None.

3. Consolidated subsidiaries:

Title	Address (City / Country)	Bank's Share Percentage-If Different Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1 Ak Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	99,99
2 Ak Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	100,00	100,00
3 Ak Portföy Yönetimi A.Ş.	Istanbul/Turkey	100,00	100,00
4 Akbank AG	Frankfurt/Germany	100,00	100,00
5 AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş.	Istanbul/Turkey	100,00	100,00

4. Main financial figures of consolidated subsidiaries, in the order of the above table:

The following amounts have been obtained from the financial statements as of 31 December 2019 prepared in accordance with legislation in which companies are subject to.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	5.859.395	947.893	32.832	492.229	-	95.149	[81.083]	-
2	1.241.943	522.936	19.479	321.198	9.391	128.174	113.732	-
3	157.748	137.443	5.153	14.128	-	65.994	42.277	-
4	29.795.339	5.111.016	51.060	1.323.785	113.336	364.203	233.114	-
5	18.585	11.639	1.282	1.326	-	[12.255]	[3.092]	-

Though not being the subsidiary of the Bank, A.R.T.S Ltd. which was established in November 1999 respectively in connection with rising long-term financing, is included in the full scope of consolidation as "Structured Entity" due to the 100% control of this entity by the Group.

5. Movement schedule for consolidated subsidiaries:

	Current Period 31 December 2019	Prior Period 31 December 2018
Balance at the Beginning of the Period	5.452.141	4.133.098
Movements During the Period		
Additions (*)	139.981	62.000
Bonus Shares and Contributions to Capital	-	-
Dividends from Current Year Income	640.370	304.959
Sales/Liquidation	-	-
Revaluation Increase (**)	498.293	952.084
Revaluation/Impairment	-	-
Increase/decrease due to foreign exchange valuation of foreign subsidiaries	-	-
Balance at the End of the Period	6.730.785	5.452.141
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(*) These amounts arise from the capital increase of Ak Finansal Kiralama A.Ş. which is 99.99% subsidiary of the Bank by TL 125.000 for the current period and arise from 15.000 TL increase on AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş. which is a wholly-owned subsidiary of the Bank, and for the prior period, TL 12,000 that was paid by the Bank for AkÖde Elektronik Para ve Ödeme Hizmetleri A.Ş. which is a wholly-owned subsidiary of the Bank as founding capital and the capital increase Ak Yatırım Menkul Değerler A.Ş. which is a wholly-owned subsidiary of the Bank by TL 50.000.

(**) Amounts refer to revaluation differences arising from accounting of financial associates and subsidiaries under the equity method as explained in the Note III of the Section Three.

6. Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period 31 December 2019	Prior Period 31 December 2018
Banks	5.111.016	4.248.193
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	947.751	727.051
Finance Companies	-	-
Other Financial Subsidiaries	672.018	476.897

7. Subsidiaries quoted to a stock exchange: None (31 December 2018: None).

j. Information on joint ventures: None (31 December 2018: None).

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

k. Information on finance lease receivables (Net):

	Current Period 31 December 2019		Prior Period 31 December 2018	
	Gross	Net	Gross	Net
2019	-	-	2.480.090	2.178.794
2020	2.012.951	1.761.924	1.568.621	1.341.508
2021 and following years	3.182.173	2.804.929	2.563.373	2.294.827
Total	5.195.124	4.566.853	6.612.084	5.815.129

l. Information on the hedging derivative financial assets:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Fair Value Hedge	3.072.295	151.510	2.957.837	110.989
Cash Flow Hedge	2.093.795	33.217	1.735.939	253.669
Net Investment Hedge in a foreign operation	-	-	-	-
Total	5.166.090	184.727	4.693.776	364.658

m. Information on tangible assets:

The "IFRS 16 Leases" Standard was published in the Official Gazette no.29826 dated 16 April 2018 to be applied in the accounting periods starting after 31 December 2018. The Bank has applied the IFRS 16 "Leases" standard, which replaces TAS 17 "Leasing Transactions", as of January 1, 2019, the first implementation date and the transition effect is indicated in the table below.

	Immovables (*)	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2018				
Cost	3.880.347	1.623.834	347.795	5.851.976
Accumulated Depreciation(-)	451.770	967.479	-	1.419.249
Net Book Value	3.428.577	656.355	347.795	4.432.727
Current Period End: 31 December 2019				
Net Book Value at the Beginning of the Period	3.428.577	656.355	347.795	4.432.727
IFRS 16 Transition Effect				
Cost	784.613	-	-	784.613
Accumulated Depreciation (-)	310.941	-	-	310.941
Additions	165.596	586.113	81.576	833.285
Investment Properties Revaluation differences	-	-	-	-
Transferred	422.302	-	(422.302)	-
Disposals (-), net	35.934	996	-	36.930
Depreciation (-)	120.369	218.516	-	338.885
Impairment	-	-	-	-
Currency Translation Differences on Foreign Operations, Net	29.425	75	-	29.500
Cost at Period End	4.405.887	2.159.285	7.069	6.572.241
Accumulated Depreciation at Period End (-)	516.290	1.136.254	-	1.652.544
Closing Net Book Value	3.889.597	1.023.031	7.069	4.919.697

(*) Immovables includes the asset usage rights of the real estates rented under the "IFRS 16 Leases" Standard. As of 31 December 2019, asset usage rights are TL 852.500, and accumulated depreciation amount is TL 345.737.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Immovables	Other Tangible Fixed Assets	Construction in Progress	Total
Prior Period End: 31 December 2017				
Cost	3.066.411	1.298.285	49.731	4.414.427
Accumulated Depreciation(-)	117.491	871.020	-	988.511
Net Book Value	2.948.920	427.265	49.731	3.425.916
Current Period End: 31 December 2018				
Net Book Value at the Beginning of the Period	2.948.920	427.265	49.731	3.425.916
Additions	25.432	386.666	321.617	733.715
Investment Properties Revaluation differences	-	-	-	-
Transferred	11.986	2	(23.553)	(11.565)
Disposals (-), net	4.404	824	-	5.228
Depreciation (-)	27.458	156.757	-	184.215
Impairment	429	-	-	429
Cost at Period End	3.095.734	1.623.832	347.795	5.067.361
Accumulated Depreciation at Period End (-)	140.829	967.480	-	1.108.309
Closing Net Book Value	2.954.905	656.352	347.795	3.959.052

n. Information on intangible assets:

1. Cost and accumulated amortization at the beginning and end of the period:

	Current Period 31 December 2019	Prior Period 31 December 2018
Cost	1.461.990	1.379.705
Accumulated Amortization (-)	508.802	733.512
Net Book Value	953.188	646.193

2. Reconciliation of movements for the current period and prior period:

	Current Period 31 December 2019	Prior Period 31 December 2018
Opening Balance Net Book Value	646.192	478.542
Additions	496.271	340.863
Disposals (-), net	118	-
Impairment (-)	-	-
Depreciation (-)	189.157	173.212
Closing Net Book Value	953.188	646.193

o. Information on the investment properties: None (31 December 2018: None).

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

p. Information on deferred tax asset:

As of 31 December 2019, the Group has TL 135.972 deferred tax asset [31 December 2018: TL 143.808]. Temporary differences subject to deferred tax calculation result from mainly the differences between the book values, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank and in consolidated subsidiaries, are presented as net on an individual entity level. As noted in Note XVIII of Section Three, for the purposes of consolidated financial statements deferred taxes arising from different consolidated subsidiaries are presented separately in assets and liabilities. There are no carry forward tax losses that can be used as deductions for the tax calculation. An explanation about the net deferred tax liability is given in Note II-i-2 of Section Five.

	Accumulated temporary differences		Deferred tax assets / (liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Employee benefits	450.884	325.249	99.053	71.324
Expected Credit Loss Provisions (Stage 1-2)	4.519.329	4.040.886	999.147	893.268
Differences between book value and tax base of property, plant and equipment	(1.068.576)	(743.336)	(234.893)	(163.498)
Differences between book value and tax base of financial assets	(6.854.216)	(3.509.346)	(1.485.545)	(765.250)
Investment Properties Revaluation differences	(2.460.656)	(2.461.256)	(300.168)	(300.829)
Country risk provision	(426.515)	(340.612)	(136.485)	(108.996)
Other	1.573.354	589.796	351.402	126.938
Deferred Tax Asset/(Liabilities) Net			(701.240)	(247.043)

r. Information on property and equipment held for sale and related to discontinued operations:

	Current Period 31 December 2019	Prior Period 31 December 2018
Cost	666.140	264.463
Accumulated Depreciation (-)	73	79
Net Book Value	666.067	264.384
	Current Period 31 December 2019	Prior Period 31 December 2018
Opening Balance Net Book Value	264.384	133.515
Additions (*)	1.575.616	180.171
Disposals (-), net	235.066	49.220
Impairment (-)	938.867	82
Depreciation (-)	-	-
Closing Net Book Value	666.067	264.384

(*) As stated in Note I-b of Section Five, the Bank has 35.56% participation in the newly established LYY Telekomünikasyon A.Ş., and has reclassified its 18 TL shares under fair value through other comprehensive income in the prior period. Within this scope, the Bank's share in the capital of LYY Telekomünikasyon A.Ş. has increased from 18 TL to 1.416.090 TL. Related amounts are presented in the "additions" row of table above. The fair value decrease amount of 938.822 TL that the Bank has calculated for LYY Telekomünikasyon A.Ş. is shown in the "impairment" row of the table above.

s. Information on other assets:

Other assets amounting to TL 6.505.838 [31 December 2018: TL 6.462.174] on the balance sheet and do not exceed 10% of the total assets, excluding the off-balance sheet commitments.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a. Information on deposits:

1. Information on maturity structure of the deposits: There are no seven-day notification deposits.

1 (i). Current Period – 31 December 2019:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	10.127.048	10.183.799	41.132.279	182.618	262.221	531.691	12.977	62.432.633
Foreign Currency Deposits	27.509.477	13.423.063	74.235.005	2.709.505	2.970.256	17.691.555	1.154	138.540.015
Residents in Turkey	22.472.756	13.252.797	69.514.476	2.346.602	1.234.268	4.024.290	1.102	112.846.291
Residents Abroad	5.036.721	170.266	4.720.529	362.903	1.735.988	13.667.265	52	25.693.724
Public Sector Deposits	1.137.518	14.279	27.440	3.371	359	454	-	1.183.421
Commercial Deposits	8.514.974	8.212.215	10.741.257	229.145	82.984	175.345	-	27.955.920
Other Institutions Deposits	272.527	829.067	2.177.831	46.463	6.085	971	-	3.332.944
Precious metals Deposits	4.151.698	-	3.971	-	268.345	67.833	-	4.491.847
Interbank Deposits	1.555.546	480.512	4.008.293	430.528	288.030	12.644	-	6.775.553
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	11.574	19.373	200.551	332.047	173.450	-	-	736.995
Foreign Banks	246.636	461.139	3.807.742	98.481	114.580	12.644	-	4.741.222
Participation Banks	1.297.336	-	-	-	-	-	-	1.297.336
Other	-	-	-	-	-	-	-	-
Total	53.268.788	33.142.935	132.326.076	3.601.630	3.878.280	18.480.493	14.131	244.712.333

1 (ii). Prior period - 31 December 2018:

	Demand	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 Months – 1 Year	1 Year and Over	Deposits Cumulative	Total
Saving Deposits	6.822.980	6.345.091	36.807.411	1.723.512	3.056.761	1.092.246	20.081	55.868.082
Foreign Currency Deposits	23.465.232	14.864.820	54.167.714	2.668.885	7.938.266	15.349.849	1.782	118.456.548
Residents in Turkey	19.626.445	14.444.683	50.220.130	1.518.271	1.709.742	2.829.814	1.623	90.350.708
Residents Abroad	3.838.787	420.137	3.947.584	1.150.614	6.228.524	12.520.035	159	28.105.840
Public Sector Deposits	1.071.679	18.189	24.832	2.937	175	410	-	1.118.222
Commercial Deposits	6.762.192	5.773.856	6.509.480	244.718	153.281	333.052	-	19.776.579
Other Institutions Deposits	250.105	469.459	1.277.232	10.479	629.880	237.530	-	2.874.685
Precious metals Deposits	2.274.974	1.274	-	4.647	185.632	17.872	-	2.484.399
Interbank Deposits	1.487.220	1.476.252	4.329.783	301.072	457.058	-	-	8.051.385
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	9.795	1.438.343	345.038	6.275	342.171	-	-	2.141.622
Foreign Banks	123.202	37.909	3.984.745	294.797	114.887	-	-	4.555.540
Participation Banks	1.354.223	-	-	-	-	-	-	1.354.223
Other	-	-	-	-	-	-	-	-
Total	42.134.382	28.948.941	103.116.452	4.956.250	12.421.053	17.030.959	21.863	208.629.900

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. Information on saving deposits insurance:

Information on saving deposits under the guarantee of the saving deposits insurance fund and amounts exceeding the limit of the deposit insurance fund: The deposit amounts of the consolidated subsidiaries located abroad are subject to local insurance regulations and are not included in the table below.

	Under the Guarantee of Deposit Insurance		Exceeding the Limit of Deposit Insurance	
	Current Period 31 December 2019	Prior Period 31 December 2018	Current Period 31 December 2019	Prior Period 31 December 2018
Saving Deposits	30.875.550	23.246.737	30.609.809	32.618.885
Foreign Currency Saving Deposits	16.110.198	10.341.024	56.626.928	50.682.638
Other Deposits in the Form of Saving Deposits	2.373.387	1.256.207	1.807.082	1.034.751
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	Current Period 31 December 2019	Prior Period 31 December 2018
Foreign Branches' Deposits and other accounts	18	375
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse and Children in care	1.625.947	1.208.455
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Banks Established in Turkey solely to Engage in Off-shore Banking Activities	-	-

b. Information on trading derivative financial liabilities:

(i). Table of derivative financial liabilities (*):

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Forward Transactions	143.501	401	344.315	-
Swap Transactions	6.176.955	1.360.509	10.328.830	853.826
Futures Transactions	-	-	-	-
Options	5.686	94.510	2.910	606.512
Other	-	-	-	-
Total	6.326.142	1.455.420	10.676.055	1.460.338

(*). Excluding hedge transactions.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

c. Information on borrowings:

1. Information on banks and other financial institutions:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	548.615	1.187.028	279.606	1.268.471
From Foreign Banks, Institutions and Funds	-	33.100.838	477.107	41.624.699
Total	548.615	34.287.866	756.713	42.893.170

2. Information on maturity structure of borrowings:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Short-term	303.879	641.868	253.087	1.223.517
Medium and Long-term	244.736	33.645.998	503.626	41.669.653
Total	548.615	34.287.866	756.713	42.893.170

Securitized borrowings procured via A.R.T.S. Ltd. ("Structured Entity") which the Bank has 100% controlling power, are included in external funding sources of the Bank. Under the securitization program agreements, the Bank has sold foreign trade and customer receivables to A.R.T.S. Ltd.

3. The liabilities providing the funding sources of the Group are deposits, borrowings, marketable securities issued and money market borrowings. Deposits are the most important funding source of the Group and the diversification of these deposits by number and type of depositors with a stable structure does not create any risk concentration. The borrowings are composed of funds such as syndicated and securitized borrowings and post-financing obtained from different financial institutions with different maturity-interest structures and characteristics. There is no risk concentration in any of the funding sources of the Group.

d. Information on securities issued (Net):

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Bank bills	2.391.332	-	2.847.485	-
Bonds	2.532.944	8.612.669	2.007.243	8.216.719
Total	4.924.276	8.612.669	4.854.728	8.216.719

e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 2.251.871 under "Other Liabilities" (31 December 2018: TL 3.364.074) and do not exceed 10% of the total balance sheet.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

f. Information on financial leasing agreements:

With the "IFRS 16 Leases" standard valid from 1 January 2019, the difference between operating leases and finance leases has been eliminated and the lease transactions have been expressed under the "Lease Payables" as liability by lessees. Implementation and impacts on transition of IFRS 16 are presented in Note XXIX of Section Three.

Liabilities incurred due to financial leasing agreements:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	Gross	Net	Gross	Net
Less Than 1 Year	150.202	63.868	-	-
Between 1-4 Years	388.038	188.559	-	-
More Than 4 Years	544.539	371.727	-	-
Total	1.082.779	624.154	-	-

g. Information on the hedging derivative financial liabilities:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Fair Value Hedge	71.230	191.806	2.611	41.041
Cash Flow Hedge	848.039	53.065	644.958	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	919.269	244.871	647.569	41.041

h. Information on provisions:

1. Information on reserves for employee rights:

Balance Sheet Obligations for:	Current Period	Prior Period
	31 December 2019	31 December 2018
- Post-employment benefits (pension and medical)	-	-
- Reserve for employment termination benefits	324.669	208.632
- Reserve for unused vacation	126.215	102.878
Total	450.884	311.510

1. (i) Employment termination benefits and unused vacation rights:

According to Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

The compensation amount equals to one month's salary of an employee for each year of service, but this amount is limited up to severance limit decided by law. This liability is not subject to any funding legally and there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current Period 31 December 2019	Prior Period 31 December 2018
Discount Rate (%)	3,97	5,73
Rate for the Probability of Retirement (%)	95,13	94,45

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

The principal actuarial assumption is that the current maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The amount of TL 6.730,15 (1 January 2019: TL 6.017,60) effective from 1 January 2020 has been taken into consideration in calculating the reserve for employee termination benefits.

Movements in the reserve for employment termination benefits during the period are as follows:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Prior Period Closing Balance	215.202	209.829
Recognized as an Expense During the Period	86.885	69.921
Actuarial Loss / (Gain)	89.142	(6.951)
Paid During the Period	(66.408)	(57.597)
Balance at the End of the Period	324.821	215.202

As of 31 December 2019, the Group has allocated vacation liability amounting to TL 126.215 (31 December 2018: TL 110.046).

2. (ii) Post-employment benefits:

The Group's obligation in respect of the post-employment benefits transferrable to SSI, as explained in Note XVII of Section Three, has been calculated by a registered actuary. In this context, the value of the obligation regarding these benefits to be transferred to SSI as of the balance sheet date would equal the approximate payment amount that would need to be made to SSI as part of the transfer. The actuarial parameters and results used for the calculation of this amount reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%). Based on the actuary report, as of 31 December 2019, the deficit of the Fund amounts to TL 38.125 (31 December 2018: TL 6.194 excess).

	Current Period	Prior Period
	31 December 2019	31 December 2018
Total Obligations	(6.729.229)	(5.784.979)
Cash value of future contributions	4.895.180	4.163.438
Total Transfer Obligations to SSI	(1.834.049)	(1.621.541)
Past service obligation	(269.546)	(167.755)
Total Transfer to SSI and Other Obligations	(2.103.595)	(1.789.296)
Fair value of assets	(2.065.470)	(1.795.491)
Deficit	(38.125)	6.194

The amount of the post-employment medical benefits transferrable to SSI are calculated over discounted net present value of medical liabilities and health premiums. The principal actuarial assumptions used were as follows:

Discount rate:

	Current Period	Prior Period
	31 December 2019	31 December 2018
- Pension benefits transferrable to SSI	9,80%	9,80%
- Post-employment medical benefits transferrable to SSI	9,80%	9,80%
- Other non-transferrable benefits	3,97%	5,73%

Mortality rate

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women determined using mortality table depending on statistical data is 19 years for men and 24 years for women.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

The movement in the fair value of plan assets of the year is as follows:

	Current Period	Pior Period
	31 December 2019	31 December 2018
Prior period end	1.795.491	1.551.402
Actual return on plan assets	333.700	338.869
Employer contributions	343.326	232.880
Employee contributions	232.839	199.473
Benefits paid	(639.886)	(527.133)
Period end	2.065.470	1.795.491

Plan assets are comprised as follows:

	Current Period		Prior Period	
	31 December 2019		31 December 2018	
Bank placements	1.181.437	57%	1.160.797	65%
Property and equipment	17.495	1%	17.975	1%
Marketable securities and share certificates	571.189	28%	358.510	20%
Other	295.349	14%	258.209	14%
Period end	2.065.470	100%	1.795.491	100%

2. Information on provisions related with foreign currency difference of foreign indexed loans:

As of 31 December 2019, the Bank has no provision related to foreign currency differences of foreign indexed loans (31 December 2018: None) and the related prior period amount is offset with the balance of foreign currency indexed loans.

3. Information on provisions for non-cash loans that are non-funded and non-transformed into cash:

Expected loss provisions for non-cash loans that are non-funded and non-transformed into cash amounting to TL 297.102 as of 31 December 2019 (31 December 2018: TL 378.740).

4. Information on other provisions:

4 (i).Information on free provision for possible risks: TL 650.000 (31 December 2018: TL 550.000).

The Bank has provided free provision amounting TL 650.000 thousand out of which TL 100.000 thousand had been recognized in current period and TL 550.000 thousand had been recognized in prior years. (31 December 2018: TL 550.000).

4 (ii).The Group has provision for credit cards and banking services promotion activities amounting to TL 52.721 (31 December 2018: TL 50.044).

i. Explanations on tax liability:

1. Explanations on tax liability:

Tax calculations of the Group are explained in Note XVIII of Section Three. As of 31 December 2019, the corporate tax liability after the deduction of temporary taxes paid is TL 326.797 (31 December 2018: TL 8.037). The current tax asset is TL 9.971 as of 31 December 2019 (31 December 2018: TL 306.034).

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 (i). Information on taxes payable:

	Current Period 31 December 2019	Prior Period 31 December 2018
Corporate Taxes Payable	326.797	8.037
Taxation on Marketable Securities	187.962	165.369
Property Tax	2.383	1.983
Banking Insurance Transaction Tax (BITT)	185.204	198.927
Foreign Exchange Transaction Tax	4.875	-
Value Added Tax Payable	18.454	24.042
Other	99.098	125.982
Total	824.773	524.340

1 (ii). Information on premium payables:

	Current Period 31 December 2019	Prior Period 31 December 2018
Social Security Premiums – Employee	1.243	1.162
Social Security Premiums – Employer	155	257
Bank Social Aid Pension Fund Premium- Employee	3	3
Bank Social Aid Pension Fund Premium – Employer	3	3
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance – Employee	1.800	1.525
Unemployment Insurance – Employer	3.374	2.873
Other	348	380
Total	6.926	6.203

2. Information on deferred tax liability:

As of 31 December 2019, Turkish Lira deferred tax liability of the Group amounts to TL 837.212 (31 December 2018: TL 412.665). An explanation about the net deferred tax asset is given in Note I-p of Section Five.

j. Information on subordinated loan:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Debt Instruments subject to common equity	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments subject to tier 2 equity	-	5.381.534	-	4.784.477
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	5.381.534	-	4.784.477
Total	-	5.381.534	-	4.784.477

Explanation about the subordinated loans is given in Note I-b of Section Four.

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current Period 31 December 2019	Prior Period 31 December 2018
Common Stock	5.200.000	4.000.000
Preferred Stock	-	-

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. Amount of paid-in-capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Share Capital	5.200.000	10.000.000

3. Capital increases and sources in the current period and other information based on increased capital shares:

Date	Amount	Cash	Profit reserves subject to increase	Capital reserves subject to increase
28 February 2019	1.200.000	1.200.000	-	-

The explanation of the capital increase is disclosed in the footnote XX of Section Three.

4. Information on share capital increases from capital reserves during the current period: None.
5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: None.
6. The effects of anticipations based on the financial figures for prior periods regarding the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Group's equity due to uncertainties at these indicators:

The Group has been continuing its operations with high profitability and has been retaining most of its net profit in the equity, either by increasing its capital or transferring it into reserves. On the other hand, only a small part of the equity is allocated to investment such as associates and fixed assets, thus giving a chance for considerably high free capital which provides funds for liquid and interest bearing assets. Considering all these factors, the Group continues to its operations with strong shareholders' equity.

7. Information on privileges given to shares representing the capital: None.
8. Information on marketable securities value increase fund:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	113.916	(57.111)	(1.769.593)	(1.209.685)
Foreign Currency Differences	-	-	-	-
Total	113.916	(57.111)	(1.769.593)	(1.209.685)

I. Information on minority shares:

	Current Period 31 December 2019	Prior Period 31 December 2018
Beginning Balance	126	139
Net Profit Share of other shareholders	14	(13)
Previous Term Dividend	-	-
Net Currency difference due to foreign subsidiaries	-	-
Effect of Changes within scope of consolidation	19	-
Balance end of Period	159	126

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments: TL 14.762.968 asset purchase commitments (31 December 2018: TL 15.158.299), TL 23.193.073 commitments for credit card limits (31 December 2018: TL 19.788.847) and TL 2.632.311 commitments for cheque books (31 December 2018: TL 2.514.769).

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

The Group has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

- 2 (i). Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Bank Acceptance Loans	50.678	2.740.341
Letters of Credit	4.404.510	6.532.762
Other Guarantees and Warranties	7.106.720	8.579.625
Total	11.561.908	17.852.728

- 2 (ii). Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Revocable Letters of Guarantee	1.081.737	1.015.501
Irrevocable Letters of Guarantee	17.634.443	20.344.230
Letters of Guarantee Given in Advance	1.922.507	2.723.574
Guarantees Given to Customs	2.251.380	2.096.019
Other Letters of Guarantee	8.247.050	8.763.319
Total	31.137.117	34.942.643

3. Information on non-cash loans:

- 3.(i) Total amount of non-cash loans:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Non-cash Loans Given against Cash Loans	12.545.219	10.507.618
With Original Maturity of 1 Year or Less Than 1 Year	5.064.000	5.190.839
With Original Maturity of More Than 1 Year	7.481.219	5.316.779
Other Non-cash Loans	30.153.806	42.287.753
Total	42.699.025	52.795.371

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3.(ii) Information on sectoral risk concentrations of non-cash loans:

	Current Period 31 December 2019				Prior Period 31 December 2018			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	18.735	0,09	14.336	0,06	23.433	0,11	6.801	0,02
Farming and Raising								
Livestock	1.394	0,01	14.336	0,06	1.020	-	-	-
Forestry	17.302	0,09	-	-	21.678	0,10	-	-
Fishing	39	-	-	-	735	-	6.801	0,02
Manufacturing	3.934.128	19,75	10.677.064	45,06	4.725.707	21,33	12.798.375	40,68
Mining	77.629	0,39	150.629	0,46	60.568	0,27	164.438	0,53
Production	2.948.379	14,80	8.764.676	37,11	3.412.643	15,41	11.263.846	35,76
Electric, Gas and Water	908.120	4,56	1.761.759	7,49	1.252.496	5,65	1.370.091	4,39
Construction	2.981.820	14,97	5.231.577	21,76	3.380.984	15,26	4.735.272	15,18
Services	12.232.621	61,47	4.937.473	24,99	13.273.031	60,05	10.297.806	35,03
Wholesale and Retail Trade	8.664.782	43,52	2.238.502	9,41	8.235.314	37,18	6.492.279	20,82
Hotel, Food and Beverage Services	122.287	0,61	191.394	0,81	130.842	0,59	130.856	0,42
Transportation and Telecommunication	493.055	2,48	782.390	3,33	448.191	2,02	459.754	1,43
Financial Institutions	2.688.449	13,53	1.523.773	10,58	4.193.910	19,06	3.005.406	11,69
Real Estate and Leasing Services	17.891	0,09	34.858	0,15	20.016	0,09	40.691	0,13
Self-Employment Services	30.955	0,16	4.297	0,02	20.135	0,09	4.620	0,01
Education Services	24.535	0,12	5.869	0,02	28.564	0,13	8.553	0,03
Health and Social Services	190.667	0,96	156.390	0,66	196.059	0,89	155.647	0,50
Other	738.469	3,71	1.932.802	8,13	718.865	3,25	2.835.096	9,09
Total	19.905.773	100,00	22.793.252	100,00	22.122.020	100,00	30.673.350	100,00

3.(iii) Information on the non-cash loans classified in Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	18.452.653	21.170.417	1.235.464	1.581.984
Letters of Guarantee	15.553.202	12.643.897	1.179.152	1.502.408
Bank Acceptances	-	50.678	-	-
Letters of Credit	8.409	4.324.194	-	71.907
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	14.790	-	-
Other Commitments and Contingencies	2.891.042	4.136.858	56.312	7.669

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

b. Information on derivative transactions:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	274.974.425	369.339.119
FC Trading Forward Transactions	20.850.732	28.251.475
Trading Swap Transactions	243.036.385	285.000.395
Futures Transactions	170.951	-
Trading Option Transactions	10.916.357	56.087.249
Interest Related Derivative Transactions (II)	174.645.064	157.184.043
Forward Interest Rate Agreements	-	-
Interest Rate Swaps	153.369.992	137.771.766
Interest Rate Options	21.275.072	19.412.277
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	22.214.459	25.036.577
A. Total Trading Derivative Transactions (I+II+III)	471.833.948	551.559.739
Types of Hedging Transactions		
Fair Value Hedges	26.813.770	21.278.727
Cash Flow Hedges	37.845.245	40.895.518
Foreign Currency Investment Hedges	-	-
B. Total Hedging Related Derivatives	64.659.015	62.174.245
Total Derivative Transactions (A+B)	536.492.963	613.733.984

c. Explanations on credit derivatives and risks beared due to these:

As of 31 December 2019: 1.047.840 (31 December 2018: TL 5.943.000).

d. Explanations on contingent assets and liabilities:

1. Contingent Liabilities:

The Bank has accounted a provision amounting to TL 68.948 (31 December 2018: TL 54.154) for the contingent liabilities with a high probability of realization regarding continuing opposing trials. There are also some other opposing trials. In Addition the probability of realization of these trials is low so no cash outflow expected regarding these trials.

2. Contingent Assets:

None.

e. Explanations on the activities carried out on behalf and account of other persons:

The policy is explained on note IX in Section Four.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans (*):

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Short-term Loans	9.699.491	790.975	9.808.587	332.683
Medium and Long-term Loans	12.438.118	4.557.276	11.550.602	4.450.766
Interest on Loans Under Follow-Up	650.479	-	241.006	-
Premiums Received from the Resource Utilization Support Fund	-	-	-	-
Total	22.788.088	5.348.251	21.600.195	4.783.449

(*) Fee and commission income from cash loans are included.

2. Information on interest income on banks:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
From the CBRT	467	-	222.229	1.673
From Domestic Banks	196.614	135.901	77.811	133.419
From Foreign Banks	65.189	356.650	8.464	349.961
From Headquarters and Branches Abroad	-	-	-	-
Total	262.270	492.551	308.504	485.053

3. Information on interest income on marketable securities:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
From Financial Assets at Fair Value through Profit or Loss	4.063	193	5.417	-
Financial Assets at Fair Value through Other Comprehensive Income	3.893.628	1.241.230	4.669.923	905.176
Financial Assets Measured at Amortised Cost	1.042.642	229.585	1.100.786	293.674
Total	4.940.333	1.471.008	5.776.126	1.198.850

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

4. Information on interest income received from associates and subsidiaries: None.

b. Information on interest expense:

1. Information of interest expense on borrowings (*):

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Banks	83.270	1.366.826	84.018	1.441.808
The CBRT	-	-	-	-
Domestic Banks	41.433	38.136	23.883	42.731
Foreign Banks	41.837	1.328.690	60.135	1.399.077
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	200.393	-	141.416
Total	83.270	1.567.219	84.018	1.583.224

(*) Fee and commission expense from cash loans are included.

2. Information on interest expense given to associates and subsidiaries: None.

3. Information on interest expense given to securities issued:

	Current Period 31 December 2019		Prior Period 31 December 2018	
	TL	FC	TL	FC
Interest expense on securities issued	1.358.055	777.354	933.182	689.842

4. Maturity structure of the interest expense on deposits :

There are no seven-day notification deposits.

Current Period - 31.12.2019	Demand Deposits	Time Deposits					Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	
TL							
Bank Deposits	39.711	95.669	49.259	4.426	2.418	1.865	193.348
Saving Deposits	-	1.053.956	6.438.747	96.573	316.340	200.960	8.106.576
Public Sector Deposits	-	2.888	4.477	344	17	57	7.783
Commercial Deposits	-	1.181.280	1.763.408	36.476	32.761	49.695	3.063.620
Other Deposits	7	67.987	422.790	7.447	64.684	11.408	574.323
Total	39.718	2.401.780	8.678.681	145.266	416.220	263.985	11.945.650
FC							
Foreign Currency Deposits	12.889	353.407	1.730.774	14.700	113.546	278.912	2.504.228
Bank Deposits	676	2.259	120.757	8.790	13.693	246	146.421
Precious Metals Deposits	-	1	36	-	2.108	683	2.828
Total	13.565	355.667	1.851.567	23.490	129.347	279.841	2.653.477
Grand Total	53.283	2.757.447	10.530.248	168.756	545.567	543.826	14.599.127

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

[Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.]

Prior Period - 31.12.2018	Demand Deposits	Time Deposits					Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	1 Year and Over	
TL							
Bank Deposits	18.990	227.979	37.747	8.159	4.149	-	297.024
Saving Deposits	-	1.441.959	5.843.666	120.486	151.457	95.007	7.652.575
Public Sector Deposits	-	6.022	2.890	273	8	45	9.238
Commercial Deposits	-	970.126	1.878.039	72.544	49.464	71.300	3.041.473
Other Deposits	4	65.554	276.323	23.291	27.653	35.143	427.968
Total	18.994	2.711.640	8.038.665	224.753	232.731	201.495	11.428.278
FC							
Foreign Currency Deposits	11.206	503.176	2.094.606	106.471	297.960	201.118	3.214.537
Bank Deposits	567	31.990	158.091	16.835	11.653	313	219.449
Precious Metals Deposits	-	1	180	23	1.636	640	2.480
Total	11.773	535.167	2.252.877	123.329	311.249	202.071	3.436.466
Grand Total	30.767	3.246.807	10.291.542	348.082	543.980	403.566	14.864.744

c. Explanations on dividend income:

	Current Period 31 December 2019	Prior Period 31 December 2018
From Financial Assets at Fair Value Through Profit or Loss	1.340	1.966
From Financial Assets at Fair Value Through Other Comprehensive	3.517	1.755
Other	1.886	2.845
Total	6.743	6.566

d. Information on trading profit/loss (Net):

	Current Period 31 December 2019	Prior Period 31 December 2018
Profit	966.290.935	1.443.072.660
Income From Capital Market Transactions	466.707	558.060
Income From Derivative Financial Transactions (*)	34.356.906	30.092.471
Foreign Exchange Gains	931.467.322	1.412.422.129
Loss (-)	967.436.610	1.443.710.149
Loss from Capital Market Transactions	170.322	1.670.266
Loss from Derivative Financial Transactions (*)	33.233.261	25.438.905
Foreign Exchange Loss	934.033.027	1.416.600.978
Total (Net)	(1.145.675)	(637.489)

(*) The net profit resulting from the foreign exchange differences related to derivative financial transactions is TL 1.961.315 (31 December 2018: TL 2.716.425).

e. Explanations on other operating income:

Other Operating Income" in the Income Statement mainly includes collections from receivables for which provision has been allocated in prior periods and provisions that have been set aside in prior periods and reversed in the current year with the sale from non-performing loans portfolio.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

f. Provision expenses related to loans and other receivables of the Group:

f. (i) Expected provision expense:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Expected Credit Loss	6.704.938	6.657.054
12 month expected credit loss (stage 1)	243.090	240.919
Significant increase in credit risk (stage 2)	274.192	417.177
Non-performing loans (stage 3)	6.187.656	5.998.958
Marketable Securities Impairment Expense	28	382
Financial Assets at Fair Value through Profit or Loss	28	-
Financial Assets at Fair Value through Other	-	-
Comprehensive Income	-	382
Investments in Associates and Subsidiaries Securities	-	-
Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	1.099.176	102.538
Total	7.804.142	6.759.974

(*) Includes provisions for impairment losses on assets held for sale and related to discontinued operations and free provision allocated in the current year.

g. Information related to other operating expenses:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Reserve for Employee Termination Benefits	20.477	12.224
Bank Social Aid Fund Deficit Provision	38.125	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	338.866	184.147
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	189.654	173.867
Impairment Expenses of Equity Participations for which	-	-
Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	44	82
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	2.760.066	2.501.208
Leasing Expenses on TFRS 16 Exceptions (*)	111.643	240.461
Maintenance Expenses	55.221	60.861
Advertisement Expenses	143.359	125.642
Other Expenses	2.449.843	2.074.244
Loss on Sales of Assets	1.293	413
Other	776.205	669.085
Total	4.124.730	3.541.026

(*) 31 December 2018 amounts are all finance lease expenses.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

h. Information on income/loss from minority interest:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Income/(loss) from minority interest	14	(13)

i. Information on profit/(loss) from continued and discontinued operations before tax:

The Bank's income before tax consists of net interest income amounting to TL 16.938.427 (31 December 2018: TL 15.595.870), net fees and commission income amounting to TL 4.958.293 (31 December 2018: TL 3.718.214) and the amount of other operating expense is TL 6.882.308 (31 Aralık 2018: TL 5.802.347).

The Bank has no discontinued operations.

j. Information on tax provision of continued and discontinued operations:

As of 31 December 2019, the Group has a current tax expense of TL 1.830.603 (31 December 2018: TL 1.123.468), deferred tax expense of TL 629.451 (31 December 2018: TL 845.137) and deferred tax income of TL 885.567 (31 December 2018: TL 541.324).

The Group has no discontinued operations.

k. Explanation on current period net profit and loss of continued and discontinued operations:

Net profit of the Group is TL 5.352.325 (31 December 2018: TL 5.709.166).

The Group has no discontinued operations.

l. Explanations on current period net profit and loss:

1. Explanation on the quality, amount and frequency of the figures of the income and expense stemming from ordinary banking operations, if necessary to understand the performance of the Group for the current period: None (31 December 2018: None).
2. Explanation on the changes in the estimations regarding the figures on the financial statements, if there exists a possibility that the profit and loss for the current or the following periods will be impacted: None (31 December 2018: None).

m. Other figures on profit and loss statement:

"Other Fee and Commission Income" in the Income Statement mainly consists of commissions received from credit card, money transfer and insurance transactions.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

a. Information on distribution of profit:

The Ordinary General Assembly Meeting of the Parent Bank was held on 25 March 2019. It was also resolved in the General Assembly to allocate TL 5.689.644 which is realized as unconsolidated net profit as extraordinary reserves.

General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of these financial statements.

b. Information on hedge funds:

1. Information on cash flow hedge:

Due to facts described in "Explanations of Hedging Transactions" section in Note XI of Section Four, there are discontinued hedge accounting transactions. As of 31 December 2019, the fair value change of the hedging instrument since the beginning of hedge accounting left after amortization has been reflected to profit/loss accounts that is shown under "hedging funds" in equity is TL (1.566) (31 December 2018: TL 7.263).

2. Information on net investment hedge:

The Bank is hedged against net investment risk arising from fluctuations in foreign exchange rates through the use of foreign currency denominated financial borrowings. In this context, effective portion of the change in foreign currency denominated financial liabilities resulting from changes in the foreign exchange rates is recognized under "Hedging reserves" within equity. As of 31 December 2019, the amount directly recognized in equity is TL (1.099.526) (31 December 2018: TL (944.399)).

c. Information on to foreign exchange difference:

Within the financial statements of the Group's subsidiaries founded abroad, balance sheet items are translated into Turkish Lira with the foreign exchange rates prevailing at the balance sheet date, and income statements items are translated into Turkish Lira with the average foreign exchange rates. Related foreign exchange differences are accounted in the shareholders' equity under "Other profit reserves."

d. Information on financial assets at fair value through other comprehensive income:

"Unrealized gains and losses" arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are not recognized in current year income statements; they are recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are sold, disposed or impaired.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalents:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency, money in transit, bought bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; Interbank money market and time deposits in banks with original maturities less than three months and investment in marketable securities excluding equity securities are defined as "Cash equivalents".

1. Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Cash	11.904.016	5.790.226
Cash, Foreign Currency and Other	3.622.557	2.205.232
Demand Deposits in Banks (*)	8.281.459	3.584.994
Cash Equivalents	6.528.438	6.907.240
Interbank Money Market Placements	543.010	1.544.455
Time Deposits in Banks	5.977.566	5.356.284
Marketable Securities	7.862	6.501
Total Cash and Cash Equivalents	18.432.454	12.697.466

(*) The restricted demand accounts are not included.

1. Cash and cash equivalents at the end of period:

	Current Period	Prior Period
	31 December 2019	31 December 2018
Cash	14.265.890	11.904.016
Cash, Foreign Currency and Other	3.282.210	3.622.557
Demand Deposits in Banks (*)	10.983.680	8.281.459
Cash Equivalents	4.426.087	6.528.438
Interbank Money Market Placements	65.609	543.010
Time Deposits in Banks	4.244.340	5.977.566
Marketable Securities	116.138	7.862
Total Cash and Cash Equivalents	18.691.977	18.432.454

(*) The restricted demand accounts are not included.

b. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL (3.171.848) (31 December 2018: TL (3.636.461)) consists mainly of items such as fees and commissions paid, other operating income excluding income from doubtful receivables, other operating expense excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL (9.642.564) (31 December 2018 TL (20.743.574)) consists mainly of changes in funds from repurchase agreements, miscellaneous payables and other liabilities

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the three months periods, and amounts to TL 3.245.458 (31 December 2018: TL 4.598.984).

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VII. EXPLANATIONS AND NOTES RELATED TO RISK GROUP THAT THE GROUP BELONGS TO:

Information on the volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Current Period – 31 December 2019:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans					
Balance at the Beginning of the Period	-	-	5.476.437	1.074.561	10.973	7.684
Balance at the End of the Period	-	-	6.723.184	1.048.361	6.429	1.096
Interest and Commission Income Received	-	-	847.472	7.291	691	77

2. Prior Period – 31 December 2018:

Group's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Group		Other Real and Legal Persons that have been included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and Other Receivables					
Balance at the Beginning of the Period	-	-	5.605.978	923.699	-	-
Balance at the End of the Period	-	-	5.476.437	1.074.561	10.973	7.684
Interest and Commission Income Received	-	-	538.870	7.893	651	42

3. Information on deposits of the Group's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Balance at the Beginning of the Period	-	-	5.011.321	3.074.721	1.228.947	2.311.399
Balance at the End of the Period	-	-	4.572.874	5.011.321	1.403.075	1.228.947
Interest expense on Deposits	-	-	280.932	506.095	125.658	108.540

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

4. Information on forward and option agreements and other similar agreements made with the Group's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Joint Ventures (Business Partnerships)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Transactions at Fair Value Through Profit or Loss						
Beginning of the Period	-	-	10.451.000	13.638.708	-	-
Balance at the End of the Period	-	-	11.408.705	10.451.000	-	-
Total Income/Loss	-	-	(8.668)	42.206	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

Figures presented in the table above show the total of "sale" and "purchase" amounts of the related transactions. Accordingly, as a result of the nature of these transactions, the difference between the "sale" and "purchase" transactions affects the net exposure of the Group. As of 31 December 2019, the net exposure for direct and indirect shareholders of the Group is TL (184.042) (30 December 2018: TL (303.581)).

5. Information regarding benefits provided to the Group's key management:

As of 31 December 2019 benefits provided to the Group's key management amounting to TL 69.207 (31 December 2018: TL 60.407).

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

1. Information on the domestic and foreign branches and representatives of the bank:

	Number	Number of Employees			
Domestic Branches	770	13.136			
			Country of Incorporation		
Foreign Representation Office	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch Off-shore Banking Region Branches	- 1	- 13	- Malta	- 42.742.096	- 1

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure: In 2019, the Bank has closed up 10 domestic branches.

AKBANK T.A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

Due to the violation of Article 32 of the Insurance Law and other relevant legislation provisions by the General Directorate of Insurance by the Ministry of Treasury and Finance; It was decided to impose an administrative fine of 94.703.256 TL on our bank and to temporarily cease the insurance brokerage activity between 15 January 2020 and 13 February 2020 for 15 days.

The administrative fine is due to 17/6 of the Misdemeanors Law No. 5326. In accordance with the article, it will be paid by taking advantage of 25% cash discount and insurance intermediary will be stopped between the specified dates.

The administrative suspension and the decision to cease this activity will not have a material impact on our Bank's financial statements.

**SECTION SIX
OTHER EXPLANATIONS**

I. OTHER EXPLANATIONS

None.

**SECTION SEVEN
EXPLANATIONS ON AUDIT REPORT**

II. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The consolidated financial statements for the interim period ended 31 December 2019 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The audit report dated 31 January 2020 is presented preceding the consolidated financial statements.

III. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.