AKBANK T.A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2012
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT

Independent auditor’s report

To the Board of Directors of Akbank T.A.Ş.

We have audited the accompanying consolidated financial statements of Akbank T.A.Ş. (the Bank) and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

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

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

February 22, 2013
Istanbul,

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AKBANK T.A.Ş.

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2012

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

	Notes	Audited 2012	Audited 2011
ASSETS			
Cash and due from banks and balances with the Central Bank of Turkey	6	19,853,524	17,341,692
Trading securities	7	32,978	164,563
Derivative financial instruments	8	537,674	826,711
Loans and advances to customers	9	93,159,950	74,957,927
Investment securities:			
- Available-for-sale	10	42,625,475	38,972,208
- Held-to-maturity	10	3,637,468	4,824,470
Property and equipment	11	799,903	790,661
Intangible assets	12	113,757	102,215
Deferred income tax assets	16	173,220	279,095
Other assets and pre-payments	13	1,504,318	997,639
Total assets		**162,438,267**	**139,257,181**
LIABILITIES			
Customer deposits	14	110,402,166	93,192,092
Interbank money market deposits	15	407,551	640,869
Derivative financial instruments	8	1,212,784	892,886
Funds borrowed	15	12,615,756	14,319,746
Debt securities in issue	15	9,596,758	8,229,379
Income taxes payable	16	427,993	108,047
Other liabilities and accrued expenses	17	4,928,552	3,477,928
Employment benefit obligations	18	101,741	77,611
Deferred tax liabilities	16	27,561	24,757
Total liabilities		**139,720,862**	**120,963,315**
EQUITY			
Capital and reserves attributable to the equity holders of the parent:			
- Share capital	19	4,000,000	4,000,000
- Adjustment to share capital	19	1,529,151	1,534,393
Total paid-in share capital	19	5,529,151	5,534,393
Share premium		1,709,098	1,709,128
Translation reserve		135,806	270,882
Other reserves		1,400,894	(510,843)
Retained earnings		13,942,383	11,280,544
		22,717,332	**18,284,104**
Non-controlling interest		73	9,762
Total equity		**22,717,405**	**18,293,866**
Total liabilities and equity		**162,438,267**	**139,257,181**

AKBANK T.A.Ş.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Notes	Audited 2012	Audited 2011
Interest income	21	11,649,475	9,473,645
Interest expense	21	(6,291,675)	(5,321,916)
Net interest income		**5,357,800**	**4,151,729**
Fee and commission income	22	2,114,347	1,915,721
Fee and commission expense	22	(316,673)	(273,976)
Net fee and commission income		**1,797,674**	**1,641,745**
Impairment losses on loans and credit related commitments, net	9	(891,263)	(313,299)
Foreign exchange gains and losses, net		28,495	41,010
Trading gains and losses, net	23	374,694	(153,365)
Dividend income		730	3,596
Other operating income		240,281	392,546
Operating income		**6,908,411**	**5,763,962**
Operating expenses	24	(3,031,801)	(2,558,545)
Profit before income taxes		**3,876,610**	**3,205,417**
Income tax expense	16	(857,535)	(642,740)
Deferred Taxes	16	65,023	22,928
Profit for the period		**3,084,098**	**2,585,605**
Attributable to:			
Equity holders of the Parent		3,084,060	2,586,855
Non controlling interest		38	(1,250)
		3,084,098	**2,585,605**
Basic and diluted earnings per share (expressed in TL, full amount, per share)	2 (u)	0.0077	0.0065

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in thousands of Turkish lira (“TL”)) unless otherwise stated.

	Audited 2012	Audited 2011
Net profit for the period	**3,084,098**	**2,585,605**
Other comprehensive income		
Available for sale financial assets	3,582,936	(2,102,052)
Foreign exchange differences on translation of foreign operations	(135,076)	168,862
Gain/(Loss) from cash flow hedges (effective part of fair value changes)	(173,367)	(74,812)
Gain/(Loss) from net foreign investment hedges (effective part of exchange difference on borrowings)	134,739	(130,215)
Tax related to gains and losses recognized directly in equity (*)	(708,862)	461,416
	2,700,370	**(1,676,801)**
Available for sale financial assets, net of tax	(1,004,675)	(298,686)
Cash flow hedges, net of tax	105,551	195,743
Other, net of taxes	(24,585)	710
Net gains/losses transferred to income statement	**(923,709)**	**(102,233)**
Other comprehensive income, net of tax	**1,776,661**	**(1,779,034)**
Total comprehensive income for the year, net of tax	**4,860,759**	**806,571**
Attributable to:		
Equity holders of the Parent	4,860,721	807,821
Non-controlling interest for the year, net of tax	38	(1,250)

(*) Tax effects of additions to marketable securities valuation differences from available for sale financial assets, gain/(loss) from cash flow hedge (effective part of fair value changes) and gain/(loss) from net foreign investment hedge (effective part of exchange difference on borrowings) amount to TL 716,587, TL (34,673) and TL 26,948 respectively (31 December 2011: TL (420,410), TL (14,962) and TL (26,043).)

AKBANK T.A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Attributable to equity holders of the Group									
	Share capital									
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Share premium**	**Translation reserve**	**AFS reserves**	**Hedge reserves**	**Retained earnings**	**Non controlling interest**	**Total**
Balance at 1 January 2011	4,000,000	1,534,393	5,534,393	1,709,128	102,020	1,816,306	(379,253)	9,264,309	12,934	18,059,837
Transfer to share capital	-	-	-	-	-	-	-	-	-	-
Net unrealised market value gains(losses) from AFS portfolio	-	-	-	-	-	(1,681,641)	-	-	-	(1,681,641)
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(298,686)	-	-	-	(298,686)
Net gains and losses recycled to the income statement										
due to transfer of AFS into held-to-maturity portfolio (Note 10)	-	-	-	-	-	710	-	-	-	710
Cash flow hedges, net of tax	-	-	-	-	-	-	135,893	-	-	135,893
Translation reserve	-	-	-	-	168,862	-	-	-	-	168,862
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	(104,172)	-	-	(104,172)
Other comprehensive income	-	-	-	-	168,862	(1,979,617)	31,721	-	-	(1,779,034)
Profit for the period	-	-	-	-	-	-	-	2,586,855	(1,250)	2,585,605
Total comprehensive income for the period	-	-	-	-	168,862	(1,979,617)	31,721	2,586,855	(1,250)	806,571
Dividends paid	-	-	-	-	-	-	-	(570,620)	(1,922)	(572,542)
Balance at 31 December 2011	4,000,000	1,534,393	5,534,393	1,709,128	270,882	(163,311)	(347,532)	11,280,544	9,762	18,293,866
Balance at 1 January 2012	4,000,000	1,534,393	5,534,393	1,709,128	270,882	(163,311)	(347,532)	11,280,544	9,762	18,293,866
Effect of a sale of subsidiary in 2012	-	(5,242)	(5,242)	(30)	-	-	-	(3,626)	(9,425)	(18,323)
Transfer to share capital	-	-	-	-	-	-	-	-	-	-
Net unrealised market value gains from AFS portfolio										
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	2,866,349	-	-	-	2,866,349
Net gains and losses recycled to the income statement	-	-	-	-	-	(1,004,675)	-	-	-	(1,004,675)
due to transfer of AFS into held-to-maturity portfolio (Note 10)	-	-	-	-	-	(24,585)	-	-	-	(24,585)
Cash flow hedges, net of tax	-	-	-	-	-	-	(33,144)	-	-	(33,144)
Translation reserve	-	-	-	-	(135,076)	-	-	-	-	(135,076)
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	107,792	-	-	107,792
Other comprehensive income	-	-	-	-	(135,076)	1,837,089	74,648	-	-	1,776,661
Profit for the period	-	-	-	-	-	-	-	3,084,060	38	3,084,098
Total comprehensive income for the period	-	-	-	-	(135,076)	1,837,089	74,648	3,084,060	38	4,860,759
Dividends paid	-	-	-	-	-	-	-	(418,595)	(44)	(418,639)
Effect of share increase in Ak Portföy and Ak Menkul	-	-	-	-	-	-	-	-	(258)	(258)
Balance at 31 December 2012	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**135,806**	**1,673,778**	**(272,884)**	**13,942,383**	**73**	**22,717,405**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	Notes	Audited 2012	Audited 2011
Cash flows from operating activities:			
Profit before income tax		3,876,610	3,205,417
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	11, 24	117,082	110,835
Amortisation of intangible assets	12, 24	39,986	30,965
Provision for loan losses, write off and net of recoveries	9	236,735	180,362
Employment termination benefits and other short-term employee benefits	18	24,130	5,883
Gain on derivative financial instruments		608,935	(212,787)
Interest accrual(*)		408,721	(956 ,554)
Other non cash items		137,772	(227,998)
Taxes paid		(827,930)	(384,665)
Operating profit before changes in operating assets and liabilities		**4,622,041**	**1,751,458**
Net (increase) in reserve requirements with the Central Bank of Turkey and restricted cash		(2,141,964)	(7,629,665)
Net (increase) in loans and advances to customers		(18,652,966)	(16,606,660)
Net (increase)/decrease in trading securities		129,873	431,962
Net decrease/(increase) in other assets and prepayments		(506,679)	(274,825)
Net increase in other liabilities and accrued expenses		1,427,797	536,936
Net increase in customer deposits and interbank money market deposits		16,979,200	10,214,205
Net cash from operating activities		**(2,764,739)**	**(13,328,047)**
Cash flows from/(used in) investing activities:			
Purchase of property and equipment	11	(140,859)	(111,848)
Proceeds from property and equipment	11	14,535	111,693
Purchase of other intangible assets	12	(51,538)	(40,049)
Proceeds from other intangible assets	12	10	-
Proceeds from investment securities		22,739,869	40,587,111
Purchase of investment securities		(23,132,380)	(36,133,128)
Net cash used in investing activities		**(570,363)**	**4,413,779**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities in issue		17,455,970	16,333,799
Payments of borrowed funds and debt securities in issue		(17,801,226)	(7,799,719)
Dividends paid to equity holders		(418,639)	(572,542)
Net cash (used in)/from financing activities		**(763,895)**	**7,961,538**
Effect of exchange rates on cash and cash equivalents		**(153,176)**	**392,131**
Net increase/(decrease) in cash and cash equivalents		**369,868**	**1,190,859**
Cash and cash equivalents at the beginning of the period	6	**3,702,574**	**2,511,715**
Cash and cash equivalents at the end of the period	6	**4,072,442**	**3,702,574**

(*) Interest paid is amounting to TL (6,260,462) (2011: TL (5,176,719), interest received is amounting to TL 12,051,995 (2011: TL 8,408,171).

NOTE 1 - PRINCIPAL ACTIVITIES

Akbank T.A.Ş. ("the Bank" or "Akbank" or together with its subsidiaries referred to as "the Group" in these consolidated financial statements) was formed in 1948 and is a member of the Sabancı Group of companies which is incorporated and domiciled in Turkey. The Bank's head offices are located at Sabancı Center 4. Levent, Istanbul/Turkey. As of 31 December 2012, the Bank has 961 branches dispersed throughout the country and 1 branch operating outside the country (2011: 926 branches and 1 branch operating outside the country). As at 31 December 2012, the Group employed 16.515 people (2011: 15.548 people). In addition to regular banking operations, the Group also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik and Hayat A.Ş. and Groupama Emeklilik. The Group's operations are carried out substantially in one geographical segment (Turkey) and in business segments including retail banking, corporate banking, private banking, treasury activities, international banking and other activities through its subsidiaries (i.e. leasing, brokerage and portfolio management) (Note 5).

Some of the Bank's shares have been quoted on the Istanbul Stock Exchange since 1990. In April 1998, 4.03% of the outstanding share capital of the Bank, was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipt ("ADR"). As of 31 December 2012, approximately 41 % of the shares are publicly traded, including the ADRs (2011: 31%).

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

The consolidated financial statements as at and for the year ended 31 December 2012 have been approved on 22 February 2013 by S. Hakan Binbaşgil, the Chief Executive Officer and by Atıl Özus, the Chief Financial Officer of Akbank T.A.Ş.. Authorised boards of the Bank and other regulatory bodies have the power to amend the statutory financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation of these financial statements

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared under the historical cost convention, except for held for trading and available for sale financial instruments and derivative financial instruments which have all been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority, formerly known as Turkish Accounting Standards Board. Additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions.

The consolidated financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira (“TL”).

Significant accounting judgements,estimates and assumptions:

The preparation of financial statements in conformity with IFRS requires management to make judgements ,estimates and assumptions. Effects of changes in estimates are reflected into consolidated income statement. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

The accounting policies adopted in preparation of the financial statements as at December 31, 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2012.

The new standards, amendments and interpretations which are effective as at 1 January 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The Group has considered the effects on its disclosures.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment does not an effect on the financial position or performance of the Group.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and recognizing actuarial gain/loss on defined benefit plans under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Group is assessing the effect of this standard.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. The amendmend will not have any impact on the financial position or performance of the Group.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. The amendmend is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The amendment will not have an effect on financial position or performance of the Group's financial position or performance but will result in additional disclosures.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. These amendments will not impact the Group's financial position or performance but will result in additional disclosures.

IFRS 9 Financial Instruments – Classification and Measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The standard will not have an effect on the financial position or performance of the Group.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The standard will not have an effect on the financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The Group will need to disclose more information; however the standard will not have an effect on the financial position or performance of the Group.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The standard will not have impact on the financial position or performance of the Group.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The amendments will not have any impact on the financial position or the performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The improvements will not have any impact on the financial position or the performance of the Group.

IAS 1 Financial Statement Presentation

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after 1 January 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. The amendment will not have any impact on the financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

Consolidation principles for subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Bank. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank.

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

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

The Bank and its direct and indirect subsidiaries, Ak Yatırım Menkul Değerler A.Ş., Ak Finansal Kiralama A.Ş., Ak Portföy Yönetimi A.Ş., Akbank (Dubai) Limited, Akbank AG together with Ak Receivables Corporation and A.R.T.S. Ltd., in which the Bank has no equity interest, but 100% control power due to the reason that these companies are "Special Purpose Entities", have been included in the scope of consolidation. The Bank together with its consolidated subsidiaries are referred to as the "Group" in these accompanying consolidated financial statements.

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

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

Ak Portföy Yonetimi A.Ş was established at 28 June 2000 in order to manage A and B type mutual funds of Akbank T.A.Ş., B Type variable fund of Ak Yatırım Menkul Değerler A.Ş., pension funds of AvivaSa Emeklilik ve Hayat A.Ş. and Groupama. Portfolios of retail customers are also managed.

The Bank transferred all of its shares in Ak B Tipi Yatırım Ortaklığı A.Ş., corresponding to 70.04% of its total capital, to Egeli & Co. Yatırım Holding A.Ş. as of July 3, 2012 for TL 28,542. Accordingly Ak B Tipi Yatırım Ortaklığı A.Ş. has been deconsolidated as of July 3, 2012.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Akbank (Dubai) Limited was established in December 2009 in Dubai International Finance Center (DIFC) to provide intermediary services on acquisition and mergers, consultancy about financial instruments, intermediary services on loan and investment instruments.

The Bank's Frankfurt Branch was established on 5 April 1998 for banking operations abroad. As of 1 September 2006, the Frankfurt Branch has been converted to a 100% subsidiary of the Bank. As of 31 May 2007, shares of Akbank AG were transferred to Akbank N.V resident in the Netherlands, which is 100% subsidiary of the Parent Bank, through capital in kind. Based on restructuring of Bank's foreign subsidiaries, Akbank NV, 100% direct subsidiary founded in Netherlands and Akbank AG, 100% direct subsidiary of Akbank NV founded in Germany have merged in Akbank AG with the discontinuation of activities of Akbank N.V effective from 15 June 2012.

Ak Receivable Corporation and A.R.T.S. Ltd. are "Special Purpose Entities" established in July 1998 and November 1999, respectively, in connection with raising long-term financing.

The list of consolidated subsidiary undertakings is set out below:

		Shareholding %	
Name of subsidiary	**Country of incorporation**	**2012**	**2011**
Ak Yatırım Menkul Değ. A.Ş.	Turkey	100.00	99.80
Akbank AG	Germany	100.00	100.00
Ak Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Akbank (Dubai) Limited	The United Arab Emirates	100.00	100.00
Ak Portföy Yönetimi A.Ş.	Turkey	100.00	99.99
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivable Corporation	Cayman Islands	-	-
Akbank N.V.	The Netherlands	-	100.00
Ak B Tipi Yatırım Ortaklığı A.Ş.	Turkey	-	70.04

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Turkish lira, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity under translation reserve.

(d) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. Fair value of over-the-counter ("OTC") forward foreign exchange contracts and foreign exchange option contracts are determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2012. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

(i) Explanations on hedge transactions

The Bank hedges against its cash flow risk stemming from TL and foreign currency denominated floating rate financial liabilities with cross currency and interest rate 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 "Hedging reserves" whereas the 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.

The Bank also hedges its TL denominated fixed rate financial assets and foreign currency denominated financial liabilities with cross currency swaps. Within the scope of fair value hedge, fair value changes of hedging instrument and hedged item are accounted in the income statement. Fair value changes of the hedged item are disclosed together with its related asset in the balance sheet for TL denominated fixed rate mortgage loans whereas for TL denominated fixed rate available for sale financial assets, the fair value change of the hedged item is classified from equity to income statement as long as the hedge relationship is effective.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prospective tests are performed regularly at the inception of the hedge relationship 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 designaton 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 IAS 39.

When the hedging instrument is expired, executed, sold or the hedge relationship has become ineffective as a result of the effectiveness test;

- 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 accordance with IAS 39, 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.

(ii) Net Investment Hedge

The Group hedges the net investment risk on foreign investments with the foreign currency denominated financial liabilities. The effective part of the foreign exchange differences on the foreign currency denominated financial liabilities is accounted in the "Translation reserve" account under shareholders' equity.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement under net trading gains and losses.

(iv) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for as a derivative in accordance with IAS 39, if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract,

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

If an embedded derivative is separated, the host contract is accounted for under IAS 39 if it is a financial instrument and in accordance with other appropriate standards if it is not a financial instrument. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and accounted according to the standard applied to the host contract.

(e) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

In the case of debt instruments classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement is removed from equity and recognized in the income statement.

Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in other comprehensive income.

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

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

The Group has Consumer Price Index ("CPI") linked government bonds in available-for-sale and held-to-maturity portfolios with semi-annual fixed real coupon rates and a maturity of 5 to 10 years. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates together with the changes in the CPI references calculated by using an estimated inflation rate. Estimated inflation rate is to be updated during the year when necessary. As of 31 December 2012, the valuation of these securities are made by considering the real coupon rates together with the changes in the CPI references between the issuance date and balance sheet date.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. At 31 December 2012, the Group has not classified any financial asset as financial assets designated at fair value through profit or loss.

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

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

All purchases and sales of trading assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognized at the settlement date, which is the date that the asset is delivered to/by the Group.

(g) Loans and advances to customers and provisions for loan impairment

Loans and advances granted by the Group are carried initially at fair value including the transaction costs and subsequently recognized at the amortized cost value, less any provision for loan losses.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

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

(h) Sale and repurchase agreements

Securities sold subject to repurchase agreements ("repos") are retained in the consolidated accompanying financial statements as trading or investment securities and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell ("reverse repos") are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements using the effective interest rate method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Fee and commission income and expenses

Fee and commission income and expenses are recognized on an accrual basis except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Borrowing fees and commissions expenses paid to other financial institutions are recognized as transaction costs and recorded using the "Effective interest rate method". Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

(j) Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price until, in management's estimates and judgment, collection becomes doubtful. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(k) Related parties

Parties are considered related to the Group if below conditions are met;

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) Pension funds

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Sabancı Holding Group are considered and referred to as related parties. A number of banking transactions were entered into with

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions.

(l) Financial liabilities

Financial liabilities including customer deposits, debt securities in issue and funds borrowed are recognized initially at cost net of transaction costs. Subsequently, financial liabilities are stated at amortised cost including transaction costs and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the financial liability using the effective interest rate method.

(m) Property and equipment

All property and equipment carried at cost less accumulated depreciation and permanent impairment if any. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	50 years
Equipment	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net realisable value and value in use"), it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

At each reporting date, the Group evaluates whether there is any impairment indication on the asset. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in the consolidated income statement. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as income in the consolidated financial statements.

Leasehold improvements comprise primarily of the capitalised branch refurbishment costs and are amortised on a straight-line basis over the corresponding lease terms or their estimated useful lives, whichever is shorter.

(n) Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (not exceeding a period of five years).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Accounting for leases

(i) A group company is the lessee

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ii) A group company is the lessor

When assets are sold under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(p) Taxation on income

(i) Income taxes currently payable

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Taxes other than on income are recorded within operating expenses (Note 25).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the difference between the carrying value and tax base of property and equipment, valuation difference on trading and investment securities, remeasurement of financial assets and liabilities at fair value, provision for loan losses and provision for employment termination benefits. Deferred income tax liabilities and assets are recognized when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Group. Deferred income tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized (Note 17).

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current tax and deferred tax related to items recognized directly in equity are also credited or charged directly to equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Retirement benefit obligations

(i) Pension and other post-employment obligations

Akbank T.A.Ş. Tekaüt Sandığı Vakfı ("the Fund") is a separate legal entity and a foundation recognized by an official decree, providing all qualified Bank employees with pension and post-retirement medical benefits. This scheme is funded through payments of both the employees and the employer as required by Social Security Law Numbered 506 and are as follows:

	2012 (%)	2011 (%)
Pension benefit contributions-employer	13	13
Pension benefit contributions-employee	9	9
Medical benefit contributions-employer	8.5	8.5
Medical benefit contributions-employee	5	5

Pension benefit contributions-employer includes 2% additional contribution provided by the Bank above the requirement of the related law.

The Group's obligation in respect of the Fund has been determined as the total of the following:

Obligation for post-employment benefits transferrable to Social Security Institution ("SSI")

The Group's obligation regarding post-employment benefits transferrable to SSI has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the "Law regarding the changes in Social Insurance and General Health Insurance Law ("New Law") and other related laws and regulations" (Note 18). The disclosures set out in Note 19 for post-employment benefits transferrable to SSI therefore reflect the actuarial parameters and results in accordance with the New Law provisions.

Obligation for other benefits

The present value of the Group's obligation regarding pension benefits which are not transferrable to SSI in accordance with the New Law is calculated in accordance with IAS 19 employee benefits using the projected unit credit method.

The obligation for pension benefits transferrable to SSI and other benefits are calculated annually by an independent actuary who is registered with the Turkish Undersecretariat of the Treasury.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The liability to be recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The Group does not have a legal right to access to the present value of any economic benefits available in the form of refunds from the Fund or reductions in future contributions to the plan, and therefore no assets are recognized in the balance sheet.

(ii) Employment termination benefits – defined benefit plan

Employment termination benefits represent the present value of the estimated total reserve for the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 18) and is calculated using the projected unit credit method.

(iii) Short-term employee benefits

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with IAS 19, "Employee benefits".

(iv) Defined benefit plans

The Group has to pay contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. These contributions are recognised as an employee benefit expense when they are accrued.

(s) Provisions

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 will be required to settle the obligation; and the amount has been reliably estimated.

(t) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, therefore the related assets and liabilities are presented gross in the statements of financial position.

(u) Earnings per share

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income attributable to the equity holders of the Group by the weighted average number of ordinary shares outstanding during the period concerned.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

There is no bonus share issuance in 2012 (31 December 2011: -).

The earnings attributable to basic shares for each period are as follows:

	Audited 31 December 2012	Audited 31 December 2011
Profit attributable to equity holders of the Parent	3,084,060	2,586,855
Weighted average number of ordinary shares in issue (1 Kr each)	400,000,000,000	400,000,000,000
Basic earnings per share (expressed in TL, full amount, per share)	**0.0077**	**0.0065**

There are no diluted shares and accordingly there are no diluted earnings per share for any class of shares.

(v) Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Share premium

When shares are issued, the excess of contributions received over the nominal value of the shares issued is recorded as share premium in equity.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

(w) Acceptances

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as commitments and contingent liabilities (Note 26).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Other credit-related commitments

In the normal course of business, the Group enters into other credit-related commitments including loan commitments, letters of credit and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as loans and receivables. Specific provisions are therefore established when losses are considered probable and recorded as other liabilities (Note 26).

(y) Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents include cash, cash due from banks and balances with central bank excluding reserve requirements and restricted balances, trading securities and investment securities with original maturity periods of less than three months (Note 6).

(z) Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments (Note 5).

(aa) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. In order to be consistent with the presentation of financial statements dated 31 December 2012, certain reclassifications have been made on the statement of comprehensive income and statement of cash flows for the year ended 31 December 2011.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS

(a) Strategy in using financial instruments

By nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to borrowers with a range of credit standing. Such exposures involve not only on-balance sheet loans and advances but also entering into guarantees and other commitments such as letters of credit. The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in the bond markets and in currency and interest rates.

The Group's risk management is under the responsibility of the "Executive Risk Committee ("the ERC")" which reports to the Board of Directors. The ERC is comprised of the Chairman, 2 Executive Board Members and the Chief Executive Officer. The ERC establishes principles, policies, procedures with regards to risk management of the Bank and develops risk management strategies. The ERC also sets risk limits and parameters for liquidity risk, credit risk, foreign exchange risk and interest rate risk and; through close monitoring of the markets and overall economy, such limits are updated as necessary. These limits and implementation of policies are broken down to various levels of authorities in order to enhance control effectiveness. The Bank's risk positions are reported to the ERC members on a regular basis. Additionally, the ERC reviews the latest figures and projections for the Bank's profit and loss accounts and balance sheet, liquidity position, interest and foreign exchange exposures, as well as yield analysis and the macroeconomic environment.

The Assets and Liabilities Committee ("ALCO") manages the various departments of the Bank by applying risk limits. ALCO consists of the Chief Executive Officer, each of the Executive Vice Presidents in charge of the Bank's marketing, lending, treasury, and financial coordination departments and Senior Vice President of the Bank's risk management department. ALCO meets twice a week to review the latest figures on liquidity position, interest rate risk exposures, foreign exchange risk exposure, capital adequacy, risk limits and the macroeconomic environment in order to develop investment, pricing and funding strategies.

The objective of the Group's asset and liability management and use of financial instruments is to limit the Group's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Group has sufficient capital adequacy and is using its capital to maximise net interest income.

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to meet an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and other credit related commitments.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The credit risk management and control are centralised in credit risk management team of the Group which reports to the Board of Directors and head of each business unit regularly.

The credit 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.

Non-cash loans liquidated into cash loans are included in the same risk group as cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

The Group considers that long-term commitments are more exposed to credit risk than short-term commitments, and focuses more on defining risk limits and collateralization on long term commitments.

When considered within the financial activities of other financial institutions, the Group as an active participant in the national and international banking market and deals with high rated customers as an investment policy.

The Bank's credit risk measurement techniques and information on the rating of securities and loan portfolio are as follows:

Bank's rating system:

The Bank has internal debt rating model for each segment in order to assess the credit quality of all borrowers.

The default probabilities of each obligor is calculated by using scorecards tailored to various categories of counterparty and derived from the credit rating system of corporate and commercial, SME, consumer and credit card loan portfolios. Both behavioral and application scorecards are taken into consideration in default probability estimations.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Collateral structure of each portfolio is considered in order to determine the realized loss in case default occurs. Default probabilities and realized loss values are combined in order to account for expected loss and unexpected loss values over time and to encourage risk adjusted pricing.

Risk limits are set both at customer and group level and monitored by the ERC in terms of sectors, tenor and concentration. The ERC regularly follows up risk limits and make limit updates when required.

The Bank's rating tool concentration by risk classes as of 31 December 2012 and 2011 is as follows:

	2012	2011
Above average	35.79%	37.44%
Average	47.73%	49.48%
Below average	12.46%	10.88%
Unrated	4.02%	2.20%

- Loans which demonstrate a strong capacity to meet financial commitments, with low probability of default are defined "Above average".

- Loans that require close monitoring and demonstrate average to adequate capacity to meet financial commitments with moderate default risk are defined "Average".

- Loans which require varying degrees of specific consideration and have diverse default risks are defined "Below average".

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Risk management related to class of loans and advances:

The internal rating systems of the Bank focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. The credit risk classification of the Group with the outstanding balances of each asset class is as the following:

	2012			
	Commercial loans	Consumer loans and credit cards	Lease receivables	Total
Standard loans	57,090,102	32,232,677	1,977,482	91,300,261
Close monitoring loans	608,822	2,335,798	11,585	2,956,205
Impaired loans	484,949	630,507	37,426	1,152,882
Gross	**58,183,873**	**35,198,982**	**2,026,493**	**95,409,348**
Provisions	**(1,143,279)**	**(1,080,824)**	**(25,295)**	**(2,249,398)**
Net	**57,040,594**	**34,118,158**	**2,001,198**	**93,159,950**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2011			
	Commercial loans	Consumer loans and credit cards	Lease receivables	Total
Standard loans	48,267,175	24,737,475	1,379,551	74,384,201
Close monitoring loans	480,203	777,857	12,025	1,270,085
Impaired loans	643,600	619,059	53,645	1,316,304
Gross	**49,390,978**	**26,134,391**	**1,445,221**	**76,970,590**
Provisions	**(1,078,978)**	**(897,448)**	**(36,237)**	**(2,012,663)**
Net	**48,312,000**	**25,236,943**	**1,408,984**	**74,957,927**

The details of the close monitoring loans are as follows:

	2012			
	Commercial loans	Consumer loans and credit cards	Lease receivables	Total
Past due up to 30 days	369,463	1,486,151	4,333	1,859,947
Past due 30-60 days	107,779	651,485	4,024	763,288
Past due 60-90 days	131,580	198,162	254	329,996
Lease receivables (Uninvoiced)	-	-	2,974	2,974
	608,822	**2,335,798**	**11,585**	**2,956,205**

	2011			
	Commercial loans	Consumer loans and credit cards	Lease receivables	Total
Past due up to 30 days	328,919	334,239	534	663,692
Past due 30-60 days	110,354	332,423	972	443,749
Past due 60-90 days	40,930	111,195	1,021	153,146
Lease receivables (Uninvoiced)	-	-	9,498	9,498
	480,203	**777,857**	**12,025**	**1,270,085**

As of 31 December 2012 and 2011, the Group's collateral types mainly composed of mortgages, cash blockages, vehicle and machine pledges.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Debt securities, treasury bills and other securities:

For debt securities and other bills, external ratings such as Moody's rating or their equivalents are used by the Treasury Unit for management of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

	2012			
Moody's Rating	**Trading(*)**	**Available-for- sale(*)**	**Held-to-maturity**	**Total**
Aaa	-	17,731	-	17,731
A1;A2;A3	3,268	457,002	-	460,270
Baa1;Baa2;Baa3	-	1,033,864	-	1,033,864
Ba1	10,885	40,865,916	3,637,468	44,514,269
Ba2	-	-	-	-
Total	**14,153**	**42,374,513**	**3,637,468**	**46,026,134**

	2011			
Moody's Rating	**Trading**	**Available-for- sale**	**Held-to-maturity**	**Total**
Aaa	-	162,927	-	162,927
A1;A2;A3	-	599,615	-	599,615
Baa1;Baa2;Baa3	-	362,127	-	362,127
Ba1	-	-	-	-
Ba2	150,314	37,650,892	4,824,470	42,625,676
Total	**150,314**	**38,775,561**	**4,824,470**	**43,750,345**

(*) Excluding equity securities

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Exposure to credit risk:

	2012	2011
Credit risk exposures relating to on-balance sheet assets:	**144,044,755**	**123,950,548**
Loans and advances to banks	3,190,672	3,463,003
Loans and advances to customers	93,159,950	74,957,927
- Commercial loans	57,040,594	48,312,000
- Consumer loans and credit cards	34,118,158	25,236,943
- Financial lease receivables	2,001,198	1,408,984
Trading assets (*)	14,153	150,314
- Government debt securities	10,464	148,337
- Other marketable securities	3,689	1,977
Derivative financial instruments	537,674	826,711
Available for sale securities (*)	42,374,513	38,961,578
- Government debt securities	40,271,702	37,344,703
- Other marketable securities	2,102,811	1,616,875
Held to maturity securities	3,637,468	4,824,470
Other assets	1,130,325	766,545
Credit risk exposures relating to off-balance sheet items:	**45,815,395**	**35,307,856**
- Letter of guarantees	12,203,921	8,963,974
- Other guarantees and commitments	7,976,006	5,483,909
- Credit granting commitments	2,505,601	2,849,727
- Check payment commitments	4,432,859	4,291,376
- Credit card limit commitments	18,697,008	13,718,870
	189,860,150	**159,258,404**

(*) Excluding equity securities

The above table represents the credit risk exposure of the Group at 31 December 2012 and 2011, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. The Group's collateral types mainly composed of mortgages cash blockages, vehicle and machinery pledges.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Industry analysis:

	Financial Institutions	Public sector	Wholesale and retail trade	Manufacturing	Other industries	Individuals	Total
Loans and advances to banks	**3,190,672**	**-**	**-**	**-**	**-**	**-**	**3,190,672**
Loans and advances to customers	**3.731.678**	**1,865,079**	**12,015,678**	**23,926,751**	**17,440,403**	**34,180,361**	**93,159,950**
- Commercial loans	3,647,509	1,865,079	12,005,765	23,909,922	15,612,319	-	57,040,594
- Consumer loans and credit cards	-	-	-	-	-	34,118,158	34,118,158
- Financial lease receivables	84,169	-	9,913	16,829	1,828,084	62,203	2,001,198
Trading assets (*)	**3,689**	**10,464**	**-**	**-**	**-**	**-**	**14,153**
- Government debt securities	-	10,464	-	-	-	-	10,464
- Other marketable securities	3,689	-	-	-	-	-	3,689
Trading derivative financial instruments	**150,981**	**-**	**-**	**-**	**386,013**	**680**	**537,674**
Investment securities (*)	**1,697,091**	**43,909,170**	**-**	**-**	**405,720**	**-**	**46,011,981**
- Available for sale securities	1,697,091	40,271,702	-	-	405,720	-	42,374,513
Government debt securities	-	40,271,702	-	-	-	-	40,271,702
Other marketable securities	1,697,091	-	-	-	405,720	-	2,102,811
- Held to maturity securities	-	3,637,468	-	-	-	-	3,637,468
Other assets	**1,130,325**	-	-	-	-	-	**1,130,325**
As at 31 December 2012	**9,904,436**	**45,784,713**	**12,015,678**	**23,926,751**	**18,232,136**	**34,181,041**	**144,044,755**

(*) Excluding equity securities

	Financial Institutions	Public sector	Wholesale and retail trade	Manufacturing	Other industries	Individuals	Total
Loans and advances to banks	**3,463,003**	**-**	**-**	**-**	**-**	**-**	**3,463,003**
Loans and advances to customers	**3,518,132**	**1,592,142**	**8,974,155**	**15,468,778**	**20,167,195**	**25,237,525**	**74,957,927**
- Commercial loans	3,426,341	1,592,142	8,968,724	15,355,600	18,969,194	-	48,312,000
- Consumer loans and credit cards	-	-	-	-	-	25,236,943	25,236,943
- Financial lease receivables	91,791	-	5,431	113,178	1,198,001	582	1,408,984
Trading assets (*)	**1,977**	**148,337**	**-**	**-**	**-**	**-**	**150,314**
- Government debt securities	-	148,337	-	-	-	-	148,337
- Other marketable securities	1,977	-	-	-	-	-	1,977
Trading derivative financial instruments	**488,385**	**2,904**	**-**	**-**	**295,401**	**40,021**	**826,711**
Investment securities (*)	**455,506**	**42,169,173**	**-**	**-**	**1,161,369**	**-**	**43,786,048**
- Available for sale securities	455,506	37,344,703	-	-	1,161,369	-	38,961,578
Government debt securities	-	37,344,703	-	-	-	-	37,344,703
Other marketable securities	455,506	-	-	-	1,161,369	-	1,616,875
- Held to maturity securities	-	4,824,470	-	-	-	-	4,824,470
Other assets	**766,545**	**-**	**-**	**-**	**-**	**-**	**766,545**
As at 31 December 2011	**8,693,548**	**43,912,556**	**8,974,155**	**15,468,778**	**21,623,965**	**25,277,546**	**123,950,548**

(*) Excluding equity securities

(Amounts expressed in thousands of Turkish lira (“TL”) unless otherwise stated.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Geographical Distribution:

	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	**526,878**	**251,150**	**2,376,123**	**36,520**	**3,190,672**
Loans and advances to customers	**91,468,070**	**73,060**	**1,270,012**	**348,808**	**93,159,950**
- Commercial loans	55,348,714	73,060	1,270,012	348,808	57,040,594
- Consumer loans and credit cards	34,118,158	-	-	-	34,118,158
- Financial lease receivables	2,001,198	-	-	-	2,001,198
Trading assets (*)	**14,153**	**-**	**-**	**-**	**14,153**
- Government debt securities	10,464	-	-	-	10,464
- Other marketable securities	3,689	-	-	-	3,689
Trading derivative financial instruments	**333,929**	**30**	**118,516**	**85,199**	**537,674**
Investment securities (*)	**45,191,606**	**9,390**	**677,652**	**133,334**	**46,011,981**
- Available for sale securities	41,554,138	9,390	677,652	133,334	42,374,513
Government debt securities	40,271,702	-	-	-	40,271,702
Other marketable securities	1,282,436	9,390	677,652	133,334	2,102,811
- Held to maturity securities	3,637,468	-	-	-	3,637,468
Other assets	**1,112,580**	**-**	**17,087**	**658**	**1,130,325**
As at 31 December 2012	**138,647,216**	**333,630**	**4,459,390**	**604,519**	**144,044,755**

(*) Excluding equity securities

	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	**454,533**	**444,378**	**2,514,436**	**49,656**	**3,463,003**
Loans and advances to customers	**72,856,737**	**122,675**	**1,482,258**	**496,257**	**74,957,927**
- Commercial loans	46,210,810	122,675	1,482,258	496,257	48,312,000
- Consumer loans and credit cards	25,236,943	-	-	-	25,236,943
- Financial lease receivables	1,408,984	-	-	-	1,408,984
Trading assets (*)	**150,314**	**-**	**-**	**-**	**150,314**
- Government debt securities	148,337	-	-	-	148,337
- Other marketable securities	1,977	-	-	-	1,977
Trading derivative financial instruments	**336,621**	**6**	**459,782**	**30,302**	**826,711**
Investment securities (*)	**42,523,431**	**-**	**1,221,942**	**40,675**	**43,786,048**
- Available for sale securities	37,698,961	-	1,221,942	40,675	38,961,578
Government debt securities	37,344,703	-	-	-	37,344,703
Other marketable securities	354,258	-	1,221,942	40,675	1,616,875
- Held to maturity securities	4,824,470	-	-	-	4,824,470
Other assets	**735,501**	**-**	**29,412**	**1,632**	**766,545**
As at 31 December 2011	**117,057,137**	**567,059**	**5,707,830**	**618,522**	**123,950,548**

(*) Excluding equity securities

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

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

The following table represents average market risk calculated in accordance with the Market Risk Calculation principles pursuant to the Part 2 of the Second Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette No. 28 337 on 28 June 2012.

	Current Period 31 December 2012		
	Average	**Maximum**	**Minimum**
Interest Rate Risk	94,460	130,739	58,182
Share Certificates Risk	1,785	748	2,821
Currency Risk	-	-	-
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	2,850	742	4,957
Counterparty Credit Risk	11,588	3,762	19,414
Total Amount Subject to Risk	**110,683**	**135,991**	**85,374**

(*) Consolidated market risk table represent average of three month periods since consolidated market risk is calculated every three months.

(d) Currency risk

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

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table summarises the Group's assets and liabilities and equity at carrying amounts and derivatives at notional amounts categorised by currency.

	2012					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other(*)**	**TL**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	4,999,329	8,716,707	20,170	2,331,815	3,785,503	19,853,524
Trading and investment securities	3,749,474	8,524,923	-	-	34,021,524	46,295,921
Derivative financial instruments	-	-	-	-	537,674	537,674
Loans and advances to customers	11,749,793	25,168,459	29,018	42,698	56,169,982	93,159,950
Property, plant and equipment	851	1,854	-	-	797,198	799,903
Intangible assets	321	74	-	-	113,362	113,757
Deferred tax assets	4,183	-	-	-	169,037	173,220
Other assets and pre-payment	52,636	37,309	77	58	1,414,238	1,504,318
Total assets	**20,556,587**	**42,449,326**	**49,265**	**2,374,571**	**97,008,518**	**162,438,267**
Customer deposits	15,229,185	32,701,101	899,240	2,121,709	59,450,931	110,402,166
Derivative financial instruments	-	-	-	-	1,212,784	1,212,784
Interbank money market deposits, funds borrowed and debt securities in issue	5,857,076	13,336,979	839	21,328	3,403,843	22,620,065
Income taxes payable	13,237	1,362	-	-	413,394	427,993
Other liabilities and accrued expenses	162,398	417,104	1,610	6,888	4,340,552	4,928,552
Deferred tax liability	27,561	-	-	-	-	27,561
Employment benefit obligations	202	-	-	-	101,539	101,741
Equity and non-controlling interest	-	-	-	-	22,717,405	22,717,405
Total liabilities and equity	**21,289,659**	**46,456,546**	**901,689**	**2,149,925**	**91,640,448**	**162,438,267**
Net balance sheet position	**(733,072)**	**(4,007,220)**	**(852,424)**	**224,646**	**5,368,070**	**-**
Off-balance sheet derivative instruments net notional position	**1,069,473**	**4,865,958**	**848,635**	**(250,985)**	**(6,721,363)**	**(188,282)**

At 31 December 2012, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 1.7776 =US$ 1 and TL 2.3452 =EUR 1.

Since the Bank's exposure to foreign currency exchange rate risk is at an immaterial level, the fluctuations in exchange rates do not have material impact on the Bank's financial statements.

(*) TL 2,249,568, TL 1,461,202 and TL 29,865 are in gold indexed assets, liabilities and off balance sheet items respectively.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2011					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other**	**TL**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	1,583,173	10,233,518	19,450	538,743	4,966,808	17,341,692
Trading and investment securities	3,409,830	3,923,564	-	-	36,627,847	43,961,241
Derivative financial instruments	-	-	-	-	826,711	826,711
Loans and advances to customers	10,359,784	24,473,407	41,238	63,470	40,020,028	74,957,927
Property, plant and equipment	1,733	1,864	-	-	787,064	790,661
Intangible assets	882	131	-	-	101,202	102,215
Deferred tax assets	3,779	-	-	-	275,316	279,095
Other assets and pre-payment	48,469	59,198	236	61	889,675	997,639
Total assets	**15,407,650**	**38,691,682**	**60,924**	**602,274**	**84,494,651**	**139,257,181**
Customer deposits	13,398,336	29,335,094	806,782	692,900	48,958,980	93,192,092
Derivative financial instruments	-	-	-	-	892,886	892,886
Interbank money market deposits, funds borrowed and debt securities in issue	5,437,653	15,471,037	7,337	25,700	2,248,267	23,189,994
Income taxes payable	11,751	3,979	-	-	92,317	108,047
Other liabilities and accrued expenses	320,770	83,963	3,391	14,319	3,055,485	3,477,928
Deferred tax liability	24,757	-	-	-	-	24,757
Employment benefit obligations	477	-	-	-	77,134	77,611
Equity and non-controlling interest	-	-	-	-	18,293,866	18,293,866
Total liabilities and equity	**19,193,744**	**44,894,073**	**817,510**	**732,919**	**73,618,935**	**139,257,181**
Net balance sheet position	**(3,786,094)**	**(6,202,391)**	**(756,586)**	**(130,645)**	**10,875,716**	**-**
Off-balance sheet derivative instruments net notional position	**3,954,376**	**6,382,269**	**756,744**	**130,928**	**(11,155,554)**	**68,763**

(e) Interest rate risk

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

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The tables below summarize the Group's exposure to interest rate risks at 31 December 2012 and 31 December 2011. Included in the tables are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	2012					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from banks and balances with the Central Bank of Turkey	1,324,161	62,243	-	-	18,467,120	19,853,524
Trading and investment securities	15,143,504	13,286,218	7,836,510	9,759,900	269,789	46,295,921
Derivative financial instruments	146,698	336,666	43,155	11,155	-	537,674
Loans and advances to customers	49,510,542	21,405,989	19,113,744	3,038,033	91,642	93,159,950
Property, plant and equipment	-	-	-	-	799,903	799,903
Intangible assets	-	-	-	-	113,757	113,757
Deferred income tax assets	-	-	-	-	173,220	173,220
Other assets and pre-payments	334,309	-	-	-	1,170,009	1,504,318
Total assets	**66,459,214**	**35,091,116**	**26,993,409**	**12,809,088**	**21,085,440**	**162,438,267**
Customer deposits	81,842,912	10,257,507	2,309,104	2,939,038	13,053,605	110,402,166
Interbank money market deposits, funds borrowed and debt securities in issue	12,853,286	4,807,912	3,304,095	1,654,772	-	22,620,065
Derivative financial instruments	750,188	419,798	31,725	11,073	-	1,212,784
Income taxes payable	-	-	-	-	427,993	427,993
Other liabilities and accrued expenses	74,055	69,908	149,384	37,798	4,597,407	4,928,552
Employment benefit obligations	-	-	-	-	101,741	101,741
Deferred tax liability	-	-	-	-	27,561	27,561
Total liabilities	**95,520,441**	**15,555,125**	**5,794,308**	**4,642,681**	**18,208,307**	**139,720,862**
Net repricing period gap	**(29,061,227)**	**19,535,991**	**21,199,101**	**8,166,407**	**2,877,133**	**22,717,405**
Off-balance sheet derivative instruments net notional position	**5,735,853**	**1,294,523**	**(3,593,644)**	**(3,623,479)**	**-**	**(186,747)**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

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

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The tables below summarise for effective average interest rates by major currencies for monetary financial instruments at 31 December 2012 and 2011:

	31 December 2012			31 December 2011		
Assets	**USD (%)**	**EUR (%)**	**TL (%)**	**USD (%)**	**EUR (%)**	**TL (%)**
Cash and due from banks:						
-Time deposits in foreign banks	0.26	0.38	-	0.08	0.36	-
-Time deposits in domestic banks	0.48	-	11.60	0.45	4.79	11.78
-Interbank money market placements	-	-	-	-	-	10.76
-Reserve requirements with the Central Bank of Turkey	-	-	-	-	-	-
Trading securities	3.93	2.89	9.78	5.09	4.46	11.09
Loans and advances to customers	4.91	4.44	12.77	4.68	5.10	13.03
Investment securities:						
-Available for sale	3.68	4.42	9.97	4.45	4.62	10.15
-Held to maturity	-	-	9.56	7.05	7.34	11.11
Liabilities						
Customer deposits and interbank and -Money market deposits	2.04	1,95	6.39	3.25	2.88	8.98
Funds borrowed	2.21	1.44	7.63	2.06	1.99	7.62
Debt securities in issue	3.63	-	7.53	3.21	-	10.21

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 ERC 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 are considered under interest rate risk scope.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

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 through applying interest rate shock method to on and off balance sheet positions.

As of 31 December 2011, 100 bp shock has been applied for the assessment of the changes in the fair value of balance sheet items which are subject to calculation.

As of 31 December 2012, 500 bp shock and 200bp shock are applied for Turkish Lira and foreign currency for the assessment of the changes in the fair value of balance sheet items which are subject to calculation rather than appliying 100 bp for all.

		31.12.2012		31.12.2011	
Currency	**Applied Shock (+/- x basis points)**	**Gains/Losses**	**Gains/Shareholder's Equity - Losses/Shareholder's Equity**	**Gains/Losses**	**Gains/Shareholder's Equity - Losses/Shareholder's Equity**
TRY	-400	2,171,947	9,53%	2,267,658	11,97%
TRY	500	(2,283,194)	(10,02%)	(2,404,360)	(12,69%)
USD	-200	680,741	2,99%	168,709	0,89%
USD	200	(461,521)	(2,03%)	(50,532)	(0,27%)
EUR	-200	154,67	0,68%	359,51	1,90%
EUR	200	(228,395)	(1,00%)	(313,325)	(1,65%)
Total (for negative shocks)		3.007.358	13,20%	2,795,877	14,76%
Total (for positive shocks)		(2,973,110)	(13,05%)	(2,768,216)	(14,61%)

(f) Liquidity risk

The Group manages liquidity risk through broad deposit base, strong capital structure and diversified foreign borrowing facilities. The Bank maintains additional resources to provide liquidity when necessary through allocated limits in Central Bank of Turkey, İstanbul Stock Exchange("ISE") Money Market, ISE Settlement and Custody Bank Money Market and other banks, and through liquid marketable securities portfolio. The Bank acts conservative on foreign currency liquidity management and in order to meet liquidity needs completely, maintains adequate reserves.

Short-term funding needs are provided by using deposits. The Bank's broad deposit base and high ratio of core deposit enable long-term funding. Long-term placements can be provided by means of long-term foreign funds.

In accordance with the "Communiqué on the Measurement and Assessment of Liquidity of the Banks" published in the Official Gazette dated 1 November 2006 No. 26333, beginning from 1 June 2007 liqudity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%. Liquidity ratios of the Bank as at 31 December 2012 and 31 December 2011 are presented below:

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
2012	**Foreign currency**	**Foreign currency and TL**	**Foreign currency**	**Foreign currency and TL**
Average (%)	154.1	162.1	106.3	112.0
Maximum (%)	229.8	186.9	133.4	122.8
Minimum (%)	103.4	129.0	87.0	101.0

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
2011	**Foreign currency**	**Foreign currency and TL**	**Foreign currency**	**Foreign currency and TL**
Average (%)	164.5	184.5	95.3	115.8
Maximum (%)	228.3	241.1	106.5	129.0
Minimum (%)	98.2	151.7	86.7	104.8

The table below analyses carrying amount of assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date.

	2012						
	Demand	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	18,467,120	1,324,161	62,243	-	-	-	19,853,524
Trading and investment securities	265,866	1,717,121	5,385,627	22,827,353	16,096,031	3,923	46,295,921
Derivative financial instruments	-	44,632	90,163	178,658	224,221	-	537,674
Loans and advances to customers	-	33,329,472	18,497,257	29,052,588	12,188,991	91,642	93,159,950
Property and equipment	-	-	-	-	-	799,903	799,903
Intangible assets	-	-	-	-	-	113,757	113,757
Deferred income tax assets	-	-	-	173,220	-	-	173,220
Other assets and pre-payments	340,969	910,224	-	-	-	253,125	1,504,318
Total assets	**19,073,955**	**37,325,610**	**24,035,290**	**52,231,819**	**28,509,243**	**1,262,350**	**162,438,267**
Customer deposits	13,589,964	81,306,552	10,257,507	2,309,107	2,939,036	-	110,402,166
Derivative financial instruments	-	77,491	124,773	571,750	438,770	-	1,212,784
Interbank money market deposits funds borrowed and debt securities in issue	2,000	5,713,482	8,119,285	6,812,596	1,972,702	-	22,620,065
Income taxes payable	-	-	427,993	-	-	-	427,993
Other liabilities and accrued Expenses	188,544	4,208,645	122,724	149,384	37,798	221,457	4,928,552
Deferred tax liability	-	-	-	27,561	-	-	27,561
Employment benefit obligations	-	-	-	-	-	101,741	101,741
Total liabilities	**13,780,508**	**91,306,170**	**19,052,282**	**9,870,398**	**5,388,306**	**323,198**	**139,720,862**
Net gap as at 31 December 2012	**5,293,447**	**(53,980,560)**	**4,983,008**	**42,361,421**	**23,120,937**	**939,152**	**22,717,405**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2011						
	Demand	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	15,359,069	1,980,559	64	2,000	-	-	17,341,692
Trading and investment securities	206,972	1,786,900	1,615,339	33,498,802	6,849,305	3,923	43,961,241
Derivative financial instruments	-	363,477	132,839	141,161	189,234	-	826,711
Loans and advances to customers	-	24,172,248	16,640,864	25,018,008	9,034,964	91,843	74,957,927
Property and equipment	-	-	-	-	-	790,661	790,661
Intangible assets	-	-	-	-	-	102,215	102,215
Deferred income tax assets	-	-	-	279,095	-	-	279,095
Other assets and pre-payments	120,926	728,006	-	-	-	148,707	997,639
Total assets	**15,686,967**	**29,031,190**	**18,389,106**	**58,939,066**	**16,073,503**	**1,137,349**	**139,257,181**
Customer deposits	9,664,410	75,786,972	6,259,661	904,629	576,420	-	93,192,092
Derivative financial instruments	-	181,268	189,465	186,950	335,203	-	892,886
Interbank money market deposits funds borrowed and debt securities in issue	-	6,685,149	8,650,038	6,378,024	1,476,783	-	23,189,994
Income taxes payable	-	-	108,047	-	-	-	108,047
Other liabilities and accrued Expenses	31,970	3,026,640	58,648	71,680	47,805	241,185	3,477,928
Deferred tax liability	-	-	-	24,757	-	-	24,757
Employment benefit obligations	-	-	-	-	-	77,611	77,611
Total liabilities	**9,696,380**	**85,680,029**	**15,265,859**	**7,566,040**	**2,436,211**	**318,796**	**120,963,315**
Net gap as at 31 December 2012	**5,990,587**	**(56,648,839)**	**3,123,247**	**51,373,026**	**13,637,292**	**818,553**	**18,293,866**

The most important funding resources of the Bank are the shareholders' equity, the diversified and steady deposit base and the long-term funds borrowed from international institutions which are mainly placed in interest earning assets. In spite of a substantial portion of deposits from individuals being short-term, deposits are diversified by number and type, and maturities of a large portion of deposits are renewed, which indicates that these deposits will provide a long-term and stable source of funding for the Bank. The major part of mandatory cash balances with the Central Bank of Turkey are included within the "up to three months" column as the majority of liabilities to which these balances relate are also included in this category.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Undiscounted cash flows of the financial liabilities of the Group is as follows:

	2012					
Liabilities	**Up to 1 month and demand**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	84,964,420	10,808,347	10,420,707	2,572,273	3,163,495	**111,929,242**
Funds borrowed and debt securities in issue	1,129,543	4,328,042	8,632,952	7,867,483	2,250,498	**24,208,518**
Interbank money market deposits	407,551	-	-	-	-	**407,551**
Total	**86.501.514**	**15.136.389**	**19.053.659**	**10.439.756**	**5.413.993**	**136.545.311**
Letter of guarantees (*)	10,262	284,249	4,654,492	4,666,866	9,053,818	18,669,687

(*) Balances of letter of guarantees, which have demand nature due to their callable status are shown according to the contractual maturities.

	2011					
Liabilities	**Up to 1 month and demand**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	72,364,966	13,525,663	6,488,536	989,173	652,889	**94,021,227**
Funds borrowed and debt securities in issue	2,388,454	3,884,574	9,137,351	7,491,001	1,614,786	**24,516,166**
Interbank money market deposits	640,869	-	-	-	-	**640,869**
Total	**75,394,289**	**17,410,237**	**15,625,887**	**8,480,174**	**2,267,675**	**119,178,262**
Letter of guarantees (*)	7,361	1,327,047	2,964,776	4,106,717	6,041,982	14,447,883

(*) Balances of letter of guarantees, which have demand nature due to their callable status are shown according to the contractual maturities.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Undiscounted cash flows of derivative financial instruments of the Group are as follows:

	2012					
Derivatives held for trading	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Foreign exchange derivatives:	1,115,581	496,683	3,531	(1,515,405)	(79,596)	20,794
– Inflow	11,890,775	6,850,592	4,726,248	2,284,426	-	25,752,041
– Outflow	(10,775,194)	(6,353,909)	(4,722,717)	(3,799,831)	(79,596)	(25,731,247)
Interest rate derivatives:	(3,975)	7,065	21,946	157,561	5,057	187,654
– Inflow	1,992	30,234	98,271	369,440	292,546	792,483
– Outflow	(5,967)	(23,169)	(76,325)	(211,879)	(287,489)	(604,829)
Derivatives held for hedging:						
Foreign exchange derivatives:	(21,771)	(4,327)	(189,437)	(761,526)	(80,508)	(1,057,569)
– Inflow	3,948	985	8,488	2,784,589	565,730	3,363,740
– Outflow	(25,719)	(5,312)	(197,925)	(3,546,115)	(646,238)	(4,421,309)
Interest rate derivatives:	-	(18,744)	(99,099)	(329,607)	3,541	(443,909)
– Inflow	-	30,743	165,847	551,853	243,279	991,722
– Outflow	-	(49,487)	(264,946)	(881,460)	(239,738)	(1,435,631)
Total inflow	**11,896,715**	**6,912,554**	**4,998,854**	**5,990,308**	**1,101,555**	**30,899,986**
(Total outflow)	**(10,806,880)**	**(6,431,877)**	**(5,261,913)**	**(8,439,285)**	**(1,253,061)**	**(32,193,016)**

	2011					
Derivatives held for trading	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Foreign exchange derivatives:	1,131,062	489,460	(63,082)	(1,439,843)	(86,611)	30,986
– Inflow	11,419,950	6,910,623	3,800,448	261,419	134,078	22,526,518
– Outflow	(10,288,888)	(6,421,163)	(3,863,530)	(1,701,262)	(220,689)	(22,495,532)
Interest rate derivatives:	(7,971)	(1,088)	(77,431)	(195,637)	10,112	(272,015)
– Inflow	9,235	13,066	152,183	689,108	118,285	981,877
– Outflow	(17,206)	(14,154)	(229,614)	(884,745)	(108,173)	(1,253,892)
Derivatives held for hedging:						
Interest rate derivatives:	(21,521)	(37,136)	(124,187)	(292,162)	(42,829)	(517,835)
– Inflow	11,229	16,560	96,261	261,894	48,271	434,215
– Outflow	(32,750)	(53,696)	(220,448)	(554,056)	(91,100)	(952,050)
Total inflow	**11,440,414**	**6,940,249**	**4,048,892**	**1,212,421**	**300,634**	**23,942,610**
(Total outflow)	**(10,338,844)**	**(6,489,013)**	**(4,313,592)**	**(3,140,063)**	**(419,962)**	**(24,701,474)**

(g) 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. 28337 on June 28, 2012 and entered into force as of July 1, 2012, is used in the annual operational risk calculation of the Bank. The amount subject to the operational risk is calculated by using the statutory gross income of the Bank in 2011, 2010, and 2009.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

In accordance with above Communiqué, annual gross revenue is calculated by deduction of profit/loss derived from the sale of available for sale assets and held-to-maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non interest.

	31.12.2009	31.12.2010	31.12.2011	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,014,987	5,590,175	5,429,329	3	15	851,725
Amount subject to Operational Risk (Amount*12,5)						10,646,557

(h) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated balance sheets at their fair values at 31 December 2012 and 2011:

	2012		2011	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and due from banks and balances with the Central Bank with Turkey	19,853,524	19,853,524	17,341,692	17,341,692
Loans and advances to customers	93,159,950	97,179,213	74,957,927	74,872,568
Investment securities	46,262,943	46,327,680	43,796,678	43,967,602
Financial liabilities				
Customer deposits	110,402,166	110,448,874	93,192,092	93,174,217
Interbank money market deposits, funds borrowed and debt securities in issue	22,620,065	22,946,841	23,189,994	22,840,295

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments that are carried at amortized cost:

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(i) Financial assets

The fair values of certain financial assets carried at cost, including cash and balances with the Central Bank of Turkey, due from other banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value.

The fair value of investment securities has been estimated based on market prices at balance sheet dates.

(ii) Financial liabilities

The estimated fair value of deposits with no maturity is the repayable amount at demand.

The estimated fair value of interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

A discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(i) Fair value hierarchy:

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

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

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Trading securities	32,978	-	-	32,978
- Government bonds	7,495	-	-	7,495
- Eurobonds	2,969	-	-	2,969
- Government bonds denominated in foreign currency	-	-	-	-
- Treasury bills	-	-	-	-
- Share certificates	18,825	-	-	18,825
- Other bonds	3,689	-	-	3,689
Derivative financial instruments	50,529	487,145	-	537,674
Securities available-for-sale	42,158,207	455,428	-	42,613,635
- Government bonds	40,284,410	-	-	40,284,410
- Eurobonds	-	-	-	-
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	-	-	-
- Mutual funds	239,122	-	-	239,122
- Listed equity securities	-	-	-	-
- Other Bonds	1,634,675	455,428	-	2,090,103
Total assets	**42,241,714**	**942,573**	**-**	**43,184,287**
Trading derivative financial instruments	48,065	505,874	-	553,939
Hedging derivative financial instruments	-	658,845	-	658,845
Total liabilities	**48,065**	**1,164,719**	**-**	**1,212,784**

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Trading securities	162,246	2,317	-	164,563
- Government bonds	119,144	-	-	119,144
- Eurobonds	26,876	-	-	26,876
- Government bonds denominated in foreign currency	-	2,317	-	2,317
- Treasury bills	-	-	-	-
- Share certificates	14,249	-	-	14,249
- Other bonds	1,977	-	-	1,977
Derivative financial instruments	54,569	772,142	-	826,711
Securities available-for-sale	37,167,532	1,794,046	-	38,961,578
- Government bonds	31,786,164	849,004	-	32,635,168
- Eurobonds	4,063,238	-	-	4,063,238
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	646,297	-	646,297
- Mutual funds	186,017	-	-	186,017
- Listed equity securities	-	-	-	-
- Other Bonds	1,132,113	298,745	-	1,430,858
Total assets	**37,384,347**	**2,568,505**	**-**	**39,952,852**
Trading derivative financial instruments	35,946	637,089	-	673,035
Hedging derivative financial instruments	-	219,851	-	219,851
Total liabilities	**35,946**	**856,940**	**-**	**892,886**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

As explained in the Note 2-e, unlisted share certificates classified as available for sale are carried at cost less impairment since they are not traded in active markets and their fair values can not be measured reliably.

There are no transfers between the first and the second levels in the current year.

(j) Capital management

The Group's and Bank's capital adequacy ratio, calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (Basel II) which became effective as of 1 July 2012, are respectively %17,88 and %18,63. This ratio is well above the minimum ratio required by the legislation.

Capital adequacy ratio has been calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks", "Credit Risk Mitigation Techniques" and "Calculation of Risk-Weighted Amounts for Securitizations" Communiqués that have been published in Official Gazette no. 28337 on 28 June 2012 and became effective as of 1 July 2012 and "Regulation on Equity of Banks" that has been published in Official Gazette no. 26333 on November 1, 2006.

Capital adequacy ratio is calculated based on total capital requirements needed for credit risk, market risk and operational risk. Credit risk is calculated by holding risk-weighted assets and non-cash loans subject to risk-weights in the relevant legislation and taking risk mitigation techniques into account; the standard method is used to calculate market risk and the basic indicator approach is used to calculate operational risk.

The following table shows the summary information related to capital adequacy ratio:

	Current Period 31/12/2012
Capital Requirement for Credit Risk (Value at credit risk *0,08) (CRCR)	9,254,277
Capital Requirement for Market Risk (CRMR)	85,374
Capital Requirement for Operational Risk (CROR)	851,725
Shareholders' equity	22,779,043
Shareholders' equity /((CRCR+CRMR+CROR) * 12,5) * 100	17.88

Above table is prepared starting from July 1, 2012 according to Communiqué "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette numbered 28337 dated June 28, 2012.

(k) Fiduciary activities

The Group provides custody services to third parties which involve the Group in the making of allocation, purchase and sale decisions. Assets held in a fiduciary capacity are not included in these financial statements. At 31 December 2012, the Group has custody accounts amounting to TL 35,182,904 in nominal value (2011: TL 32,412,290).

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The judgements,which have the most significant effect on the amounts recognised in the consolidated financial statements and the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Estimations used for losses on loans and advances have been disclosed in Note 9.

(b) Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Estimations used for derivatives have been disclosed in Note 8.

(c) Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Estimations used for available for sale equity investments have been disclosed in Note 10.

(d) Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. Estimations used for held to maturity investments have been disclosed in Note 10.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES IN APPLYING ACCOUNTING POLICIES (continued)

(e) Pension obligation

The Group determines the present value of funded benefit obligations transferrable to SSI in accordance with New Law by using several critical actuarial assumptions, including the discount rate, mortality rate, and medical costs as disclosed in Note 19. This approach recognizes the obligations of the Group to make payments to SSI in respect of the benefits which will be transferred to SSI rather than an obligation to make benefit payments to individuals and non transferable liabilities calculated in accordance with IAS 19. Estimations used for pension obligation have been disclosed in Note 18.

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Estimations used for income taxes have been disclosed in Note 16.

NOTE 5 - SEGMENT ANALYSIS

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

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

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

Corporate banking and SME banking provide financial solutions and banking services to large, medium and small size corporate and commercial customers. The products and services offered to corporate and commercial customers include TL and foreign currency denominated working capital loans, financing for investments, foreign trade financing, derivative instruments for hedging purposes of foreign currency and interest risk, letters of credit, foreign currency trading, corporate finance services and deposit and cash management services. In addition, the Group provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and

NOTE 5 - SEGMENT REPORTING (Continued)

liquidity and information management. Project finance loans are provided within the context of investment banking activities.

Treasury activities are performed by the Treasury Unit. The Treasury Unit trades in TL and foreign currency instruments on a spot and forward basis, in treasury bills, bonds and other domestic securities together with foreign securities with “AAA” rating. The Marketing and Treasury Group carries out marketing activities of treasury and derivative financial products for customers.

Private banking serves the members of the upper-income groups who have expectations for upperclass service quality both in banking and investment transactions.

International Banking activities are managed by the International Banking Unit. The Group provides services for foreign trade financing, foreign currency and TL clearances, and money transfers through agent financial institutions. The international banking unit serves in fundamental areas such as providing long-term funding opportunities, creating funding facility at lower prices that fully reflect country risk, diversifying funding resources and creating a base of international investors for that purpose.

Other activities including leasing services provided by Ak Finansal Kiralama A.Ş., Ak Yatırım Menkul Değerler A.Ş., Akbank (Dubai) Limited and Ak Portföy Yönetim A.Ş. which are the consolidated subsidiaries of the Bank.

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

NOTE 5 - SEGMENT REPORTING (Continued)

Segment information at 31 December 2012 and 2011 is as follows:

	31 December 2012						
	Retail banking	Corporate and SME banking	Private banking	Treasury activities	International banking	Other	Total
Segment information regarding the balance sheet:							
Segment assets	39,830,905	60,887,195	1,003,705	50,073,971	4,570,116	2,030,547	158,396,439
Equity securities	-	-	-	-	-	-	11,840
Unallocated assets	-	-	-	-	-	-	4,029,988
Total assets							**162,438,267**
Segment liabilities	46,667,529	28,209,033	13,568,377	36,313,974	8,382,494	1,169,930	134,311,337
Unallocated liabilities	-	-	-	-	-	-	5,409,525
Equity	-	-	-	-	-	-	22,717,405
Total liabilities and equity							**162,438,267**
Segment information regarding the income statement:							
Segment revenue	2,253,117	1,948,454	293,153	2,197,880	122,318	93,489	6,908,411
Segment result	619,405	1,313,302	199,246	1,737,572	73,093	(66,738)	3,875,880
Dividend income						730	730
Income taxes						(792,512)	(792,512)
Profit for the year	619,405	1,313,302	199,246	1,737,572	73,093	(858,520)	3,084,098
Other segment items:							
Capital expenditure	69,823	75	6,322	547	-	115,640	192,407
Depreciation and amortization	(66,690)	(5,499)	(1,193)	(1,260)	(201)	(41,246)	(116,089)
Other non-cash expenses	(413,038)	(639,000)	(77,852)	(574)	(29)	(6,664)	(1,137,157)

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

NOTE 5 - SEGMENT ANALYSIS (Continued)

	31 December 2011						
	Retail banking	Corporate banking	Private banking	Treasury activities	International banking	Other	Total
Segment information regarding the balance sheet:							
Segment assets	30,682,331	51,667,646	1,039,784	48,251,821	2,954,609	1,502,949	136,099,140
Equity securities	-	-	-	-	-	-	10,630
Unallocated assets	-	-	-	-	-	-	3,147,411
Total assets							**139,257,181**
Segment liabilities	44,847,078	21,666,518	12,760,965	27,577,625	9,471,893	1,054,643	117,378,722
Unallocated liabilities	-	-	-	-	-	-	3,584,593
Equity	-	-	-	-	-	-	18,293,866
Total liabilities and equity							**139,257,181**
Segment information regarding the income statement:							
Segment revenue	2,058,094	1,443,495	170,479	1,907,831	52,104	131,959	5,763,962
Segment result	554,203	920,504	125,914	1,585,629	34,008	(18,437)	3,201,821
Dividend income							3,596
Income taxes							(619,812)
Profit for the year	554,203	920,504	125,914	1,585,629	34,008	(634,653)	2,585,605
Other segment items:							
Capital expenditure	83,820	1,982	669	6,013	-	59,413	151,897
Depreciation and amortization	(81,330)	(5,510)	(904)	(931)	(280)	(52,957)	(141,912)
Other non-cash expenses	(182,645)	(305,545)	(2,545)	(152,318)	(6,900)	(12,162)	(662,115)

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

NOTE 6 - CASH AND DUE FROM BANKS AND BALANCES WITH THE CENTRAL BANK OF TURKEY

	2012	2011
Cash funds:		
Cash on hand	1,420,127	1,041,148
Cash in transit	678	1,664
Purchased cheques	45	34
	1,420,850	**1,042,846**
Current accounts and demand deposits:		
Central Bank of Turkey (Note 9)	15,242,002	12,835,843
Foreign banks	1,802,990	1,451,888
Domestic banks	4,902	28,508
	17,049,894	**14,316,239**
Time deposits:		
Foreign banks	860,811	1,556,582
Domestic banks	521,969	417,815
	1,382,780	**1,974,397**
Interbank money market placements	**-**	**8,210**
Total cash and due from banks and the balances with the Central Bank of Turkey	**19,853,524**	**17,341,692**

At 31 December 2012, time deposits with domestic banks include securities obtained through agreements to resell (reverse repos) in the amount of TL (-) (2011: TL 8,210).

At 31 December 2012, assets pledged as off-shore cash reserve (Note 9), payment accounts in connection with the issue of floating-rate notes (Note 16) and demand and time deposits in foreign banks amount to TL 1,569,187 (2011: TL 729,911) (Note 25).

The effect of changes in the foreign currency rates on the cash and cash equivalents is calculated as TL (153,176) as of 31 December 2012 (2011: TL 392,131).

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

NOTE 6 - CASH AND DUE FROM BANKS AND BALANCES WITH THE CENTRAL BANK OF TURKEY (continued)

Cash and cash equivalents included in the statements of cash flows for the year ended 31 December 2012 and 2011 are as follows:

	2012	2011
Cash and due from banks excluding accrued interest and blocked accounts (*)	3,283,328	3,330,841
Trading and investment securities with original maturities of less than three months excluding accrued interest	789,114	371,733
	4,072,442	**3,702,574**

(*) Mainly include collateral amounts kept at banks for borrowings.

The reserve requirements are promulgated by communiqués issued by the Central Bank of Turkey ("the Central Bank").

	2012	2011
The balances with the Central Bank of Turkey:		
- TL	2,553,797	4,226,011
- Foreign currency	12,688,205	8,609,832
	15,242,002	**12,835,843**

The amounts of the reserve requirements are computed on the basis of the liabilities identified and at the rates prescribed in the related regulations.

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2005/1", banks operating in Turkey are required to maintain reserves in CBRT in TL for TL liabilities and in USD or Euro for foreign currency liabilities. With the changes made in the "Communiqué Regarding the Reserve Requirements" during 2012, up to 60% of the reserve requirement for TL liabilities can be held as foreign currency, the reserve requirement for precious metal account in foreign currency liabilities can be held as standard gold and up to 30% of the reserve requirement for foreign currency liabilities can be held as standard gold.

The reserve rates for TL liabilities vary between 5% and 11% for TL deposits and other liabilities according to their maturities as of 31 December 2012 (31 December 2011: vary between 5% and 11% for TL deposits and other liabilities). The reserve rates for foreign currency liabilities vary between 6% and 11,5% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2012 (31 December 2011: vary between 6% and 11% for deposit and other foreign currency liabilities).

The Bank has been required to maintain additional reserves at CBRT amounting to USD 742 million on average for approximately 3,5 years regarding a judgmental difference between the Bank and the CBRT with respect to the reserve requirements for syndication loans borrowed by Malta Branch. Significant amount of this reserve has been maintained at CBRT and the remaining part will have no material effect on the Bank's profitability, financial positions and operations of the Bank. The lawsuit for the cancellation of the Central Bank's said decision was filed with a motion for stay of execution.

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

NOTE 6 - CASH AND DUE FROM BANKS AND BALANCES WITH THE CENTRAL BANK OF TURKEY (continued)

The 10th Division of the Administrative Court has rejected the motion for stay of execution. It is continuing to hear the case on the merits.

In addition, as from 15 November 2007, the Bank's Malta Branch is required to maintain reserve deposits with the Central Bank of Malta in terms of Directive 1 of Malta Act. The Bank's Malta Branch holds reserve requirement amounting to TL 149,185 as of 31 December 2012 (2011: TL 310,630). Akbank AG holds reserve requirement amounting to TL 113,390 as of 31 December 2012 (2011: TL 40,407).

NOTE 7 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	2012	2011
Government bonds	7,495	119,144
Eurobonds	2,969	26,876
Government bonds denominated in foreign currency	-	2,317
Treasury bills	-	-
Share certificates	18,825	14,249
Other	3,689	1,977
	32,978	**164,563**

There is no security pledged under repurchase agreements with financial institutions (2011: TL (-)).

Trading securities amounting to TL 1,157 (2011: TL 8,609) have been pledged as collateral with financial institutions.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into the following derivative financial instruments:

"Currency forwards" represent commitments to purchase or to sell foreign or domestic currency, including spot transactions. "Foreign currency futures" are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency at a future date at a specified price established in an organised financial market. Since future contracts are collateralized by cash or marketable securities and changes in the future contract value are settled daily with the exchange rate, the credit risk is negligible.

"Currency and interest rate options" are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer ("OTC"). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. The Group's "credit risks" represent the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held at 31 December 2012 and 31 December 2011 are set out in the following table.

	2012 Fair values		2011 Fair values	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	402,628	(406,342)	647,922	(502,462)
Options purchases and sales	54,988	(61,841)	71,569	(76,104)
Currency and interest rate futures purchases and sales	50,637	(48,065)	54,569	(35,946)
Forward currency purchases and sales	29,421	(37,691)	52,651	(58,523)
Other purchases and sales	-	-	-	
Derivatives held for hedging:				
Currency and interest rate swap purchases and sales	-	(658,845)	-	(219,851)
Total derivative assets/(liabilities)	**537,674**	**(1,212,784)**	**826,711**	**(892,886)**

The notional amounts of derivative transactions are explained in detail in Note 27.

1. Explanations on Fair Value Hedges:

Information on derivative transactions subject to fair value risk:

	Current Period 31 December 2012			Prior Period 31 December 2011		
	Notional Amount	**Assets**	**Liabilities**	**Notional**	**Assets**	**Liabilities**
Cross Currency swaps	5.406.981	-	313.531	-	-	-
-TL	2.739.445	-	313.531	-	-	-
-FC	2.667.536	-	-	-	-	-
Total	**5.406.981**	**-**	**313.531**	**-**	**-**	**-**

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Starting from 1 June 2012, the Group hedges certain part of its fixed rate TL denominated available for sale government bonds against fair value risk arising from the fluctuations in the market interest rates and certain part of its foreign currency denominated borrowings from the fluctuations in the foreign exchange rates with cross currency swap. Within this scope, marketable securities valuation differences amounting to TL 31.458 recognized under equity is classified under income statement as of 31 December 2012.

As of 1 January 2012, the Group hedges certain part of its fixed rate TL denominated mortgage porfolio against fair value risk arising from the fluctuations in the market interest rates and certain part of its foreign currency denominated borrowings from the fluctuations in the foreign exchange rates with cross currency swaps, Within this scope, the fair value decrease of hedging swaps is amounting to TL 142,010 and the increase in the fair value of loan portfolio is amounting to TL 138,701 as of 31 December 2012.

2. Explanation on cash flow hedges

a) Explanations on derivative transactions used in cash flow hedges:

	Current Period 31 December 2012			Prior Period 31 December 2011		
	Notional Amount	Assets	Liabilities	Notional	Assets	Liabilities
Interest and Cross Currency rate swaps	7,422,997	-	345,233	4,557,785	-	219,851
-TL	2,562,000	-	214,994	3,330,000	-	111,480
-FC	4,993,432	-	130,239	1,227,785	-	108,371
Total	**7,555,432**	**-**	**345,233**	**4,557,785**	**-**	**219,851**

b) Other information on derivative transactions that are subject to cash flow risk:

Current Period – 31.12.2012:

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 (Net)
			Assets	Liabilities			
TL Interest Rate Swap	TL Repo Portfolio	Cash Flow risk due to changes in interest rate of funds provided from repo transactions	-	155,556	(59,598)	(67,183)	-
TL Cross Currrency Swap	YP Repo Portfolio	Cash Flow risk due to changes in interest rate and foreign currency of funds provided from repo transactions	-	59,438	(72,109)	(26,788)	-
FC Interest Rate Swap	FC Securitization Loans	Cash flow risk due to changes in interest rate (labor) of funds provided from securitization loans	-	115,237	(24,715)	(18,861)	-
FC Interest Rate Swap	FC Repo Portfolio	Cash Flow risk due to changes in interest rate of funds provided from repo transactions	-	15,002	(16,945)	(1,853)	-

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The amount of ceased hedge transactions which is recycled to the income statement from other comprehensive income (OCI) is TL (17.254) and profit/loss recognized in OCI is TL (-).

Prior Period – 31.12.2011:

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 (Net)
			Assets	Liabilities			
TL Interest rate swap	TL Repos Portfolio	Cash flow risk due to the changes in the interest rates of funds from repo transactions	-	111,480	(12,565)	(210,514)	-
FC Interest currency swap	FC Securitiziation Credits	Cash flow risk due to changes in interest rate (labor) of funds provided from securitization loans	-	108,371	(62,247)	(14,697)	-

The amount of ceased hedge transactions which is recycled to the income statement from OCI is TL (19,468) and profit/loss recognized in OCI is TL (-).

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

Distribution of the loan portfolio of the Bank by nature is as the following:

	2012	2011
Consumer loans	**20,944,097**	**15,590,959**
- Mortgage	9,753,833	7,470,948
- General purpose	9,523,841	6,648,192
- Automobile	998,906	865,906
- Other	667,517	605,913
Credit cards	**13,624,378**	**9,924,373**
- Retail	12,884,495	9,550,188
- Corporate	739,883	374,185
Corporate, commercial and small business loans	**59,687,991**	**50,138,954**
- Export financing loans	5,281,677	4,997,529
- Loans to financial institutions	1,766,924	1,606,307
- Leasing receivables	1,989,067	1,391,576
- Discount and purchase notes	-	236,695
- Project finance loans	10,879,839	10,154,619
- Commercial installment loans	6,650,734	6,163,727
- Other	33,119,750	25,588,501
Performing loans	94,256,466	75,654,286
Impaired loans	1,152,882	1,316,304
Total loans and advances to customers	95,409,348	76,970,590
Provision for impairment	(2,249,398)	(2,012,663)
Net loans and advances to customers	**93,159,950**	**74,957,927**

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

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

The loans and advances to customers include finance lease receivables, as shown below:

	2012	2011
Gross investment in finance leases	2,351,586	1,649,372
Less: Unearned finance income	(325,093)	(204,151)
Total investment in finance leases	2,026,493	1,445,221
Provision for impairment	(25,295)	(36,237)
Net investment in finance leases	**2,001,198**	**1,408,984**

Gross lease rentals receivable and the net investment in direct financing leases have the following collection schedules:

	2012		2011	
	Gross investment in finance leases	Total investment in finance leases	Gross investment in finance leases	Total investment in finance leases
Period ending				
2012	-	-	674,777	626,838
2013	871,230	777,762	329,625	275,449
2014	447,417	369,572	216,037	181,028
2015	342,369	285,926	143,160	119,380
2016	246,773	210,051	97,751	81,480
2017(*)	443,797	383,182	188,022	161,046
	2,351,586	**2,026,493**	**1,649,372**	**1,445,221**

(*) Balances include the year 2017 and thereafter.

The Group has provided an individual impairment for impaired loans amounting to TL 956,858 (2011: TL 1,030,775). As of 31 December 2012 total amount of provision for impairment provided by the Group, which amounts to TL 2,249,398 (2011: 2,012,663) represents the total amount of individual and collective provision on loans and advances.

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

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements in the provision for loan losses are as follows:

	2012			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2012	**1,078,978**	**897,448**	**36,237**	**2,012,663**
Additions	431,027	734,537	6,477	1,172,041
Collections	(99,183)	(178,366)	(3,229)	(280,778)
Write-offs(*)	(267,538)	(372,795)	(14,190)	(654,523)
Exchange differences	(5)	-	-	(5)
	1,143,279	**1,080,824**	**25,295**	**2,249,398**

(*)TL 500,1 million of the Bank's non-performing loan portfolio, which was fully provisioned previously, was sold to Girişim Varlık Yönetimi A.Ş. at a price of TL 95.1 million on 1 October 2012. Sold amount is included in "write-off" section in above table.

	2011			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2011	**969,340**	**828,320**	**34,641**	**1,832,301**
Additions	309,673	361,624	11,050	682,347
Collections	(152,011)	(207,583)	(9,454)	(369,048)
Write-offs	(48,043)	(84,913)	-	(132,956)
Exchange differences	19	-	-	19
	1,078,978	**897,448**	**36,237**	**2,012,663**

Loans and advances to related parties are as follows:

	2012	**2011**
Loans and advances to related parties	2,090,840	1,640,514
Less: Cash collateral obtained	-	-
Net loans and advances to related parties	**2,090,840**	**1,640,514**

Loans and advances to the public sector and private sector are as follows:

	2012	**2011**
Private sector	93,526,798	75,351,769
Public sector	1,882,550	1,618,821
Total loans and advances to customers	**95,409,348**	**76,970,590**

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

NOTE 10 - INVESTMENT SECURITIES

(a) Securities available-for-sale:

	2012	2011
Debt securities		
- Government bonds	30,254,483	32,635,168
- Eurobonds	10,017,219	4,063,238
- Treasury bills	-	-
- Government bonds denominated in foreign currency	-	646,297
- Other bonds	2,102,811	1,430,858
Equity securities		
- Listed	-	-
- Unlisted	11,840	10,630
- Mutual Funds	239,122	186,017
Total securities available-for-sale	**42,625,475**	**38,972,208**

Unrealised gain and losses arising from changes in the fair value of securities classified as "available-for-sale" are recognized as "other reserves" in other comprehensive income unless there is an objective evidence that the asset is impaired in which case the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss.

Government bonds, eurobonds and treasury bills under trading and investment securities are issued by the Government of the Republic of Turkey. Other bonds mainly represent bonds issued by corporate and other financial institutions.

As of 31 December 2012, investment securities subject to repurchase agreements amount to TL 23,455,699 (31 December 2011: TL 14,007,640); and those given as collateral/blocked amount to TL 9,671,660 (31 December 2011: TL 9,112,284).

(b) Securities held-to-maturity

	2012	2011
Debt securities		
- Government bonds	3,637,468	3,807,724
- Eurobonds	-	1,015,839
- Other bonds	-	907
Total securities held-to-maturity	**3,637,468**	**4,824,470**

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

NOTE 10 - INVESTMENT SECURITIES (Continued)

The movement of held-to-maturity securities is as follows:

	2012	2011
Balance at 1 January	4,824,470	6,627,280
Additions	209	-
Valuation effect	764	21,438
Redemptions and disposal through sales	(1,097,298)	(1,996,980)
Exchange differences	(90,677)	172,732
Impairment Provision (-)	41,782	32,567
Change in Amortized Cost	42,546	54,005
Balance at 31 December	**3,637,468**	**4,824,470**

(*) According to "Regulation on Measurement and Assessment of Capital Adequacy of Banks" (Basel II), which became effective as of July 1, 2012, the risk weight of foreign currency denominated securities issued by the Treasury of Republic of Turkey has increased from 0% to 100%. As allowed by IAS 39 Financial Instruments: Recognition and Measurement Standard, the Bank has reclassified its foreign currency denominated securities issued by the Treasury of Republic of Turkey held in Held to maturity portfolio with nominal values of thousand EUR 300,476 and thousand USD 160,288 to Available for Sale portfolio with the sale intention of these securities out of which nominal value amounting to thousands EUR 216,000 and thousands USD 160,288 have been sold.

NOTE 11 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 2011					
Cost	710,573	803,100	217	83,429	1,597,319
Accumulated depreciation	(202,992)	(554,581)	-	(49,085)	(806,658)
Net book amount					
Opening net book amount	507,581	248,519	217	34,344	790,661
Additions	5,881	110,807	2,361	21,810	140,859
Disposals	(1,833)	(12,702)	-	-	(14,535)
Depreciation charge (Note 25)	(11,621)	(91,843)	-	(13,618)	(117,082)
Closing net book amount	**487,804**	**254,781**	**2,578**	**54,740**	**799,903**
At 31 December 2012					
Cost	688,559	828,574	2,578	130,373	1,650,084
Accumulated depreciation	(200,755)	(573,793)	-	(75,633)	(850,181)
Net book amount	**487,804**	**254,781**	**2,578**	**54,740**	**799,903**

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

NOTE 11 - PROPERTY AND EQUIPMENT (Continued)

At 31 December 2012, no impairment has been recorded on property and equipment (2011 : (-)).

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 2010					
Cost	816,858	774,409	1,375	95,909	1,688,551
Accumulated depreciation	(205,871)	(531,558)	-	(49,781)	(787,210)
Net book amount	**610,987**	**242,851**	**1,375**	**46,128**	**901,341**
Opening net book amount	610,987	242,851	1,375	46,128	901,341
Additions	3,959	93,694	1,393	12,802	111,848
Disposals	(107,202)	(1,902)	(2,551)	(38)	(111,693)
Depreciation charge (Note 25)	(12,367)	(86,124)	-	(12,344)	(110,835)
Closing net book amount	**495,377**	**248,519**	**217**	**46,548**	**790,661**
At 31 December 2011					
Cost	685,439	803,100	217	108,563	1,597,319
Accumulated depreciation	(190,062)	(554,581)	-	(62,015)	(806,658)
Net book amount	**495,377**	**248,519**	**217**	**46,548**	**790,661**

NOTE 12 - INTANGIBLE ASSETS

	2012	2011
Cost	275,904	231,796
Accumulated depreciation	(162,147)	(129,581)
Net book amount	**113,757**	**102,215**
Opening balance at 1 January 2012	102,215	93,131
Disposals (-)	10	-
Additions	51,538	40,049
Charge for the year (net)	(39,986)	(30,965)
Net book amount	**113,757**	**102,215**

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

NOTE 13 - OTHER ASSETS AND PRE-PAYMENTS

The principal components of other assets and pre-payments are as follows:

	2012	2011
Miscellaneous receivables	379,515	382,254
Receivables from cheques in clearance	566,639	205,449
Receivables from credit card payments	179,562	170,601
Pre-payments	230,804	120,605
Fund management fee accruals	113	6,043
Other	147,685	112,687
	1,504,318	**997,639**

NOTE 14 – CUSTOMER DEPOSITS

The breakdown of deposits according to type and maturity is as follows:

	2012			2011		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	6,355,668	41,716,837	48,072,505	3,903,466	40,858,803	44,762,269
Commercial deposits	6,080,447	22,511,693	28,592,140	5,146,930	19,325,458	24,472,388
Funds deposited under repurchase agreements	-	19,713,878	19,713,878	-	12,421,275	12,421,275
Bank deposits	323,569	10,426,884	10,750,453	392,604	9,893,214	10,285,818
Other	830,280	2,442,910	3,273,190	221,410	1,028,932	1,250,342
	13,589,964	**96,812,202**	**110,402,166**	**9,664,410**	**83,527,682**	**93,192,092**

At 31 December 2012, deposits of TL 7,181,998 (2011: TL 7,708,925) were from Sabancı Holding Group companies and other related parties. The total interest expense paid to related party deposits is TL 396,505 (2011: TL 568,318) for the year ended 31 December 2012.

NOTE 15 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	2012	2011
Interbank money market deposits	**407,551**	**640,869**
Domestic banks		
- TL	313,579	183,910
- Foreign currency	305,751	492,428
Foreign institutions	11,996,426	13,643,408
Funds borrowed	**12,615,756**	**14,319,746**

Interbank money market deposits represent borrowings from the interbank money market regulated by the Central Bank of Turkey.

NOTE 15 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE (Continued)

Funds borrowed from domestic banks mainly represent funds obtained from Turkish Eximbank to finance certain export loans given to customers, under prevailing regulations.

As of 31 December 2012 Akbank had two outstanding syndicated loan facilities; Akbank raised a total of USD 146 million and EUR 795 million from 42 international banks with a two tranche facility at a cost of Libor / Euribor + 1,45% pa. respectively signed on 20 March 2012. The facility has a 1 year maturity.

Akbank raised a total of USD 450 million and EUR 857 million from 46 international banks with a two tranche facility at a cost of Libor / Euribor + 1,35% pa. respectively signed on 16 August 2012. The facility has a 1 year maturity.

<u>Debt securities in issue</u>

Debt securities consist of USD and TL denominated securities.

The repayment schedule of the total USD denominated notes in issue is as follows:

	2012		2011	
	US$ (000)	**TL**	**US$ (000)**	**TL**
2012	-	-	542,560	1,024,841
2013	636,730	1,131,851	619,349	1,169,889
2014	475,772	845,732	449,413	848,895
2015	1,206,576	2,144,809	1,100,006	2,077,802
2016	257,780	458,230	187,442	354,060
2017	599,195	1,065,129	118,837	224,471
2018	442,377	786,369	381,949	721,463
2019	14,921	26,524	-	-
2020	14,026	24,933	-	-
2021	13,177	23,423	-	-
2022	314,514	559,079	-	-
Total	**3,975,068**	**7,066,079**	**3,399,556**	**6,421,421**

(*) Repayments include accrued interest payables in the amount

The balance amounting to US$(000) 3,975,068 consists of securitization deals and USD denominated securities issued by the Bank. As of 31 December 2012, the outstanding TL denominated bonds with the maturity of 6 months are TL 1,022,015, with the maturity of 1 year are TL 653,883, with the maturity of 2 years are TL 417,014 and with maturity of 3 years are TL 437,767.

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

NOTE 16 - TAXATION

	2012	2011
Current income taxes expense	857,535	642,740
Deferred taxes income	(65,023)	(22,928)
Income taxes expense	**792,512**	**619,812**
Income taxes currently payable	1,147,876	202,205
Prepaid taxes	(719,883)	(94,158)
Income taxes payable	**427,993**	**108,047**

(a) Income taxes currently payable

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

Through the enactment of Corporate Tax Law No.5520 ("New Corporate Tax Law") published in the Official Gazette No.26205 dated 21 June 2006, corporation tax is payable at the rate of 20% effective from 1 January 2006 on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%.

An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax. Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance taxes paid by corporations are credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set-off against other liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with the New Corporate Tax Law.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

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

NOTE 16 - TAXATION (Continued)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and if they find any corrections than the tax amount to be paid might be changed as well.

The movement of current income taxes at 31 December 2012 and 2011 is as follows;

	2012	2011
Balance at 1 January	**108,047**	**290,507**
Charge for the year, net	857,535	642,740
Taxes charges to equity	290,341	(440,535)
Less: Taxes paid	(827,930)	(384,665)
	427,993	**108,047**

The reconciliation between the expected and the actual taxation charge is stated below:

	2012	2011
Profit before income taxes and minority interest	3,876,610	3,205,417
Theoretical tax charge at the applicable tax rate 20%	775,322	641,083
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(12,771)	(56,948)
Non-deductible expenses	29,961	35,677
	792,512	**619,812**

(b) Deferred income taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method using enacted tax rates in related jurisdictions.

The movement of deferred income taxes at 31 December 2012 and 2011 as follows;

	2012	2011
Deferred tax asset, net at 1 January	**254,338**	**184,971**
Deferred income tax recognized in income statement	65,023	22,928
Deferred income tax recognized in equity	(173,702)	46,439
Deferred tax asset/(liability), net at December 31	**145,659**	**254,338**

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

NOTE 16 - TAXATION (Continued)

The deferred tax asset and liability represents the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return, in accordance with the applicable tax law. The temporary differences giving rise to deferred income tax assets and deferred tax liabilities are as follows:

Cumulative	**Deferred income tax temporary differences**		**Assets/(liabilities)**	
	2012	**2011**	**2012**	**2011**
Temporary differences on financial instruments	(582,060)	(1,192,274)	116,412	238,948
Employment benefit obligations	(101,741)	(77,611)	20,373	15,374
Other temporary differences	(267,837)	(220,617)	55,359	44,989
Gross deferred income assets			**192,144**	**299,311**
Reversal of country risk provision	89,167	85,513	(28,534)	(27,216)
Difference between carrying value and tax base of property and equipment	89,757	88,785	(17,931)	(17,757)
Gross deferred income liabilities			**(46,465)**	**(44,973)**
			145,679	**254,338**
Net deferred income tax assets			**173,220**	**279,095**
Net deferred income tax liabilities			**27,541**	**24,757**

The cumulative deferred tax relating to items that are charged or credited directly to equity amounts to TL (173,702) (2011-TL 46,439).

NOTE 17 - OTHER LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2012, principal components of the other liabilities are payables to point of sale acquiring merchants, payables on cheques in clearance, non-income related taxes and withholdings, unearned commission income and bonus liability to customers.

Payables to point of sale acquiring merchants include amounts owed to merchants related with credit card transactions in which the transacted amount will be paid to the merchants on a term basis.

At 31 December 2012, payables to point of sale acquiring merchants of TL 187,770 (2011: TL 202,781) were from Sabancı Holding Group companies and other related parties.

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

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS

	2012	2011
Balance sheet obligations for:		
- Reserve for employment termination benefits	58,620	42,456
- Accrual for unused vacation	43,121	35,155
- Post-employment benefits (pension and medical)	-	-
	101,741	**77,611**

There is no amount recognized in the balance sheet for post-employment benefits since fair value of the Fund's plan assets compensate defined benefit obligations for the years ended 2012 and 2011.

	2012	2011
Income statement charge for:		
- Post-employment benefits (pension and medical)	(118,282)	(99,060)
- Reserve for employment termination benefits	(31,974)	(15,250)
- Accrual for unused vacation	(7,966)	(2,923)
	(158,222)	**(117,233)**

The charge for the post-employment benefits representing the cash contributions to the Fund by the Group, and reserve for employment termination benefits and unused vacation have been included in employee costs under operating expenses (Note 25).

(a) Post-employment benefits (pension and medical)

The surplus unrecognized in the balance sheet is determined as follows:

	2012	2011
Present value of funded obligations	(687,438)	(604,794)
- Pension benefits transferrable to SSI	(883,461)	(854,018)
- Post-employment medical benefits transferrable to SSI (*)	490,566	406,898
- Other non-transferrable benefits	(294,543)	(157,674)
Fair value of plan assets	989,836	927,186
Surplus	**302,398**	**322,392**

(*) The amount of the post-employment medical benefits transferrable to SSI is calculated over the net present value of medical liabilities and health premiums.

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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

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

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

The main opposition party 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 2012. The reasoned decision has been published in the Official Gazette dated 28 December 2012 and numbered 28156.

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. The transfer should be completed until 8 May 2013. With the change in first clause of 20nd 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 postponement right of the Council of Ministers has been extended from two years to four years.

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

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

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

With respect to that, according to the technical balance sheet report as at 31 December 2012 prepared considering the related articles of the New Law regarding the transferrable benefit obligations and in accordance with IAS 19 for the non-transferrable social benefits and payments which are included in the articles of association and audited within the framework stated in the first paragraph above the fund has no technical or actual deficit which requires a provision. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden to the Bank.

The Group's obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations; and the Group's obligation related to other non-transferrable benefits has been calculated in accordance with IAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%), except for the non-transferrable other benefits. Accordingly, including the obligation for non-transferable other benefits amounting TL 294,543 (2011: TL 157,674), the surplus of the Fund amounts to TL 302,398 as of 31 December 2012 (2011: TL 322,392).

The principal actuarial assumptions used were as follows:

	2012 (%)	**2011 (%)**
Discount rate		
- Pension benefits transferrable to SSI	9.80	9.80
- Post-employment medical benefits transferrable to SSI	9.80	9.80
- Other non-transferrable benefits (*)	2.55	4.16

(*) For the year 2012, it is representing the average rate calculated by considering duration liability.

Mortality rate:

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women determined using mortality table depending on statistical data is 17 years for men and 23 years for women.

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

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The movement in the fair value of plan assets of the year is as follows:

	2012	2011
Beginning of year	**927,186**	**886,244**
Actual return on plan assets	117,758	106,249
Employer contributions	118,282	99,060
Employee contributions	101,417	85,010
Benefits paid	(274,807)	(249,377)
End of year	**989,836**	**927,186**

Plan assets are comprised as follows:

	2012		2011	
Bank placements	638,406	64%	652,018	70%
Premises and equipment	29,788	3%	30,580	3%
Securities	292,516	30%	222,516	24%
Other	29,126	3%	22,072	3%
End of year	**989,836**	**100%**	**927,186**	**100%**

(b) Employment termination benefits

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, who dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 3.033,98 (in full TL amount) (31 December 2011: TL 2.731,85 (in full TL amount)) for each year of service. This liability is legally not funded and there is no funding requirement.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees.

IAS 19 "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2012	2011
Discount rate (%)	3.57	4.70
Turnover rate to estimate the probability of retirement (%)	94.01	93.57

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

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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. As the maximum liability is revised semi-annually, the maximum amount of TL 3.125,01 (1 January 2011: TL 2.917,27) effective from 1 January 2012 has been taken into consideration in calculating the reserve for employee termination benefits.

Movements in the reserve for employment termination benefits during the year are as follows:

	2012	2011
1 January	42,456	39,496
Increase during the year	31,974	15,250
Paid during the year	(15,810)	(12,290)
End of year	**58,620**	**42,456**

NOTE 19 - SHARE CAPITAL

The historic amount of share capital of the Group is TL 4,000,000 (2011: TL 4,000,000) and consists of TL 400,000,000,000 (2011: TL 400,000,000,000) authorized shares with a nominal value of Kr 1 each.

At 31 December 2012 and 2011, the issued and fully paid-in share capital held is as follows:

	Audited 31 December 2012		Audited 31 December 2011	
	Share (%)	TL	Share (%)	TL
Total Sabancı Group, affiliated companies and family	48.95	1,958,048	48.99	1,959,523
Citibank Overseas Investment Corporation	9.90	396,000	20.00	800,000
Other	41.15	1,645,952	31.01	1,240,477
Historical share capital	100.00	4,000,000	100.00	4,000,000
Adjustment to share capital	-	1,529,151	-	1,534,393
Total paid-in share capital		**5,529,151**		**5,534,393**

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2004 after elimination of the accumulated deficit of TL 1,464,503.

For the year ending 31 December 2012, the Bank has paid dividend payment in cash with respect to 2011 net distributable profit after the transfer of first and legal reserves amounting to TL 418,595 (TL 0.0010 per share).

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

NOTE 20 - RETAINED EARNINGS AND LEGAL RESERVES

For the year ending 31 December 2011, the Bank has paid dividend payment in cash with respect to 2010 net distributable profit after the transfer of first and legal reserves amounting to TL 570,620 (TL 0.0014 per share).

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

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders. In accordance with the Articles of Association, bonuses to the chairman and members of the Board of Directors are limited to a maximum of 2% of the remaining balance; the average percentage of such distributions in the last five years was 0.02%.

NOTE 21 - NET INTEREST INCOME

	2012	**2011**
Interest income on:		
Loans and advances to customers	7,477,037	5,332,485
Investment and trading securities	4,094,443	4,057,835
Deposits with banks	68,441	56,672
Other interest income	9,554	26,653
Total interest income	**11,649,475**	**9,473,645**

	2012	**2011**
Interest expense on:		
Deposits	5,446,343	4,707,268
Funds borrowed and debt securities in issue	365,633	549,892
Interbank money market deposits	41,121	28,479
Interest on debt securities in issue	413,566	-
Other interest expenses	25,012	36,277
Total interest expense	**6,291,675**	**5,321,916**

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

NOTE 22 - NET FEE AND COMMISSION INCOME

	2012	**2011**
Fee and commission income on:		
Credit Cards	1,280,213	984,643
Retail and commercial banking operations	250,950	341,306
Mutual fund management fee (Note 27)	63,779	124,882
Insurance intermediary	128,959	95,863
Non-cash loans	92,886	70,491
Money transfers	70,194	58,346
Brokerage commission	47,746	51,677
Other	179,620	188,513
	2,114,347	**1,915,721**
Fee and commission expense on:		
Credit cards	(269,206)	(226,008)
Other	(47,467)	(47,968)
	(316,673)	**(273,976)**
Net fee and commission income	**1,797,674**	**1,641,745**

NOTE 23 - NET TRADING INCOME/(LOSS)

	2012	**2011**
Derivative financial instruments	(890,003)	(590,694)
Trading and available for sale securities	1,264,697	437,329
	374,694	**(153,365)**

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

NOTE 24 - OPERATING EXPENSES

	2012	2011
Employee costs	1,229,460	1,007,702
Credit card and banking services	368,037	347,111
Legal expenses	102,897	90,547
Depreciation charges of property and equipment (Note 11)	117,082	110,835
Marketing and advertisement expenses	101,962	86,556
Computer maintenance and support expenses	160,852	104,492
Communication expenses	171,792	107,601
Saving deposits insurance fund	90,188	79,039
Sundry taxes and duties	204,336	132,563
Heating, lighting and water expenses	97,044	41,065
Amortisation of other intangible assets (Note 12)	39,986	30,965
Repair and maintenance expenses	25,231	20,772
Stationery expenses	61,961	11,733
Other	260,973	387,564
	3,031,801	**2,558,545**

Post-employment benefits (pension and medical) paid, reserve for employment termination benefit and accrual for unused vacation rights for the year ended 31 December 2012 which amount to TL 118,282 (2011: TL 99,060) and TL 24,130 (2011: 5,883), respectively are included in the employee costs.

NOTE 25 – TRANSFERRED FINANCIAL AND ASSETS HELD OR PLEDGED AS COLLATERAL

(a) Assets Pledged:

	2012		2011	
	Assets	**Related liability**	**Assets**	**Related liability**
Balances with other banks (Note 6)	**1,569,187**	**17,668,327**	**1,174,124**	**18,411,587**
Trading securities (Note 7)	**1,157**	-	**8,609**	-
- legal requirements	1,157	-	8,609	-
Investment securities (Note 10)				
- available-for-sale	**6,526,263**	**-**	**5,398,650**	**-**
- legal requirements	6,526,263	-	5,398,650	-
- held-to-maturity	**3,145,397**	**-**	**3,713,634**	**-**
- legal requirements	3,145,397	-	3,713,634	-
Total	**11,242,004**	**17,668,327**	**10,295,017**	**18,411,587**

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

NOTE 25 – TRANSFERRED FINANCIAL AND ASSETS HELD OR PLEDGED AS COLLATERAL (continued)

(b) Transferable Assets:

	2012		2011	
	Assets	**Related liability**	**Assets**	**Related liability**
Investment securities (Note 10)				
- available-for-sale	**23,097,568**	**19,369,684**	**13,258,228**	**11,702,290**
- repurchase agreements	23,097,568	19,369,684	13,258,228	11,702,290
- held-to-maturity	**358,131**	**344,194**	**749,412**	**718,985**
- repurchase agreements	358,131	344,194	749,412	718,985
Total	**23,455,699**	**19,713,878**	**14,007,640**	**12,421,275**

NOTE 26 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the normal course of banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated balance sheets, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments, The management does not expect any material losses as a result of these transactions, The following is a summary of significant commitments and contingent liabilities:

(a) Legal proceedings

As of 31 December 2012 there are a number of legal proceedings outstanding against the Group, for which a provision of TL 7,861 (2011: TL 3,254) has been made.

The Competition Board has initiated an investigation in accordance with Law No. 4054 on the Protection of Competition, with its decision dated November 2, 2011 and numbered 11-55/1438 – M, against 12 banks and 2 firms in the financial services industry, including the Bank to determine whether the 4th clause of the aforementioned Law was violated through agreements limiting competition. The investigation is still continuing and the Bank can not foresee the effects on the financial statements.

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

NOTE 26 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

(b) Commitments under derivative instruments:

The breakdown of notional amounts of derivative transactions at 31 December 2012 and 2011 is as follows:

	2012					
	US$	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	342,870	1,228,116	12,910	2,348	829,002	2,415,246
Swap transactions	11,438,324	7,323,859	852,834	625,536	1,618,716	21,859,269
- Currency rate swaps	5,349,214	1,802,367	852,834	625,536	1,059,133	9,689,084
- Interest rate swaps	6,089,110	5,521,492	-	-	559,583	12,170,185
Spot transactions	1,089,968	240,622	2,731	76,719	378,012	1,788,052
Option transactions	5,820,327	836,646	10,342	272,521	3,312,939	10,252,775
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	259,711	-	-	14,954	-	274,665
Derivatives held for hedging:						
Swap transactions	5,415,475	-	-	-	1,030,000	6,445,475
- Interest rate swaps	5,415,475	-	-	-	1,030,000	6,445,475
Total purchases	**24,366,675**	**9,629,243**	**878,817**	**992,078**	**7,168,669**	**43,035,482**
Derivatives held for trading:						
Currency forward transactions	1,043,671	240,151	473	46,298	1,091,872	2,422,465
Swap transactions	9,623,553	7,067,413	15,809	65,955	4,274,661	21,047,391
- Currency rate swaps	3,534,443	1,545,921	15,809	65,955	3,715,078	8,877,206
- Interest rate swaps	6,089,110	5,521,492	-	-	559,583	12,170,185
Spot transactions	657,889	330,372	4,043	30,965	766,319	1,789,588
Option transactions	5,655,573	921,834	9,857	274,236	3,391,384	10,252,884
Future transactions	-	-	-	-	94,351	94,351
Other Derivative Instruments	274,537	-	-	825,609	-	1,100,146
Derivatives held for hedging:						
Swap transactions	2,245,494	-	-	-	4,271,445	6,516,939
- Interest rate swaps	2,245,494	-	-	-	4,271,445	6,516,939
Total sales	**19,500,717**	**8,559,770**	**30,182**	**1,243,063**	**13,890,032**	**43,223,764**
Off-balance sheet net notional position (Note 3)	**4,865,958**	**1,069,473**	**848,635**	**(250,985)**	**(6,721,363)**	**(188,282)**

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

NOTE 26 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

	2011					
	US$	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	353,776	1,270,957	9,848	6,092	589,240	2,229,913
Swap transactions	17,620,966	7,948,044	774,053	651,071	927,363	27,921,497
- Currency rate swaps	12,523,271	4,239,745	774,053	651,071	347,780	18,535,920
- Interest rate swaps	5,097,695	3,708,299	-	-	579,583	9,385,577
Spot transactions	584,596	215,677	2,918	31,685	1,003,634	1,838,510
Option transactions	4,094,762	1,682,023	18,983	116,598	2,696,190	8,608,556
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	541,123	-	-	-	-	541,123
Derivatives held for hedging:						
Swap transactions	613,893	-	-	-	1,665,000	2,278,893
- Interest rate swaps	613,893	-	-	-	1,665,000	2,278,893
Total purchases	**23,809,116**	**11,116,701**	**805,802**	**805,446**	**6,881,427**	**43,418,492**
Derivatives held for trading:						
Currency forward transactions	928,543	564,388	10,626	38,608	705,311	2,247,476
Swap transactions	10,646,764	4,709,339	805	47,495	12,406,186	27,810,589
- Currency rate swaps	5,549,069	1,001,040	805	47,495	11,826,603	18,425,012
- Interest rate swaps	5,097,695	3,708,299	-	-	579,583	9,385,577
Spot transactions	1,187,108	206,571	18,644	25,734	406,826	1,844,883
Option transactions	3,998,493	1,682,027	18,983	116,570	2,799,493	8,615,566
Future transactions	-	-	-	-	54,165	54,165
Other Derivative Instruments	52,046	-	-	446,111	-	498,157
Derivatives held for hedging:						
Swap transactions	613,893	-	-	-	1,665,000	2,278,893
- Interest rate swaps	613,893	-	-	-	1,665,000	2,278,893
Total sales	**17,426,847**	**7,162,325**	**49,058**	**674,518**	**18,036,981**	**43,349,729**
Off-balance sheet net notional position (Note 3)	**6,382,269**	**3,954,376**	**756,744**	**130,928**	**(11,155,554)**	**68,763**

The above table summarizes the Group's derivative transactions, Each derivative transaction represents a simultaneous receivable and payable to be received and paid, on a future date, in respective currencies, Accordingly, the difference between the "sale" and "purchase" transactions represents the net exposure of the Group with respect to commitments arising from these transactions.

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

NOTE 26 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

The related party balances in forward currency purchase/sale and swap transactions are as follows:

	2012			2011		
	TL	**Foreign currency**	**Total**	**TL**	**Foreign currency**	**Total**
Currency forward purchases	82,635	49,397	132,032	-	53,067	53,067
Currency forward sales	-	(126,076)	(126,076)	(7,088)	(48,117)	(55,205)
Currency swap purchases	-	-	-	-	143,661	143,661
Currency swap sales	-	-	-	(142,325)	-	(142,325)
Interest rate swap purchases	-	959,878	959,878	-	1,021,663	1,021,663
Interest rate swap sales	-	(959,878)	(959,878)	-	(1,021,663)	(1,021,663)
Option purchases	-	-	-	855,280	304,608	1,159,888
Option sales	-	-	-	(827,718)	(332,071)	(1,159,789)
Spot purchases	-	-	-	84,948	2,833	87,781
Spot sales	-	-	-	(2,820)	(85,945)	(88,765)
Net position	**82,635**	**(76,679)**	**5,956**	**(39,723)**	**38,036**	**(1,687)**

(c) Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required, Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans, Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk, Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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

NOTE 26 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

The following table shows the outstanding credit related commitments of the Group at 31 December 2012 and 2011:

	2012			2011		
	Up to 1 year	**Over 1 year**	**Total**	**Up to 1 year**	**Over 1 year**	**Total**
Letters of guarantee issued by the Group						
- Turkish lira	551,996	5,851,015	6,403,011	355,077	4,506,245	4,861,322
- Foreign currency	378,807	5,422,103	5,800,910	181,309	3,921,343	4,102,652
Acceptance credits						
- Turkish lira	-	15	15	-	15	15
- Foreign currency	168,340	31,509	199,849	81,337	39,399	120,736
Letter of credit						
- Turkish lira	18,619	1	18,620	901	1,328	2,229
- Foreign currency	2,898,824	1,629,529	4,528,353	3,008,191	1,061,008	4,069,199
Other guarantees						
- Turkish lira	27,663	140,403	168,066	262,100	384,339	646,439
- Foreign currency	904,754	646,109	1,550,863	410,269	235,022	645,291
	4,949,003	**13,720,684**	**18,669,687**	**4,299,184**	**10,148,699**	**14,447,883**

Included in the letters of guarantee and acceptance credits are guarantees amounting to TL 327,121 (2011: TL 455,978) for related parties at 31 December 2012.

The economic sector risk concentrations for outstanding credit related commitments of the Group are as follows:

	2012	**2011**
Financial institutions	3,636,349	2,441,661
Electricity, gas, water	610,732	499,700
Chemicals	1,755,375	1,697,487
Small-scale retailers	1,411,398	1,157,593
Construction	2,535,422	1,967,869
Steel and mining	1,258,952	1,128,046
Wholesaling	1,581,401	1,170,445
Automotive	606,102	656,505
Other manufacturing	440,415	318,340
Food and beverage	582,227	350,733
Electronics	420,803	252,812
Textile	394,308	357,229
Transportation	238,898	144,319
Agriculture and forestry	82,150	84,201
Tourism	117,770	76,028
Telecommunications	163,129	171,443
Other	2,834,256	1,973,472
	18,669,687	**14,447,883**

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

NOTE 27 - MUTUAL FUNDS

At 31 December 2012, the Group manages 41 (2011: 40) mutual funds and 27 (2011: 19) mutual pension funds ("Funds") which were established under Capital Markets Board Regulations, At 31 December 2012, the Funds' investment portfolio includes government bonds, treasury bills and share certificates amounting to TL 7,939,581 (2011: TL 6,951,505), In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0,0000274% to 0,0001000%, At 31 December 2012, management fees earned by the Group amounted to TL 63,779 (2011: TL 124,882).

NOTE 28 - RELATED PARTY TRANSACTIONS

A number of transactions were entered into with related parties in the normal course of business.

(a) Balances with related parties:

	2012	2011
Loans and receivables, net	2,090,840	1,640,514
Finance lease receivables	3,980	3,097
Total Assets	**2,094,820**	**1,643,611**
Customer Deposit	7,181,998	7,708,925
Total Liabilities	**7,181,998**	**7,708,925**
Credit related commitments	327,121	455,978
Commitment under derivative instruments (*)	2,177,864	4,757,261
Total Commitments and contingent liabilities	**2,504,985**	**5,213,239**

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

As at 31 December 2012, the Group has repurchase commitments amounting to TL 41,748 (2011: TL 37,911) with Sabancı Holding Group companies and other related parties.

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

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties:

	2012	2011
Interest income on loans	130,242	76,168
Interest income	**130,242**	**76,168**
Interest expense on deposits (Note 15)	396,505	568,318
Interest expense	**396,505**	**568,318**

(b) Information on forward and option agreements and other similar agreements made with the Group's risk group:

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	
	Current Period 31 December 2012	Prior Period 31 December 2011	Current Period 31 December 2012	Prior Period 31 December 2011	Current Period 31 December 2012	Prior Period 31 December 2011
Transactions at Fair Value Through Profit or Loss						
Beginning of the Period	-	-	2,945,172	2,310,514	1,133,067	58,156
Balance at the End of the Period	-	-	2,177,864	2,945,172	-	1,133,067
Total Income/Loss(*)	-	-	(28,100)	(4,316)	-	(2,788)
Transactions for Hedging Purposes						
Beginning of the Period	-	-	188,890	-	-	-
Balance at the End of the Period	-	-	-	188,890	-	-
Total Income/Loss(*)	-	-	(916)	(3,396)	-	-

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 2012, the net exposure for direct and indirect shareholders of the Group is TL (-) 5,956 (31 December 2011: TL (-) 704) and for other third party or legal person in risk group TL (-) (31 December 2011: TL (-)).

(d) Balances with senior management and Board of Directors and their related parties:

	Audited 31 December 2012	Audited 31 December 2011
Customer Deposit	899,644	875,303
Total due to customers	**899,644**	**875,303**

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

Key management personnel of the bank

For the period ended 31 December 2012, total remuneration of the senior management and Board of Directors of the Bank amounted to TL 26,464 (2011: TL 24,441).

As at 31 December 2012 and 2011, other balances with directors and other key management personnel are immaterial.

NOTE 29 - EVENTS AFTER THE BALANCE SHEET DATE

The Bank has made necessary applications to issue Turkish Lira denominated bank bonds with different maturities, up to TL 400 million of which will be offered to public and up to TL 800 million of which will be allocated or sold to qualified investors.

By the Board of Directors of the Bank, the Directorate General has been authorized to carry out operations with the component authorities to make changes in the Bank's Articles of Association.

The Bank has issued bonds abroad with nominal value of TL 1 billion, redemption date of 05.02.2018 and fixed rated, 5 year term and 6 month coupon payments have been priced with an annual simple interest rate of 7.5%.