AKBANK T.A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014 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 2014 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.

Basis for qualified opinion

Subsequent to the reversal of TL 70,000 thousands of reserve and related deferred tax asset of TL 14,000 thousands during the current period, the accompanying consolidated financial statements as at 31 December 2014 include a general reserve amounting to TL 200,000 thousands and deferred tax asset amounting to TL 40,000 thousands which was fully provided in 2013 by the Bank management for the possible results of the circumstances which may arise from any changes in the economy and market conditions.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatma Ebru Yücel, SMMM
Partner

27 February 2015

Istanbul

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AKBANK T.A.Ş.

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2014

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

	Notes	Audited 2014	Audited 2013
ASSETS			
Cash and due from banks and balances with the Central Bank of Turkey	6	26,352,389	24,062,218
Trading securities	7	54,964	124,740
Derivative financial instruments	8	1,695,280	2,397,047
Loans and advances to customers	9	137,722,442	119,530,903
Investment securities:			
- Available-for-sale	10	37,607,755	33,168,905
- Held-to-maturity	10	10,800,111	12,153,453
Property, plant and equipment	11	863,354	851,220
Intangible assets	12	229,004	162,215
Deferred income tax assets	16	481,898	468,228
Other assets and pre-payments	13	1,245,990	1,260,439
Total assets		**217,053,187**	**194,179,368**
LIABILITIES			
Customer deposits	14	150,703,714	135,372,280
Interbank money market deposits	15	441,722	331,154
Derivative financial instruments	8	1,313,165	1,242,558
Funds borrowed	15	16,679,845	17,497,294
Debt securities in issue	15	15,129,940	11,129,148
Income taxes payable	16	325,142	74,369
Other liabilities and accrued expenses	17	5,677,543	5,849,971
Employment benefit obligations	18	127,637	111,159
Deferred tax liabilities	16	53,582	43,233
Total liabilities		**190,452,290**	**171,651,166**
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	1,529,151
Total paid-in share capital	19	5,529,151	5,529,151
Share premium		1,709,098	1,709,098
Translation reserve		287,849	328,848
Other reserves		(504,327)	(1,639,220)
Retained earnings		19,579,026	16,600,240
		26,600,797	**22,528,117**
Non-controlling interest		100	85
Total equity	**20**	**26,600,897**	**22,528,202**
Total liabilities and equity		**217,053,187**	**194,179,368**

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

AKBANK T.A.Ş.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	Audited 2014	Audited 2013
Interest income	21	14,690,586	11,891,833
Interest expense	21	(7,470,308)	(5,510,286)
Net interest income		**7,220,278**	**6,381,547**
Fee and commission income	22	2,843,015	2,533,843
Fee and commission expense	22	(395,680)	(290,330)
Net fee and commission income		**2,447,335**	**2,243,513**
Impairment losses on loans and credit related commitments, net	9	(1,606,052)	(1,405,394)
Foreign exchange gains and losses, net		326,277	121,057
Trading gains and losses, net	23	(401,753)	369,951
Dividend income		1,381	4,970
Other operating income		263,222	193,002
Operating income		**8,250,688**	**7,908,646**
Operating expenses	24	(3,917,196)	(3,844,901)
Profit before income taxes		**4,333,492**	**4,063,745**
Income tax expense	16	(1,109,941)	(707,290)
Deferred Taxes	16	222,725	(127,924)
Profit for the period		**3,446,276**	**3,228,531**
Attributable to:			
Equity holders of the Parent		3,446,269	3,228,527
Non-controlling interest		7	4
		3,446,276	**3,228,531**
Basic and diluted earnings per share (expressed in TL, full amount, per share)	2 (u)	0.0086	0.0081

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

AKBANK T.A.Ş.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Audited 31 December 2014	Audited 31 December 2013
Net profit for the period	**3,446,276**	**3,228,531**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Gain/(Loss) on available-for-sale financial assets	2,083,306	(3,006,426)
Foreign exchange differences on translation of foreign operations	(40,999)	193,042
Gain/(Loss) from cash flow hedges (effective part of fair value changes)	-	45,095
Gain/(Loss) from net foreign investment hedges (effective part of exchange difference on borrowings)	23,584	(105,944)
Tax related to gains and losses recognized directly in equity (*)	(421,378)	613,455
	1,644,513	**(2,260,778)**
Available-for-sale financial assets	(709,140)	(792,818)
Cash flow hedges	26,651	61,544
Tax related to gains/losses transferred to income statement (**)	136,498	146,255
Net gains/losses transferred to income statement	**(545,991)**	**(585,019)**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**1,098,522**	**(2,845,797)**
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**(4,628)**	**(1,275)**
Remeasurement gains/(losses) on defined benefit plans, net of taxes	(4,628)	(1,275)
Other comprehensive income net of tax	**1,093,894**	**(2,847,072)**
Total comprehensive income, net of tax	**4,540,170**	**381,459**
Attributable to:		
Equity holders of the Group	4,540,163	381,455
Non-controlling interest	7	4

(*) 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 416,661, TL (-) and TL 4,717 respectively (31 December 2013: (601,285), TL 9,019 and TL (21,189)).

(**) Tax effects of transfer from available-for-sale reserves and cash flow reserves to profit or loss amount to TL (141,828) and TL 5,330 respectively (31 December 2013: TL (158,564) and TL 12,309).

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

AKBANK T.A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Share capital											
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Share premium**	**Translation reserve**	**AFS reserves**	**Hedge reserves**	**Actuarial Reserves**	**Retained earnings**	**Attributable to equity holders**	**Non-controlling interest**	**Total**
Balance at 1 January 2013	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**135,806**	**1,673,778**	**(272,884)**	**-**	**13,942,383**	**22,717,332**	**73**	**22,717,405**
Transfer to share capital	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurement gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	(1,275)	-	(1,275)	-	(1,275)
Net unrealized market value gains(losses) from AFS portfolio	-	-	-	-	-	(2,405,141)	-	-	-	(2,405,141)	-	(2,405,141)
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(624,919)	-	-	-	(624,919)	-	(624,919)
Net gains and losses recycled to the income statement due to transfer of AFS into held-to-maturity portfolio	-	-	-	-	-	(9,335)	-	-	-	(9,335)	-	(9,335)
Cash flow hedges, net of tax	-	-	-	-	-	-	85,311	-	-	85,311	-	85,311
Translation reserve	-	-	-	-	193,042	-	-	-	-	193,042	-	193,042
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	(84,755)	-	-	(84,755)	-	(84,755)
Other comprehensive income	-	-	-	-	193,042	(3,039,395)	556	(1,275)	-	(2,847,072)	-	(2,847,072)
Profit for the period	-	-	-	-	-	-	-	-	3,228,527	3,228,527	4	3,228,531
Total comprehensive income for the period	-	-	-	-	193,042	(3,039,395)	556	(1,275)	3,228,527	381,455	4	381,459
Dividends paid	-	-	-	-	-	-	-	-	(570,670)	(570,670)	-	(570,670)
Effect of capital increase	-	-	-	-	-	-	-	-	-	-	8	8
Balance at 31 December 2013	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**328,848**	**(1,365,617)**	**(272,328)**	**(1,275)**	**16,600,240**	**22,528,117**	**85**	**22,528,202**
Balance at 1 January 2014	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**328,848**	**(1,365,617)**	**(272,328)**	**(1,275)**	**16,600,240**	**22,528,117**	**85**	**22,528,202**
Transfer to share capital	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurement gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	(4,628)	-	(4,628)		(4,628)
Net unrealized market value gains from AFS portfolio	-	-	-	-	-	1,666,645	-	-	-	-	1,666,645	1,666,645
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(662,913)	-	-	-	-	(662,913)	(662,913)
Net gains and losses recycled to the income statement due to transfer of AFS into held-to-maturity portfolio	-	-	-	-	-	95,601	-	-	-	-	95,601	95,601
Cash flow hedges, net of tax	-	-	-	-	-	-	21,321	-	-	21,321	-	21,321
Translation reserve	-	-	-	-	(40,999)	-	-	-	-	(40,999)	-	(40,999)
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	18,867	-	-	18,867	-	18,867
Other comprehensive income	-	-	-	-	(40,999)	1,099,333	40,188	(4,628)	-	1,093,894	-	1,093,894
Profit for the period	-	-	-	-	-	-	-	-	3,446,269	3,446,269	7	3,446,276
Total comprehensive income for the period	-	-	-	-	(40,999)	1,099,333	40,188	(4,628)	3,446,269	4,540,163	7	4,540,170
Dividends paid	-	-	-	-	-	-	-	-	(467,483)	(467,483)		(467,483)
Effect of capital increase	-	-	-	-	-	-	-	-	-	-	8	8
Balance at 31 December 2014	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**287,849**	**(266,284)**	**(232,140)**	**(5,903)**	**19,579,026(*)**	**26,600,797**	**100**	**26,600,897**

(*) Legal reserves amounting to TL 1,295,468 in the statutory financial statements are undistributable.

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

AKBANK T.A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	Audited 2014	Audited 2013
Cash flows from operating activities:			
Profit before income tax		4,333,492	4,063,745
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	11, 24	136,608	123,689
Amortization of intangible assets	12, 24	65,026	47,200
Provision for loan losses, write off and net of recoveries	9	1,018,129	1,072,007
Employment termination benefits and other short-term employee benefits	18	10,693	7,824
(Gain)/loss on derivative financial instruments		772,374	(1,829,599)
Interest accrual(*)		781,403	(171,903)
Other non-cash items		(266,086)	(374,391)
Taxes paid		(923,495)	(720,234)
Operating profit before changes in operating assets and liabilities		**5,928,154**	**2,218,338**
Net (increase) in reserve requirements with the Central Bank of Turkey and restricted cash		(2,241,358)	(3,080,822)
Net (increase) in loans and advances to customers		(19,450,533)	(27,508,365)
Net (increase)/decrease in trading securities		69,964	(92,248)
Net decrease/(increase) in other assets and prepayments		14,449	243,879
Net increase in other liabilities and accrued expenses		(80,131)	882,156
Net increase in customer deposits and interbank money market deposits		15,395,641	24,738,298
Net cash from operating activities		**(363,814)**	**(2,598,764)**
Cash flows from/(used in) investing activities:			
Purchase of property, plant and equipment	11	(151,995)	(177,955)
Proceeds from property, plant and equipment	11	3,253	2,949
Purchase of other intangible assets	12	(131,815)	(101,168)
Proceeds from other intangible assets	12	-	5,510
Proceeds from investment securities		23,558,201	20,206,283
Purchase of investment securities		(25,320,415)	(22,899,653)
Net cash used in investing activities		**(2,042,771)**	**(2,964,034)**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities in issue		26,908,523	25,811,661
Payments of borrowed funds and debt securities in issue		(23,755,016)	(19,436,143)
Dividends paid to equity holders		(467,483)	(570,670)
Net cash (used in)/from financing activities		**2,686,024**	**5,804,848**
Effect of exchange rates on cash and cash equivalents		**132,806**	**618,792**
Net increase/(decrease) in cash and cash equivalents		**412,245**	**860,842**
Cash and cash equivalents at the beginning of the period	**6**	**4,933,284**	**4,072,442**
Cash and cash equivalents at the end of the period	**6**	**5,345,529**	**4,933,284**

(*) Interest paid is amounting to TL (7,421,785) (2013: TL (5,297,516)), interest received is amounting to TL - 14,896,443 (2013: TL 11,526,101).

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

NOTE 1 - PRINCIPAL ACTIVITIES

Akbank T.A.Ş. ("the Parent 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 Parent Bank's head offices are located at Sabancı Center 4. Levent, Istanbul/Turkey. As of 31 December 2014, the Bank has 990 branches dispersed throughout the country and 1 branch operating outside the country (2013: 985 branches and 1 branch operating outside the country). As at 31 December 2014, the Group employed 16.543 people (2013: 16.473 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.. The Group's operations are carried out substantially in one geographical segment (Turkey) and in business segments including retail banking, corporate banking, commercial banking and SME banking, private banking, treasury activities, international banking and other activities through its subsidiaries (i.e. leasing, brokerage and portfolio management) (Note 5).

The Parent 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 Parent 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 2013, approximately 41 % of the shares are publicly traded, including the ADRs (2013: 41%).

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 2014 have been approved on 27 February 2015 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 Parent 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 recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The Parent 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 Public Oversight Accounting and Auditing Standards Authority "POAASA" and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions. The accompanying financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair value presentation in accordance with IFRS.

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

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 did not have an impact on the consolidated financial statements of the Group.

IFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets have been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the consolidated financial statements of the Group.

IAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the consolidated financial statements of the Group.

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. This amendment does not have any impact on the financial position or performance of the Group.

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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 9 Financial Instruments – Final Standard (2014)

In July 24, 2014 the IASB published the final version of IFRS 9 Financial Instruments, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Improvements to IAS/IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards’ Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.IFRS 15 scopes out (a) lease contracts within the scope of IAS 17 Leases; (b) insurance contracts within the scope of IFRS 4 Insurance Contracts; (c) financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; consequently the Group estimates that the impact of the standard on financial position or performance of the Group will not be significant.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

• At cost

• In accordance with IFRS 9 (or IAS 39),

or

• Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the consolidated financial statements of the Group and will not have an impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements 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 Parent Bank. Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

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

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. 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 Parent 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., both of which are "Structured Entities" in which the Parent Bank has no equity interest, but 100% control power, have been included in the scope of consolidation. The Parent 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 Yönetimi 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.

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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based on restructuring of Bank's foreign subsidiaries, Akbank N.V. and Akbank AG have merged in Akbank AG with the discontinuation of activities of Akbank N.V. effective from 15 June 2012. Akbank AG operates in Germany, providing corporate and retail banking services.

Ak Receivables Corporation and A.R.T.S. Ltd. are "Structured 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**	**2014**	**2013**
Ak Yatırım Menkul Değ. A.Ş.	Turkey	100.00	100.00
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	100.00
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivables Corporation	Cayman Islands	-	-

(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 Parent 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. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

(i) Cash flow and Fair value hedges

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 instrument is taken out of the equity and reflected on the income statement.

The Parent Bank hedges its TL and foreign currency denominated fixed rate financial assets with cross currency swaps and interest swaps. Within the scope of fair value hedge, fair value changes of hedging instrument and hedged item are accounted in the income statement. As long as the hedge relationship is effective, fair value change of the hedged item is disclosed together with its related asset in the balance sheet for TL denominated fixed rate mortgage loans.

In FV hedges of TL and FC denominated fixed rate available-for-sale financial assets, fair value changes which have already been booked in equity are reclassified from equity to income statement.

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 designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of IAS 39.

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

- 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 over the life of the hedged item with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

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

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 "Hedge reserves" account under shareholders' equity. As of 31 December 2014, the amount of fair value hedge applied to hedge the foreign currency risk arising from share premium and paid-in capital of Akbank AG is EUR 220 million. As of 31 December 2014, the net-off tax amount of TL (149,693) (31 December 2013: TL (168,560)) is accounted under hedge reserves as an investment hedge reserve.

(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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

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 amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amortized cost using the effective yield method, less any provision for impairment.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss.

Equity securities classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be determined reliably measured are carried at cost less impairment, if any.

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

The Group has Consumer Price Index (''CPI'') linked government bonds under 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 and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

As of 31 December 2014, 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.

(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 2014, 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 categorized 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 realized and unrealized fair value gains and losses are included in net trading gains and losses. Interest earned whilst holding trading assets is reported as interest income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 and Akbank T.A.Ş. Personnel Pension Fund Foundation are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions.

(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 amortized 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Property, plant and equipment

All property, plant 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 realizable value and value in use"), it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant 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 capitalized branch refurbishment costs and are amortized 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 capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (not exceeding a period of five years).

(o) Accounting for leases

(i) A group company is the lessee

Assets acquired under finance lease agreements are capitalized 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 capitalized 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Taxes other than on income are recorded within operating expenses (Note 24).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, plant 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 and income tax losses available for carry forward 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 16).

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:

	2014 (%)	**2013 (%)**
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")

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 18 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.

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. In accordance with IAS 19, actuarial gains and losses are recognized in equity.

(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 contribution 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 recognized as an employee benefit expense when they are accrued.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 consolidated statement of financial position 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 realize 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.

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 2014 (31 December 2013: None).

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

	Audited 31 December 2014	**Audited 31 December 2013**
Profit attributable to equity holders of the Parent Bank	3,446,269	3,228,527
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)	**0.0086**	**0.0081**

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

(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).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Segment reporting

An operating segment is a component of an entity:

(i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and,

(iii) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues. (Note 5)

(aa) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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 Parent Bank's profit and loss accounts and consolidated statement of financial position, liquidity position, interest and foreign exchange exposures, as well as yield analysis and the macroeconomic environment.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

In addition to the limits set by the ERC, the Board of Directors also sets some limits and parameters for the transactions and areas having significant and critical implications on the Parent Bank's operations.

The Assets and Liabilities Committee ("ALCO") manages the various departments of the Parent Bank by applying risk limits. ALCO consists of the Chief Executive Officer, each of the Executive Vice Presidents in charge of the Parent Bank's marketing, lending, treasury, and financial coordination departments and Senior Vice President of the Parent 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 maximize 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.

The credit risk management and control are centralized 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.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

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

Bank's rating system:

The Parent 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.

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 2014 and 2013 is as follows:

	2014	**2013**
Above average	41.80%	37.51%
Average	48.04%	48.26%
Below average	8.16%	12.26%
Unrated	2.00%	1.97%

- 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.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

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:

	2014			
	Commercial loans	**Consumer loans and credit cards**	**Lease receivables**	**Total**
Standard loans	90,241,516	41,465,234	3,651,128	135,357,878
Close monitoring loans	1,835,940	2,437,384	18,332	4,291,656
Impaired loans	751,403	1,578,752	82,287	2,412,442
Gross	**92,828,859**	**45,481,370**	**3,751,747**	**142,061,976**
Provisions	**(2,016,841)**	**(2,254,267)**	**(68,426)**	**(4,339,534)**
Net	**90,812,018**	**43,227,103**	**3,683,321**	**137,722,442**

	2013			
	Commercial loans	**Consumer loans and credit cards**	**Lease receivables**	**Total**
Standard loans	74,033,515	40,332,466	3,190,167	117,556,148
Close monitoring loans	1,446,216	2,104,458	13,820	3,564,494
Impaired loans	543,860	1,132,822	54,984	1,731,666
Gross	**76,023,591**	**43,569,746**	**3,258,971**	**122,852,308**
Provisions	**(1,531,588)**	**(1,740,355)**	**(49,462)**	**(3,321,405)**
Net	**74,492,003**	**41,829,391**	**3,209,509**	**119,530,903**

The details of the close monitoring loans are as follows:

	2014			
	Commercial loans	**Consumer loans and credit cards**	**Lease receivables**	**Total**
Past due up to 30 days	686,229	1,621,594	8,821	2,316,644
Past due 30-60 days	230,447	518,661	807	749,915
Past due 60-90 days	919,264	297,129	2,647	1,219,040
Lease receivables (Uninvoiced)	-	-	6,057	6,057
	1,835,940	**2,437,384**	**18,332**	**4,291,656**

	2013			
	Commercial loans	**Consumer loans and credit cards**	**Lease receivables**	**Total**
Past due up to 30 days	1,207,039	1,871,823	10,276	3,089,138
Past due 30-60 days	169,913	176,690	1,914	348,517
Past due 60-90 days	69,264	55,945	618	125,827
Lease receivables (Uninvoiced)	-	-	1,012	1,012
	1,446,216	**2,104,458**	**13,820**	**3,564,494**

As of 31 December 2014 and 2013, the Group's collateral types are 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.

Current Period - 31 December 2014 **Moody's Rating**	**Trading Financial Assets (**)**	**Available-for-Sale Financial Assets (*)**	**Held-to-Maturity Securities**	**Total**
Aaa	-	73,883	-	**73,883**
Aa1, Aa2, Aa3	680	-	-	**680**
A1, A2, A3	16,593	119,431	-	**136,024**
Baa1, Baa2, Baa3	37,623	36,699,503	10,800,111	**47,537,237**
Ba1	-	289,512	-	**289,512**
Ba2	-	119,107	-	**119,107**
Total	**54,896**	**37,301,436**	**10,800,111**	**48,156,443**

Prior Period - 31 December 2013 **Moody's Rating**	**Trading Financial Assets (**)**	**Available-for-Sale Financial Assets (*)**	**Held-to-Maturity Securities**	**Total**
Aaa	-	-	-	**-**
Aa1, Aa2, Aa3	6,138	-	-	**6,138**
A1, A2, A3	17,883	452,596	-	**470,479**
Baa1, Baa2, Baa3	42,342	32,312,917	12,153,453	**44,508,712**
Ba1	-	69,696	-	**69,696**
Ba2	-	69,763	-	**69,763**
Total	**66,363**	**32,904,972**	**12,153,453**	**45,124,788**

(*) Excluding equity securities and mutual funds.
(**) Excluding share certificates.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Exposure to credit risk:

	2014	2013
Credit risk exposures relating to on-balance sheet assets:	**212,949,390**	**190,178,443**
Loans and advances to banks	24,832,131	22,529,781
Loans and advances to customers	137,722,442	119,530,903
- Commercial loans	90,812,018	74,492,003
- Consumer loans and credit cards	43,227,103	41,829,391
- Financial lease receivables	3,683,321	3,209,509
Trading assets (*)	54,896	66,363
- Government debt securities	11,016	10,868
- Other marketable securities	43,880	55,495
Derivative financial instruments	1,410,739	1,766,870
Hedging derivative instruments	284,541	630,177
Available-for-sale securities (*)	37,301,436	32,904,972
- Government debt securities	32,437,908	30,076,143
- Other marketable securities	4,863,528	2,828,829
Held-to-maturity securities	10,800,111	12,153,453
Other assets	543,094	595,924
Credit risk exposures relating to off-balance sheet items:	**65,952,742**	**63,196,098**
- Letter of guarantees	22,362,816	19,185,463
- Other guarantees and warranties	9,880,647	11,092,445
- Credit granting commitments	7,190,727	6,503,604
- Check payment commitments	5,409,062	5,051,733
- Credit card limit commitments	21,109,490	21,362,853
	278,902,132	**253,374,541**

(*) Excluding equity securities and mutual funds

The above table represents the credit risk exposure of the Group at 31 December 2014 and 2013, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

(Amounts expressed in thousands of Turkish lira ("TL") 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	**24,832,131**	**-**	**-**	**-**	**-**	**-**	**24,832,131**
Loans and advances to customers	**10,438,317**	**2,236,896**	**26,846,999**	**37,316,764**	**17,656,363**	**43,227,103**	**137,722,442**
- Commercial loans	10,326,867	2,236,896	26,772,941	37,026,843	14,448,471	-	90,812,018
- Consumer loans and credit cards	-	-	-	-	-	43,227,103	43,227,103
- Financial lease receivables	111,450	-	74,058	289,921	3,207,892	-	3,683,321
Trading assets (*)	**13,334**	**11,016**	**-**	**17,192**	**13,354**	**-**	**54,896**
- Government debt securities	-	11,016	-	-	-	-	11,016
- Other marketable securities	13,334	-	-	17,192	13,354	-	43,880
Trading derivative financial instruments	**955,325**	**-**	**-**	**-**	**445,768**	**9,646**	**1,410,739**
Hedging derivative instruments	**284,541**	**-**	**-**	**-**	**-**	**-**	**284,541**
Investment securities (*)	**4,312,097**	**43,238,019**	**-**	**-**	**551,431**	**-**	**48,101,547**
- Available-for-sale securities	4,312,097	32,437,908	-	-	551,431	-	37,301,436
Government debt securities	-	32,437,908	-	-	-	-	32,437,908
Other marketable securities	4,312,097	-	-	-	551,431	-	4,863,528
- Held-to-maturity	-	10,800,111	-	-	-	-	10,800,111
Other assets	**543,094**	**-**	**-**	**-**	**-**	**-**	**543,094**
As at 31 December 2014	**41,378,839**	**45,485,931**	**26,846,999**	**37,333,956**	**18,666,916**	**43,236,749**	**212,949,390**

(*) Excluding equity securities

	Financial Institutions	Public sector	Wholesale and retail trade	Manufacturing	Other industries	Individuals	Total
Loans and advances to banks	**22,529,781**	**-**	**-**	**-**	**-**	**-**	**22,529,781**
Loans and advances to customers	**5,598,453**	**2,726,979**	**20,448,212**	**37,110,542**	**11,817,326**	**41,829,391**	**119,530,903**
- Commercial loans	5,484,160	2,726,979	20,381,522	36,881,431	9,017,911	-	74,492,003
- Consumer loans and credit cards	-	-	-	-	-	41,829,391	41,829,391
- Financial lease receivables	114,293	-	66,690	229,111	2,799,415	-	3,209,509
Trading assets (*)	**55,495**	**10,868**	**-**	**-**	**-**	**-**	**66,363**
- Government debt securities	-	10,868	-	-	-	-	10,868
- Other marketable securities	55,495	-	-	-	-	-	55,495
Trading derivative financial instruments	**952,307**	**-**	**-**	**-**	**657,665**	**156,898**	**1,766,870**
Hedging derivative instruments	**630,177**	**-**	**-**	**-**	**-**	**-**	**630,177**
Investment securities (*)	**2,619,138**	**42,229,596**	**-**	**-**	**209,691**	**-**	**45,058,425**
- Available-for-sale securities	2,619,138	30,076,143	-	-	209,691	-	32,904,972
Government debt securities	-	30,076,143	-	-	-	-	30,076,143
Other marketable securities	2,619,138	-	-	-	209,691	-	2,828,829
- Held-to-maturity	-	12,153,453	-	-	-	-	12,153,453
Other assets	**595,924**	**-**	**-**	**-**	**-**	**-**	**595,924**
As at 31 December 2013	**32,981,275**	**44,967,443**	**20,448,212**	**37,110,542**	**12,684,682**	**41,986,289**	**190,178,443**

(*) 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	**20,848,982**	**256,660**	**3,678,085**	**48,404**	**24,832,131**
Loans and advances to customers	**136,459,951**	**-**	**664,892**	**597,599**	**137,722,442**
- Commercial loans	89,549,527	-	664,892	597,599	90,812,018
- Consumer loans and credit cards	43,227,103	-	-	-	43,227,103
- Financial lease receivables	3,683,321	-	-	-	3,683,321
Trading assets (*)	**54,896**	**-**	**-**	**-**	**54,896**
- Government debt securities	11,016	-	-	-	11,016
- Other marketable securities	43,880	-	-	-	43,880
Trading derivative financial instruments	**538,176**	**82,311**	**779,611**	**10,641**	**1,410,739**
Hedging derivative instruments	**-**	**-**	**284,541**	**-**	**284,541**
Investment securities (*)	**47,234,925**	**16,368**	**815,275**	**34,979**	**48,101,547**
- Available-for-sale securities	36,434,814	16,368	815,275	34,979	37,301,436
Government debt securities	32,421,540	16,368	-	-	32,437,908
Other marketable securities	4,013,274	-	815,275	34,979	4,863,528
- Held-to-maturity securities	10,800,111	-	-	-	10,800,111
Other assets	**533,474**	**-**	**7,821**	**1,799**	**543,094**
As at 31 December 2014	**205,670,404**	**355,339**	**6,230,225**	**693,422**	**212,949,390**

(*) Excluding equity securities.

	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to banks	**17,005,385**	**862,703**	**4,222,153**	**439,540**	**22,529,781**
Loans and advances to customers	**118,183,932**	**-**	**964,143**	**382,828**	**119,530,903**
- Commercial loans	73,145,032	-	964,143	382,828	74,492,003
- Consumer loans and credit cards	41,829,391	-	-	-	41,829,391
- Financial lease receivables	3,209,509	-	-	-	3,209,509
Trading assets (*)	**66,363**	**-**	**-**	**-**	**66,363**
- Government debt securities	10,868	-	-	-	10,868
- Other marketable securities	55,495	-	-	-	55,495
Trading derivative financial instruments	**927,127**	**1,684**	**823,109**	**14,950**	**1,766,870**
Hedging derivative instruments	**-**	**-**	**630,177**	**-**	**630,177**
Investment securities (*)	**44,316,661**	**129,182**	**612,582**	**-**	**45,058,425**
- Available-for-sale securities	32,163,208	129,182	612,582	-	32,904,972
Government debt securities	30,076,143	-	-	-	30,076,143
Other marketable securities	2,087,065	129,182	612,582	-	2,828,829
- Held-to-maturity securities	12,153,453	-	-	-	12,153,453
Other assets	**571,628**	**-**	**22,681**	**1,615**	**595,924**
As at 31 December 2013	**181,071,096**	**993,569**	**7,274,845**	**838,933**	**190,178,443**

(*) Excluding equity securities.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

The major measurement techniques used to measure and control market risk are outlined below.

(i) Value-at-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.

(ii) Stress tests

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.

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 2014			Prior Period 31 December 2013		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest Rate Risk	66,069	81,004	53,173	69,453	82,977	57,404
Share Certificates Risk	1,630	999	466	1,411	595	3,306
Currency Risk	11,866	84,774	-	25,608	-	-
Commodity Risk	-	-	-	-	-	-
Settlement Risk	2	-	-	-	-	-
Option Risk	5,725	4,577	1,354	1,518	1,516	1,450
Counterparty Credit Risk	81,610	136,206	46,572	96,864	190,522	39,185
Total Amount Subject to Risk	**166,902**	**307,560**	**101,565**	**194,854**	**275,610**	**101,345**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(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.

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 summarizes the Group's assets and liabilities and equity at carrying amounts and derivatives at notional amounts categorized by currency.

	2014					
	Foreign currency					
	EUR	USD	GBP	Other(*)	TL	Total
Cash and due from banks and balances with the Central Bank of Turkey (*)	4,237,961	13,827,530	50,231	3,406,479	4,830,188	26,352,389
Trading and investment securities	5,039,999	16,185,507	-	-	27,237,324	48,462,830
Derivative financial instruments	-	-	-	-	1,695,280	1,695,280
Loans and advances to customers	18,539,365	38,335,142	33,465	25,126	80,789,344	137,722,442
Property, plant and equipment	812	1,784	-	-	860,758	863,354
Intangible assets	447	9	-	-	228,548	229,004
Deferred tax assets	9,548	-	-	-	472,350	481,898
Other assets and pre-payments	49,099	44,755	107	86	1,151,943	1,245,990
Total assets	**27,877,231**	**68,394,727**	**83,803**	**3,431,691**	**117,265,735**	**217,053,187**
Customer deposits (*)	22,532,384	55,014,990	1,272,980	2,198,912	69,684,448	150,703,714
Derivative financial instruments	-	-	-	-	1,313,165	1,313,165
Interbank money market deposits, funds borrowed and debt securities in issue	7,844,760	20,300,675	2,060	34,925	4,069,087	32,251,507
Income taxes payable	20,793	-	-	-	304,349	325,142
Other liabilities and accrued expenses	276,854	389,086	41,294	3,844	4,966,465	5,677,543
Deferred tax liability	47,628	-	-	-	5,954	53,582
Employment benefit obligations	187	-	-	-	127,450	127,637
Equity and non-controlling interest	-	-	-	-	26,600,897	26,600,897
Total liabilities and equity	**30,722,606**	**75,704,751**	**1,316,334**	**2,237,681**	**107,071,815**	**217,053,187**
Net balance sheet position	**(2,845,375)**	**(7,310,024)**	**(1,232,531)**	**1,194,010**	**10,193,920**	**-**
Off-balance sheet derivative instruments net notional position	**3,335,263**	**7,757,838**	**1,235,409**	**(1,215,028)**	**(10,730,442)**	**383,040**

At 31 December 2014, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 2.3269 =US$ 1 and TL 2.8272 =EUR 1.

(*) Under "Foreign currency - Other" column "Cash and due from banks and balances with the Central Bank of Turkey" include TL 3,308,533 precious metal deposit accounts, JPY 9,317 and CHF 29,791. "Customer Deposits" include TL 1,225,353 precious metal deposit accounts, JPY 60,560 and CHF 603,437.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2013					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other(*)**	**TL**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey (*)	6,881,793	13,042,855	36,026	2,964,412	1,137,132	24,062,218
Trading and investment securities	4,756,527	10,083,492	-	-	30,607,079	45,447,098
Derivative financial instruments	-	-	-	-	2,397,047	2,397,047
Loans and advances to customers	16,188,977	32,379,412	32,539	31,162	70,898,813	119,530,903
Property, plant and equipment	795	1,829	-	-	848,596	851,220
Intangible assets	463	19	-	-	161,733	162,215
Deferred tax assets	25,903	-	-	-	442,325	468,228
Other assets and pre-payments	54,978	36,886	414	354	1,167,807	1,260,439
Total assets	**27,909,436**	**55,544,493**	**68,979**	**2,995,928**	**107,660,532**	**194,179,368**
Customer deposits (*)	23,894,616	48,175,950	1,137,300	2,724,458	59,439,956	135,372,280
Derivative financial instruments	-	-	-	-	1,242,558	1,242,558
Interbank money market deposits, funds borrowed and debt securities in issue	6,910,489	17,935,733	2,684	-	4,108,690	28,957,596
Income taxes payable	3,339	-	-	-	71,030	74,369
Other liabilities and accrued expenses	618,546	434,724	1,282	5,979	4,789,440	5,849,971
Deferred tax liability	43,233	-	-	-	-	43,233
Employment benefit obligations	123	-	-	-	111,036	111,159
Equity and non-controlling interest	-	-	-	-	22,528,202	22,528,202
Total liabilities and equity	**31,470,346**	**66,546,407**	**1,141,266**	**2,730,437**	**92,290,912**	**194,179,368**
Net balance sheet position	**(3,560,910)**	**(11,001,914)**	**(1,072,287)**	**265,491**	**15,369,620**	**-**
Off-balance sheet derivative instruments net notional position	**4,538,483**	**10,813,621**	**1,071,082**	**(279,428)**	**(15,269,109)**	**874,649**

(*) Under "Foreign currency - Other" column "Cash and due from banks and balances with the Central Bank of Turkey" include TL 2,892,268 and "Customer Deposits" include TL 1,766,526 precious metal deposit accounts.

Currency Risk Sensitivity Analysis:

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

	Effect on Profit/Loss(*)	
Change in exchange rate	**Current period 31 December2014**	**Prior period 31 December 2013**
(+) 10%	3,975	(60,718)
(-) 10%	(3,975)	60,718

(*) Represents the pre-tax amounts.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

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

The tables below summarize the Group's exposure to interest rate risks at 31 December 2014 and 31 December 2013. Included in the tables are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	2014					
	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	5,234,954	14,667	-	-	21,102,768	26,352,389
Trading and investment securities	12,978,145	11,334,448	15,124,760	8,719,090	306,387	48,462,830
Derivative financial instruments	985,138	339,266	204,757	166,119	-	1,695,280
Loans and advances to customers	62,653,119	33,121,801	36,071,578	5,726,944	149,000	137,722,442
Property, plant and equipment	-	-	-	-	863,354	863,354
Intangible assets	-	-	-	-	229,004	229,004
Deferred income tax assets	-	-	-	-	481,898	481,898
Other assets and pre-payments	103,650	-	-	-	1,142,340	1,245,990
Total assets	**81,955,006**	**44,810,182**	**51,401,095**	**14,612,153**	**24,274,751**	**217,053,187**
Customer deposits	105,832,071	14,001,312	8,574,579	3,598,462	18,697,290	150,703,714
Interbank money market deposits, funds borrowed and debt securities in issue	17,870,519	7,327,051	4,643,490	2,410,447	-	32,251,507
Derivative financial instruments	458,331	526,079	177,419	151,336	-	1,313,165
Income taxes payable	-	-	-	-	325,142	325,142
Other liabilities and accrued expenses	49,574	59,067	137,089	12,235	5,419,578	5,677,543
Employment benefit obligations	-	-	-	-	127,637	127,637
Deferred tax liability	-	-	-	-	53,582	53,582
Total liabilities	**124,210,495**	**21,913,509**	**13,532,577**	**6,172,480**	**24,623,229**	**190,452,290**
Net repricing period gap	**(42,255,489)**	**22,896,673**	**37,868,518**	**8,439,673**	**(348,478)**	**26,600,897**
Off-balance sheet derivative instruments net notional position	**1,640,545**	**830,021**	**(2,280,619)**	**178,603**	**-**	**368,550**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2013					
	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	2,113,441	-	-	-	21,948,777	24,062,218
Trading and investment securities	15,429,987	12,478,023	6,889,911	10,326,867	322,310	45,447,098
Derivative financial instruments	1,462,519	686,957	68,972	178,599	-	2,397,047
Loans and advances to customers	61,584,480	22,374,507	30,947,254	4,533,140	91,522	119,530,903
Property, plant and equipment	-	-	-	-	851,220	851,220
Intangible assets	-	-	-	-	162,215	162,215
Deferred income tax assets	-	-	-	-	468,228	468,228
Other assets and pre-payments	188,858	-	-	-	1,071,581	1,260,439
Total assets	**80,779,285**	**35,539,487**	**37,906,137**	**15,038,606**	**24,915,853**	**194,179,368**
Customer deposits	93,573,670	13,409,010	6,732,081	4,586,118	17,071,401	135,372,280
Interbank money market deposits, funds borrowed and debt securities in issue	15,132,413	6,565,945	6,122,394	1,136,844	-	28,957,596
Derivative financial instruments	474,721	538,690	53,216	175,931	-	1,242,558
Income taxes payable	-	-	-	-	74,369	74,369
Other liabilities and accrued expenses	139,090	79,512	170,370	45,197	5,415,802	5,849,971
Employment benefit obligations	-	-	-	-	111,159	111,159
Deferred tax liability	-	-	-	-	43,233	43,233
Total liabilities	**109,319,894**	**20,593,157**	**13,078,061**	**5,944,090**	**22,715,964**	**171,651,166**
Net repricing period gap	**(28,540,609)**	**14,946,330**	**24,828,076**	**9,094,516**	**2,199,889**	**22,528,202**
Off-balance sheet derivative instruments net notional position	**7,289,555**	**(129,765)**	**(2,919,864)**	**(3,356,016)**	**-**	**883,910**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The tables below summarize effective average interest rates by major currencies for monetary financial instruments at 31 December 2014 and 2013:

	31 December 2014			31 December 2013		
Assets	USD (%)	EUR (%)	TL (%)	USD (%)	EUR (%)	TL (%)
Cash and due from banks:						
- Time deposits in foreign banks	0.38	0.09	-	0.22	0.12	-
- Time deposits in domestic banks	0.36	-	10.46	0.15	-	9.37
- Interbank money market placements	-	-	11.24	-	-	-
- Reserve requirements with the Central Bank of Turkey	-	-	1.51	-	-	-
Trading securities	4.13	3.55	11.60	3.92	2.89	11.38
Loans and advances to customers	4.34	4.11	12.01	4.67	4.31	11.23
Investment securities:						
- Available-for-sale	3.67	3.68	10.02	3.52	3.75	9.44
- Held-to-maturity	3.83	3.69	11.22	3.42	3.00	9.96
Liabilities						
Customer deposits and interbank and money market deposits	1.42	1.17	8.02	1.78	1.89	6.64
Funds borrowed	1.62	1.14	8.05	1.60	1.19	7.70
Debt securities in issue	4.42	2.72	8.28	4.01	-	8.20

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 2012 through applying interest rate shock method to on and off balance sheet positions.

As of 31 December 2014 and 31 December 2013, 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.

		31.12.2014		31.12.2013	
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**
TL	-400	3,327,669	11.79%	2,720,119	11.35%
TL	500	(3,481,510)	(12.33%)	(2,822,999)	(11.78%)
USD	-200	583,134	2.07%	433,706	1.81%
USD	200	(609,306)	(2.16%)	(339,961)	(1.42%)
EUR	-200	73,285	0.25%	299,027	1.24%
EUR	200	(330,476)	(1.17%)	(348,120)	(1.45%)
Total (for negative shocks)		**3,984,088**	**14.11%**	**3,452,852**	**14.40%**
Total (for positive shocks)		**(4,421,292)**	**(15.66%)**	**(3,511,080)**	**(14.65%)**

(f) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees. A major objective of the Group’s asset and liability management is to ensure that sufficient liquidity is available to meet the Group’s commitments to customers and to satisfy the Group’s own liquidity needs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. The ERC sets limits on the key liquidity ratios and funding gap and these limits are closely monitored.

In accordance with the “Communiqué on the Measurement and Assessment of Liquidity of the Banks” published in the Official Gazette dated 1 November 2006 No. 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Liquidity ratios of the Bank as at 31 December 2014 and 31 December 2013 are presented below:

Current Period	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
31 December 2014	FC	FC+TL	FC	FC+TL
Average (%)	165.1	134.9	136.2	109.9

Prior Period	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
31 December 2013	FC	FC+TL	FC	FC+TL
Average (%)	158.1	140.3	120.0	109.0

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

	2014						
	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	21,013,510	5,324,212	14,667	-	-	-	26,352,389
Trading and investment securities	302,464	3,404,833	4,214,209	15,725,135	24,812,266	3,923	48,462,830
Derivative financial instruments	-	441,744	213,876	420,118	619,542	-	1,695,280
Loans and advances to customers	-	38,936,414	30,382,787	48,899,622	19,354,619	149,000	137,722,442
Property, plant and equipment	-	-	-	-	-	863,354	863,354
Intangible assets	-	-	-	-	-	229,004	229,004
Deferred income tax assets	-	-	-	481,898	-	-	481,898
Other assets and pre-payments	271,577	574,358	406	-	-	399,649	1,245,990
Total assets	21,587,551	48,681,561	34,825,945	65,526,773	44,786,427	1,644,930	217,053,187
Customer deposits	19,593,665	104,935,696	14,001,312	8,574,579	3,598,462	-	150,703,714
Derivative financial instruments	-	221,645	332,540	250,886	508,094	-	1,313,165
Interbank money market deposits, funds borrowed and debt securities in issue	-	7,932,784	13,053,691	8,163,066	3,101,966	-	32,251,507
Income taxes payable	-	-	325,142	-	-	-	325,142
Other liabilities and accrued expenses	259,076	4,910,877	158,266	337,089	12,235	-	5,677,543
Deferred tax liability		-	-	53,582	-	-	53,582
Employment benefit obligations	-	-	-	-	-	127,637	127,637
Total liabilities	19,852,741	118,001,002	27,870,951	17,379,202	7,220,757	127,637	190,452,290
Net gap as at 31 December 2014	1,734,810	(69,319,441)	6,954,994	48,147,571	37,565,670	1,517,293	26,600,897

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2013						
	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	21,948,777	2,113,441	-	-	-	-	24,062,218
Trading and investment securities	318,387	4,180,373	10,477,318	11,195,399	19,271,698	3,923	45,447,098
Derivative financial instruments	-	546,461	523,929	673,033	653,624	-	2,397,047
Loans and advances to customers	-	37,867,271	21,864,475	41,932,142	17,775,494	91,521	119,530,903
Property, plant and equipment	-	-	-	-	-	851,220	851,220
Intangible assets	-	-	-	-	-	162,215	162,215
Deferred income tax assets	-	-	-	468,228	-	-	468,228
Other assets and pre-payments	365,825	583,610	-	-	-	311,004	1,260,439
Total assets	22,632,989	45,291,156	32,865,722	54,268,802	37,700,816	1,419,883	194,179,368
Customer deposits	18,146,501	92,498,573	13,409,007	6,732,081	4,586,118	-	135,372,280
Derivative financial instruments	-	211,327	318,291	220,698	492,242	-	1,242,558
Interbank money market deposits, funds borrowed and debt securities in issue	-	6,308,320	11,245,992	10,058,229	1,345,055	-	28,957,596
Income taxes payable	-	-	74,369	-	-	-	74,369
Other liabilities and accrued expenses	324,338	4,691,586	158,182	630,668	45,197	-	5,849,971
Deferred tax liability		-	-	43,233	-	-	43,233
Employment benefit obligations	-	-	-	-	-	111,159	111,159
Total liabilities	18,470,839	103,709,806	25,205,841	17,684,909	6,468,612	111,159	171,651,166
Net gap as at 31 December 2013	4,162,150	(58,418,650)	7,659,881	36,583,893	31,232,204	1,308,724	22,528,202

The most important funding resources of the Parent 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 Parent Bank. The major part of mandatory cash balances with the Central Bank of Turkey is included within the "Demand" 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 are as follows:

	2014					
Liabilities	**Up to 1 month and demand**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	102,437,008	23,086,439	14,456,641	9,456,739	3,935,252	**153,372,079**
Funds borrowed and debt securities in issue	1,023,407	6,685,320	13,574,373	9,742,241	5,479,502	**36,504,843**
Interbank money market deposits	441,722	-	-	-	-	**441,722**
Total	**103,902,137**	**29,771,759**	**28,031,014**	**19,198,980**	**9,414,754**	**190,318,644**
Letter of guarantees (*)	57,786	424,439	8,437,113	5,926,939	17,397,186	32,243,463

(*) Undiscounted maturities of letter of guarantees represent the contractual maturities whereas such balances have demand nature due to their callable status until maturity.

	2013					
Liabilities	**Up to 1 month and demand**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	85,913,488	26,484,249	13,976,241	7,104,844	4,856,847	**138,335,669**
Funds borrowed and debt securities in issue	1,356,026	5,271,058	11,727,389	11,281,504	1,514,253	**31,150,230**
Interbank money market deposits	331,154	-	-	-	-	**331,154**
Total	**87,600,668**	**31,755,307**	**25,703,630**	**18,386,348**	**6,371,100**	**169,817,053**
Letter of guarantees (*)	47,939	726,175	9,314,792	5,199,334	14,989,668	30,277,908

(*) Undiscounted maturities of letter of guarantees represent the contractual maturities whereas such balances have demand nature due to their callable status until maturity.

(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:

			2014			
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:	703,744	1,799,322	(12,503)	(1,689,124)	(866,361)	(64,922)
– Inflow	19,741,834	7,435,731	9,619,370	7,733,826	808,820	45,339,581
– Outflow	(19,038,090)	(5,636,409)	(9,631,873)	(9,422,950)	(1,675,181)	(45,404,503)
Interest rate derivatives:	(2,505)	(15,876)	(31,780)	(43,083)	7,402	(85,842)
– Inflow	1,633	37,474	264,106	762,609	230,087	1,295,909
– Outflow	(4,138)	(53,350)	(295,886)	(805,692)	(222,685)	(1,381,751)
Derivatives held for hedging:						
Foreign exchange derivatives:	(15,918)	75	(37,981)	(9,312)	124,114	60,978
– Inflow	2,018	75	3,341	527,248	698,610	1,231,292
– Outflow	(17,936)	-	(41,322)	(536,560)	(574,496)	(1,170,314)
Interest rate derivatives:	(3,909)	(19,870)	(54,461)	(59,571)	(15,606)	(153,417)
– Inflow	9,907	36,688	142,438	985,091	488,459	1,662,583
– Outflow	(13,816)	(56,558)	(196,899)	(1,044,662)	(504,065)	(1,816,000)
Total inflow	**19,755,392**	**7,509,968**	**10,029,255**	**10,008,774**	**2,225,976**	**49,529,365**
(Total outflow)	**(19,073,980)**	**(5,746,317)**	**(10,165,980)**	**(11,809,864)**	**(2,976,427)**	**(49,772,568)**

			2013			
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:	2,303,475	2,500,290	1,586	(3,099,729)	(572,574)	1,133,048
– Inflow	16,106,075	10,544,854	10,910,829	5,673,868	338,939	43,574,565
– Outflow	(13,802,600)	(8,044,564)	(10,909,243)	(8,773,597)	(911,513)	(42,441,517)
Interest rate derivatives:	(1,573)	(14,851)	(33,414)	(82,029)	21,156	(110,711)
– Inflow	1,876	31,044	247,285	894,651	300,600	1,475,456
– Outflow	(3,449)	(45,895)	(280,699)	(976,680)	(279,444)	(1,586,167)
Derivatives held for hedging:						
Foreign exchange derivatives:	(16,683)	(5,807)	(149,458)	14,900	81,563	(75,485)
– Inflow	2,587	802	7,747	2,638,422	691,930	3,341,488
– Outflow	(19,270)	(6,609)	(157,205)	(2,623,522)	(610,367)	(3,416,973)
Interest rate derivatives:	(3,563)	(11,174)	(17,129)	(57,713)	43,554	(46,025)
– Inflow	9,226	30,638	127,624	802,532	888,052	1,858,072
– Outflow	(12,789)	(41,812)	(144,753)	(860,245)	(844,498)	(1,904,097)
Total inflow	**16,119,764**	**10,607,338**	**11,293,485**	**10,009,473**	**2,219,521**	**50,249,581**
(Total outflow)	**(13,838,108)**	**(8,138,880)**	**(11,491,900)**	**(13,234,044)**	**(2,645,822)**	**(49,348,754)**

(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 Parent Bank. The amount subject to the operational risk is calculated by using the statutory gross income of the Parent Bank in 2011, 2012, and 2013.

(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 income 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 income.

	31.12.2011	31.12.2012	31.12.2013	Total/Positive GI year number	Ratio (%)	Total
Gross income	5,429,329	6,345,429	8,506,114	3	15	1,014,044
Amount subject to Operational Risk (Amount*12,5)						12,675,545

(h) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize 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 statement of financial position at their fair values at 31 December 2014 and 2013:

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and advances to customers	137,722,442	140,320,798	119,530,903	118,680,238
Held-to-maturity investments (Net)	10,800,111	11,202,659	12,153,453	11,983,445
Financial liabilities				
Customer deposits	150,703,714	151,114,292	135,372,280	135,096,167
Interbank money market deposits, funds borrowed and debt securities in issue	32,251,507	31,831,162	28,957,596	28,313,240

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 credit risk is not considered when calculating the fair value of loans and advances to customers as in line with the pricing of such loans except loans and advances to customers with short maturity.

The fair value of listed held-to-maturity investments has been estimated based on quoted 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 deposits 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 to calculate the estimated fair value of funds borrowed and debt securities in issue.

(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. 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 and assets and liabilities carried at amortized cost for which fair value is disclosed in Note 3 (h), according to the foregoing principles is given in the table below:

	2014			
Assets carried at fair value:	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading securities	**54,964**	**-**	**-**	**54,964**
- Government bonds	8,525	-	-	8,525
- Eurobonds	2,491	-	-	2,491
- Government bonds denominated in foreign currency	-	-	-	-
- Treasury bills	-	-	-	-
- Share certificates	68	-	-	68
- Other bonds	43,880	-	-	43,880
Trading Derivative Financial Instrument	**35,922**	**1,374,817**	**-**	**1,410,739**
Hedging Derivative Financial Instrument	**-**	**284,541**	**-**	**284,541**
Securities Available-for-sale	**37,370,398**	**220,947**	**-**	**37,591,345**
- Government bonds	21,283,380		-	21,283,380
- Eurobonds	11,154,528	-	-	11,154,528
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	-	-	-
- Mutual funds	289,909	-	-	289,909
- Listed equity securities	-	-	-	-
- Other Bonds	4,642,581	220,947	-	4,863,528
Assets for which fair values are disclosed (*)	**11,202,659**	**140,320,798**	**-**	**151,523,457**
- Loans and advances to customers	-	140,320,798	-	140,320,798
- Held-to-Maturity Investments	11,202,659	-	-	11,202,659
Total assets	**48,663,943**	**142,201,103**	**-**	**190,865,046**
Liabilities carried at fair value:				
Trading derivative financial instruments	**4,475**	**1,202,738**	**-**	**1,207,213**
Hedging derivative financial instruments	**-**	**105,952**	**-**	**105,952**
Liabilities for which fair values are disclosed (*)	**-**	**182,945,454**	**-**	**182,945,454**
- Customer Deposits	-	151,114,292	-	151,114,292
- Interbank money market deposits, funds borrowed and debt securities in issue	-	31,831,162	-	31,831,162
Total liabilities	**4,475**	**184,254,144**	**-**	**184,258,619**

(*) Assets and liabilities carried at amortized cost for which fair value is disclosed in Note 3 (h).

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Trading securities	**124,740**	**-**	**-**	**124,740**
- Government bonds	8,701	-	-	8,701
- Eurobonds	2,167	-	-	2,167
- Government bonds denominated in foreign currency	-	-	-	-
- Treasury bills	-	-	-	-
- Share certificates	58,377	-	-	58,377
- Other bonds	55,495	-	-	55,495
Trading Derivative Financial Instrument	**79,013**	**1,687,857**	**-**	**1,766,870**
Hedging Derivative Financial Instrument	**-**	**630,177**	**-**	**630,177**
Securities Available-for-sale	**32,883,560**	**270,102**	**-**	**33,153,662**
- Government bonds	23,173,174		-	23,173,174
- Eurobonds	6,902,969	-	-	6,902,969
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	-	-	-
- Mutual funds	248,690	-	-	248,690
- Listed equity securities	-	-	-	-
- Other Bonds	2,558,727	270,102	-	2,828,829
Assets for which fair values are disclosed (*)	**11,983,445**	**118,680,238**	**-**	**130,663,683**
- Loans and advances to customers	-	118,680,238	-	118,680,238
- Held-to-Maturity Investments	11,983,445	-	-	11,983,445
Total assets	**45,070,758**	**121,268,374**	**-**	**166,339,132**
Liabilities carried at fair value:				
Trading derivative financial instruments	**31,312**	**1,147,436**	**-**	**1,178,748**
Hedging derivative financial instruments	**-**	**63,810**	**-**	**63,810**
Liabilities for which fair values are disclosed (*)	**-**	**163,409,407**	**-**	**163,409,407**
- Customer Deposits	-	135,096,167	-	135,096,167
- Interbank money market deposits, funds borrowed and debt securities in issue	-	28,313,240	-	28,313,240
Total liabilities	**31,312**	**164,620,653**	**-**	**164,651,965**

(*) Assets and liabilities carried at amortized cost for which fair value is disclosed in Note 3 (h).

As explained in the Note 2-e, unlisted share certificates classified as available-for-sale are excluded from above table as they are carried at cost less impairment. Since they are not traded in active markets their fair values cannot 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 14.89% (31 December 2013: 14.71%) and 15.16% (31 December 2013: 14.95%). 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.

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

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:

	Parent Bank		Consolidated	
	Current Period 31 December 2014	**Prior Period 31 December 2013 (*)**	**Current Period 31 December 2014**	**Prior Period 31 December 2013(*)**
Capital Requirement for Credit Risk (Value at credit risk *0,08)	13,196,610	11,312,547	14,002,698	11,979,369
Capital Requirement for Market Risk (CRMR)	150,850	252,559	158,643	183,182
Capital Requirement for Operational Risk (CROR)	973,611	832,024	1,014,044	868,247
Total Capital	27,132,960	23,170,989	28,236,377	23,959,927
Total Equity/((CRCR+CRMR+CROR)*12,5)*100	15.16	14.95	14.89	14.71
Additional Tier I Capital/((CRCR+CRMR+CROR)*12,5)*100)	14.04	-	13.79	-
Common Equity/((CRCR+CRMR+CROR)*12,5)*100)	14.13	-	13.88	-

(*) Total Capital calculation has been changed with the "Regulation on Equity of Banks" which has become effective as of 1 January 2014. The information given regarding the prior period has been calculated in accordance with the abolished Regulation.

(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 2014, the Group has custody accounts amounting to TL 60,967,192 in nominal value (2013: TL 52,350,058).

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS 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 judgments, which have the most significant effect on the amounts recognized 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 judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

(b) Fair value of derivatives

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

(c) Held-to-maturity investments

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

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

(d) 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 18 and also, estimations for non-transferrable liabilities are disclosed in Note 18. 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. Estimations used for pension obligation and carrying amount have been disclosed in Note 18.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the 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.

NOTE 5 - SEGMENT REPORTING

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

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

In scope of retail banking, the Group offers a variety of retail services such as deposit accounts, consumer loans, commercial instalment 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.

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

Private banking serves the members of the upper-income groups who have expectations for upper-class 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 2014 and 2013 is as follows:

	31 December 2014						
	Retail banking	Corporate, Commercial and SME banking	Private banking	Treasury activities	International banking	Other	Total
Segment information regarding the balance sheet:							
Segment assets	48,737,933	95,813,223	1,214,103	56,121,019	6,616,721	3,884,161	212,387,160
Equity securities							16,410
Unallocated assets							4,649,617
Total assets							**217,053,187**
Segment liabilities	62,054,557	39,732,148	15,845,527	55,470,248	8,921,091	2,401,196	182,334,178
Unallocated liabilities							6,027,522
Equity							26,600,897
Total liabilities and equity							**217,053,187**
Segment information regarding the income statement:							
Segment revenue	3,289,560	2,845,327	223,285	1,625,073	253,276	12,786	8,249,307
Segment result	709,488	2,264,171	137,348	1,139,658	161,222	(79,776)	4,332,111
Dividend income						1,381	1,381
Income taxes						(887,216)	(887,216)
Profit for the year	**709,488**	**2,264,171**	**137,348**	**1,139,658**	**161,222**	**(965,611)**	**3,446,276**
Other segment items:							
Capital expenditure	114,006	3	229	5,838	-	163,691	283,767
Depreciation and amortization	(181,096)	(13,623)	(2,758)	(2,890)	(557)	(952)	(201,876)
Other non-cash expenses	(631,552)	(1,203,889)	(3,165)	(235,808)	(4)	(4,016)	(2,078,434)

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

NOTE 5 - SEGMENT REPORTING (Continued)

	31 December 2013						
	Retail banking	Corporate, Commercial and SME banking	Private banking	Treasury activities	International banking	Other	Total
Segment information regarding the balance sheet:							
Segment assets	46,677,947	78,284,004	1,237,150	53,184,605	6,488,081	3,470,108	189,341,895
Equity securities							15,243
Unallocated assets							4,822,230
Total assets							**194,179,368**
Segment liabilities	53,327,173	40,442,792	14,887,590	46,492,781	8,236,576	2,471,744	165,858,656
Unallocated liabilities							5,792,510
Equity							22,528,202
Total liabilities and equity							**194,179,368**
Segment information regarding the income statement:							
Segment revenue	3,017,284	1,986,719	272,897	2,122,307	186,236	318,233	7,903,676
Segment result	718,940	1,839,088	190,794	1,683,497	121,547	(495,091)	4,058,775
Dividend income						4,970	4,970
Income taxes						(835,214)	(835,214)
Profit for the year	**718,940**	**1,839,088**	**190,794**	**1,683,497**	**121,547**	**(1,325,335)**	**3,228,531**
Other segment items:							
Capital expenditure	119,116	3	207	5,249	-	154,419	278,994
Depreciation and amortization	(98,895)	(7,768)	(1,492)	(1,747)	(275)	(60,835)	(171,012)
Other non-cash expenses	(552,524)	(897,195)	(4,252)	(206,879)	-	(275,820)	(1,936,670)

(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

	2014	2013
Cash funds:		
Cash on hand (*)	1,507,730	1,532,332
Cash in transit	12,489	71
Purchased cheques	39	34
	1,520,258	**1,532,437**
Current accounts and demand deposits:		
Central Bank of Turkey	18,830,541	16,690,682
Foreign banks	3,242,149	3,723,955
Domestic banks	988	6,995
	22,073,678	**20,421,632**
Time deposits:		
Central Bank of Turkey	89,258	-
Foreign banks	741,000	1,799,727
Domestic banks	1,227,980	308,422
	2,058,238	**2,108,149**
Interbank money market placements	**700,215**	**-**
Total cash and due from banks and the balances with the Central Bank of Turkey	**26,352,389**	**24,062,218**

(*) Includes precious metal accounts amounting to TL 41,449 (31 December 2013: 655).

At 31 December 2014, assets pledged as off-shore cash reserve, payment accounts in connection with the issue of floating-rate notes and restricted demand and time deposits in foreign banks amount to TL 2,671,711 (2013: TL 2,968,616) (Note 25).

(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 2014 and 2013 are as follows:

	2014	2013
Cash and due from banks excluding accrued interest and blocked accounts (*)	4,460,013	4,411,200
Trading and investment securities with original maturities of less than three months excluding accrued interest	885,516	522,084
	5,345,529	**4,933,284**

(*) 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").

	2014	2013
The balances with the Central Bank of Turkey:		
- TL	2,585,518	121,630
- Foreign currency	16,334,281	16,569,052
	18,919,799	**16,690,682**

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. 2013/15", the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. Starting from November 2014, interest is paid on reserve requirements held in TL. There is no interest payment on reserve requirements held in FC.

The reserve rates for TL liabilities vary between 5% and 11.5% for TL deposits and other liabilities according to their maturities as of 31 December 2014 (31 December 2013: 5% and 11.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 6% and 13% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2014 (31 December 2013: 6% and 13% for all 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. The Bank has met its additional reserve requirements as of 30 January 2014 and as of this date there have been no additional reserve requirements left. However, the lawsuit for the cancellation of the Central Bank's said decision was filed with a motion for stay of execution. 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.

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

NOTE 7 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	2014	2013
Government bonds	8,525	8,701
Eurobonds	2,491	2,167
Government bonds denominated in foreign currency	-	-
Treasury bills	-	-
Share certificates	68	58,377
Other	43,880	55,495
	54,964	**124,740**

There is no security pledged under repurchase agreements with financial institutions (2013: TL (-)).

Trading securities amounting to TL 5,820 (2013: TL 5,116) 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 organized 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 consolidated statements of financial position 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 favorable (assets) or unfavorable (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 favorable or unfavorable 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 2014 and 31 December 2013 are set out in the following table.

	2014		2013	
	Fair values		Fair values	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	1,069,824	(797,820)	1,007,871	(610,805)
Options purchases and sales	234,100	(248,141)	472,704	(394,618)
Currency and interest rate futures purchases and sales	35,922	(4,475)	79,013	(31,312)
Forward currency purchases and sales	70,893	(156,777)	207,282	(142,013)
Other purchases and sales	-	-	-	-
Derivatives held for hedging:				
Currency and interest rate swap purchases and sales	284,541	(105,952)	630,177	(63,810)
Total derivative assets/(liabilities)	**1,695,280**	**(1,313,165)**	**2,397,047**	**(1,242,558)**

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

As at 31 December 2014, contractual amounts of derivative financial instruments designated as hedging instruments and the net fair values carried in the balance sheet are summarized in the following table:

	Current Period 31 December 2014			Prior Period 31 December 2013		
	Notional Amount	Assets	Liabilities	Notional	Assets	Liabilities
Cross Currency swaps						
-TL	871,688	284,135	-	2,640,102	582,455	-
-FC	8,754,550	406	105,952	9,876,850	47,722	63,810
Total	**9,626,238**	**284,541**	**105,952**	**12,516,952**	**630,177**	**63,810**

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

1. Explanations on Fair Value Hedges:

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items(*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(119,171)	117,347	(1,824)
Cross-currency swap	Fixed interest rate TL Mortgage Loans, FC borrowings	Interest rate and currency risk	70,419	(69,859)	560
Cross-currency swap	Fixed interest rate TL available-for-sale financial assets, FC borrowings	Interest rate and currency risk	109,947	(108,613)	1,334

(*) Includes fair value differences arising from changes in foreign exchange rates for hedges against interest rate and foreign currency risks.
(**) Represents the cumulative amounts booked since the beginning of hedge accounting under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions".

As of 31 December 2014 fair value hedge transactions have been proven to be effective.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked are given below:

- As of 31 December 2014, related to fair value hedge transactions, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL 5,036.

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

2. Explanation on Cash Flow Hedge:

Explanations on derivative transactions used in cash flow hedges:

There are no derivative transactions used in cash flow hedges as of 31 December 2014.

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

- As of 31 December 2014, related to cash flow hedge transactions, the remaining before tax amount in equity after amortization of the fair value change of the hedging instruments, since the beginning of hedge accounting is TL (103,059).

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

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

	2014	2013
Consumer loans	**30,999,039**	**27,743,593**
- Mortgage	13,056,473	12,604,184
- General purpose	16,383,994	13,319,401
- Automobile	810,024	993,735
- Other	748,548	826,273
Credit cards	**12,903,579**	**14,693,331**
- Retail	11,584,124	13,592,665
- Corporate	1,319,455	1,100,666
Corporate, commercial and small business loans	**95,746,916**	**78,683,718**
- Export financing loans	6,008,727	5,731,127
- Loans to financial institutions	4,200,870	2,657,025
- Leasing receivables	3,669,460	3,203,987
- Project finance loans	20,348,175	15,943,292
- Commercial installment loans	7,134,542	6,360,978
- Other	54,385,142	44,787,309
Performing loans	139,649,534	121,120,642
Impaired loans	2,412,442	1,731,666
Total loans and advances to customers	142,061,976	122,852,308
Provision for impairment	(4,339,534)	(3,321,405)
Net loans and advances to customers	**137,722,442**	**119,530,903**

(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:

	2014	2013
Gross investment in finance leases	4,475,779	3,764,396
Less: Unearned finance income	(724,032)	(505,425)
Total investment in finance leases	3,751,747	3,258,971
Provision for impairment	(68,426)	(49,462)
Net investment in finance leases	**3,683,321**	**3,209,509**

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

	2014		2013	
Period ending	Gross investment in finance leases	Total investment in finance leases	Gross investment in finance leases	Total investment in finance leases
2014	-	-	1,372,067	1,392,067
2015	1,267,844	1,069,110	698,834	706,316
2016	909,635	729,531	565,975	401,154
2017	720,382	589,378	401,865	270,214
2018	557,475	468,697	280,303	191,107
2019(*)	1,020,443	895,031	445,352	298,113
	4,475,779	**3,751,747**	**3,764,396**	**3,258,971**

(*) Balances include the year 2019 and thereafter.

The Group has provided an individual impairment for impaired loans amounting to TL 2,106,308 (2013: TL 1,567,450). As of 31 December 2014 total amount of provision for impairment provided by the Group, which amounts to TL 4,339,534 (2013: 3,321,405) 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:

	2014			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2014	**1,531,588**	**1,740,355**	**49,462**	**3,321,405**
Additions	786,969	1,321,264	23,542	2,131,775
Collections	(143,719)	(377,426)	(4,578)	(525,723)
Write-offs(*)	(157,997)	(429,926)	-	(587,923)
31 December 2014	**2,016,841**	**2,254,267**	**68,426**	**4,339,534**

(*) TL 252.2 million of the Bank's non-performing loan portfolio were sold to Girişim Varlık Yönetimi A.Ş. at a price of TL 44 million and TL 250.5 million of the Bank's non-performing loan portfolio were sold to Efes Varlık Yönetim A.Ş. at a price of TL 41 million. Specific provision previously allocated for this amount is, included in "Write-off" section in above table.

	2013			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2013	**1,143,279**	**1,080,824**	**25,295**	**2,249,398**
Additions	565,974	1,198,872	26,882	1,791,728
Collections	(98,106)	(285,513)	(2,715)	(386,334)
Write-offs(*)	(79,559)	(253,828)	-	(333,387)
31 December 2013	**1,531,588**	**1,740,355**	**49,462**	**3,321,405**

(*)TL 250.5 million of the Bank's non-performing loan portfolio were sold to Efes Varlık Yönetimi A.Ş. at a price of TL 58.3 million. Specific provision previously allocated for this amount is, included in "write-off" section in above table.

Loans and advances to related parties are as follows:

	2014	**2013**
Loans and advances to related parties	2,464,548	2,368,097
Less: Cash collateral obtained	-	-
Net loans and advances to related parties	**2,464,548**	**2,368,097**

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

	2014	**2013**
Private sector	139,805,331	121,050,552
Public sector	2,256,645	1,801,756
Total loans and advances to customers	**142,061,976**	**122,852,308**

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

NOTE 10 - INVESTMENT SECURITIES

(a) Securities available-for-sale:

	2014	2013
Debt securities		
- Government bonds	21,283,380	23,173,174
- Eurobonds	11,154,528	6,902,969
- Treasury bills	-	-
- Government bonds denominated in foreign currency	-	-
- Other bonds	4,863,528	2,828,829
Equity securities		
- Listed	-	-
- Unlisted	16,410	15,243
- Mutual Funds	289,909	248,690
Total securities available-for-sale	**37,607,755**	**33,168,905**

Unrealized 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 2014, investment securities subject to repurchase agreements amount to TL 32,114,782 (31 December 2013: TL 26,598,964); and those given as collateral/blocked amount to TL 5,845,244 (31 December 2013: TL 7,795,037).

(b) Securities held-to-maturity

	2014	2013
Debt securities		
- Government bonds	9,973,280	11,403,933
- Other government debt securities	826,831	749,520
Total securities held-to-maturity	**10,800,111**	**12,153,453**

(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:

	2014	2013
Balance at 1 January	12,153,453	3,637,468
Additions(*)	6,405	9,969,319
Redemptions	(1,798,189)	(1,788,154)
Exchange differences	145,662	172,739
Impairment Provision (-)	(9,300)	-
Change in Amortized Cost	302,080	162,081
Balance at 31 December	**10,800,111**	**12,153,453**

(*) In 2013 the Bank has reclassified debt securities of the nominal value of TL 4,863,357 EUR 721,540 thousands and USD 1,092,397 thousands from available-for-sale portfolio to held-to-maturity portfolio due to change in the intention to hold such securities. Reclassified debt securities have a fair value of TL 5,398,459, EUR 815,927 thousands and USD 1,189,524 thousands, respectively as of the reclassification date. Valuation differences of these securities which have been accounted under equity before, are being amortized using effective interest method over the remaining maturity.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 2013					
Cost	710,824	884,370	203	127,768	1,723,165
Accumulated depreciation	(212,090)	(591,715)	-	(68,140)	(871,945)
Net book amount	**498,734**	**292,655**	**203**	**59,628**	**851,220**
Opening net book amount	498,734	292,655	203	59,628	851,220
Additions	8,993	131,209	2,292	9,501	151,995
Disposals	(2,301)	(952)	-	-	(3,253)
Depreciation charge (Note 24)	(13,449)	(106,252)	-	(16,907)	(136,608)
Transferred	-	-	-	-	-
Closing net book amount	**491,977**	**316,660**	**2,495**	**52,222**	**863,354**
At 31 December 2014					
Cost	715,424	985,242	2,495	137,269	1,840,430
Accumulated depreciation	(223,447)	(668,582)	-	(85,047)	(977,076)
Net book amount	**491,977**	**316,660**	**2,495**	**52,222**	**863,354**

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2014, no impairment has been recorded on property, plant and equipment (2013: (-)).

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
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**
Opening net book amount	487,804	254,781	2,578	54,740	799,903
Additions	7,776	135,549	14,242	20,388	177,955
Disposals	(1,663)	(1,286)	-	-	(2,949)
Depreciation charge (Note 24)	(11,800)	(96,389)	-	(15,500)	(123,689)
Transferred	16,617	-	(16,617)	-	-
Closing net book amount	**498,734**	**292,655**	**203**	**59,628**	**851,220**
At 31 December 2013					
Cost	710,824	884,370	203	127,768	1,723,165
Accumulated depreciation	(212,090)	(591,715)	-	(68,140)	(871,945)
Net book amount	**498,734**	**292,655**	**203**	**59,628**	**851,220**

NOTE 12 - INTANGIBLE ASSETS

	2014	2013
Cost	503,566	371,794
Accumulated depreciation	(274,562)	(209,579)
Net book amount	**229,004**	**162,215**
Opening balance at 1 January	162,215	113,757
Disposals (-)	-	(5,510)
Additions	131,815	101,168
Charge for the year (net)	(65,026)	(47,200)
Net book amount	**229,004**	**162,215**

(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:

	2014	2013
Miscellaneous receivables	282,190	404,866
Receivables from cheques in clearance	462,917	407,406
Receivables from credit card payments	11,249	36,497
Pre-payments	228,622	258,231
Fund management fee accruals	2,599	2,048
Other	258,413	151,391
	1,245,990	**1,260,439**

NOTE 14 – CUSTOMER DEPOSITS

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

	2014			2013		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	9,352,145	55,733,215	65,085,360	8,461,016	48,203,299	56,664,315
Commercial deposits	8,739,444	30,469,734	39,209,178	8,095,645	33,386,857	41,482,502
Funds deposited under repurchase agreements	-	28,409,638	28,409,638	-	22,899,597	22,899,597
Bank deposits	501,286	13,082,115	13,583,401	687,555	10,733,998	11,421,553
Other	998,672	3,417,465	4,416,137	902,284	2,002,029	2,904,313
	19,591,547	**131,112,167**	**150,703,714**	**18,146,500**	**117,225,780**	**135,372,280**

At 31 December 2014, deposits of TL 7,210,432 (2013: TL 7,264,450) were from Sabancı Holding Group companies and other related parties. The total interest expense paid to related party deposits is TL 532,126 (2013: TL 392,918) for the year ended 31 December 2014.

NOTE 15 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	2014	2013
Interbank money market deposits	**441,722**	**331,154**
Domestic banks		
- TL	318,759	457,357
- Foreign currency	376,626	426,991
Foreign institutions	15,984,460	16,612,946
Funds borrowed	**16,679,845**	**17,497,294**

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 2014, Akbank has three outstanding syndicated loan facilities.

On 19 March 2014 the Parent Bank signed the first syndicated loan facility and raised EUR 817.7 million and USD 221.8 million. The loan's maturity is 1 year with a cost of Libor/Euribor + 0,90%.

The second syndicated loan facility signed on 16 August 2013; the Parent Bank raised EUR 779 million and USD 419.5 million with Libor/Euribor+0.75% for 1 year tenor.

The third outstanding syndicated loan facility was signed on 21 March 2013. The loan's 2-year tranche which will be repaid in March 2015, amounts to USD 100 million with an applicable cost of Libor/Euribor+1.25%.

Debt securities in issue

Debt securities consist of USD, EUR and TL denominated securities.

The balances amounting to USD (000) 4,895,484 (31 December 2013 - USD (000) 3,750,516) and EUR (000) 200,082 (31 December 2013 - nil) consist of securitization deals and USD and EUR denominated securities issued by the Parent Bank. The repayment schedule of the total USD and EUR denominated notes in issue is as follows:

	31 December 2014				31 December 2013	
	USD (000)	**TL**	**EUR (000)**	**TL**	**USD (000)**	**TL**
2014 (*)	-	-	-	-	497,127	1,059,079
2015	1,725,810	4,015,787	10,283	29,071	1,274,524	2,715,246
2016	252,692	587,989	15,833	44,763	260,786	555,578
2017	732,268	1,703,914	63,333	179,055	609,135	1,297,701
2018	856,893	1,993,904	63,333	179,055	716,987	1,527,469
2019	136,795	318,308	47,500	134,292	19,842	42,271
2020	76,000	176,844	-	-	18,900	40,265
2021	102,014	237,376	-	-	18,006	38,360
2022	650,117	1,512,757	-	-	335,209	714,129
2023	291,495	678,280			-	-
2024	71,400	166,141				
Total	**4,895,484**	**11,391,300**	**200,082**	**566,236**	**3,750,516**	**7,990,098**

(*) Repayments include accrued interest payables in the amount.

As of 31 December 2014, the outstanding TL denominated bonds with the maturity of up to 3 months are TL 381,551, with the maturity of 6 months are TL 1,033,753, with the maturity of 1 year are TL 70,221, with the maturity of 2 years are TL 465,894, with maturity of 4 years are TL 406,735 and with the maturity of over 5 years are TL 814,250. As of 31 December 2013, the outstanding TL denominated bonds with the maturity of 6 months are TL 933,802, with the maturity of 1 year are TL 778,610, with the maturity of 2 years are TL 151,665, with maturity of 3 years are TL 391,956 and with the maturity of 5 years are TL 883,017.

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

NOTE 16 - TAXATION

	2014	2013
Current income tax expense	1,109,941	707,290
Deferred tax expense/(income)	(222,725)	127,924
Income tax expense	**887,216**	**835,214**
Income taxes currently payable	1,174,268	366,610
Prepaid taxes	(849,126)	(292,241)
Income taxes payable	**325,142**	**74,369**

(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 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)

Information on taxation in foreign associates are given below:

Akbank AG (Germany)

German-resident corporations (i.e. corporations with legal or business centers located in Germany) are subject to corporate taxation in Germany over their total income. Regardless of any profit distribution corporate tax is levied at 15% over total income. Effective corporate tax rate is 15.825% since an additional solidarity tax of 5.5% is applied over the calculated corporate tax. In addition to that, trade income tax at an approximate rate of 16% is levied by the local city governance. Accordingly, the total tax burden including all types of tax (corporate tax, solidarity tax and trade income tax) is approximately 32%.

Akbank (Dubai) Limited (United Arab Emirates)

Akbank Dubai, operating in Dubai International Finance Center, is not subject to taxes according to the legislations of this country.

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 2014 and 2013 is as follows;

	2014	**2013**
Balance at 1 January	**74,369**	**427,993**
Current taxes charged to income statement	1,109,941	707,290
Current taxes charged to equity	64,327	(340,680)
Less: Taxes paid	(923,495)	(720,234)
	325,142	**74,369**

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

	2014	**2013**
Profit before income taxes and minority interest	4,333,492	4,063,745
Theoretical tax charge at the applicable tax rate 20%	866,698	812,749
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(20,978)	(50,169)
Non-deductible expenses	41,496	72,634
	887,216	**835,214**

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

NOTE 16 - TAXATION (Continued)

(b) Deferred income taxes

Deferred income taxes are calculated on temporary differences that are expected to be realized 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 2014 and 2013 as follows;

	2014	2013
Deferred tax asset, net at 1 January	**424,995**	**145,659**
Deferred income tax recognized in income statement	222,725	(127,924)
Deferred income tax recognized in equity	(219,404)	407,260
Deferred tax asset/(liability), net at 31 December	**428,316**	**424,995**

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)**	
	2014	**2013**	**2014**	**2013**
Temporary differences on financial instruments	(1,986,267)	(1,697,515)	397,254	339,503
Employment benefit obligations	(127,637)	(111,159)	25,550	21,975
Other temporary differences	(381,251)	(617,915)	76,227	123,583
Gross deferred income assets			**499,031**	**485,061**
Reversal of country risk provision	142,171	143,091	(45,495)	(45,788)
Differences between book value and tax base of property, plant and equipment	126,098	71,392	(25,220)	(14,278)
Gross deferred income liabilities			**(70,715)**	**(60,066)**
			428,316	**424,995**
Net deferred income tax assets			**481,898**	**468,228**
Net deferred income tax liabilities			**53,582**	**43,233**

NOTE 17 - OTHER LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2014, 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 2014, payables to point of sale acquiring merchants of TL 241,644 (2013: TL 223,308) 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

	2014	2013
Balance sheet obligations for:		
- Reserve for employment termination benefits	67,034	59,720
- Accrual for unused vacation	60,603	51,439
- Post-employment benefits (pension and medical)	-	-
	127,637	**111,159**

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 2014 and 2013.

	2014	2013
Income statement charge for:		
- Post-employment benefits (pension and medical)	(146,273)	(133,857)
- Reserve for employment termination benefits	(29,612)	(26,627)
- Accrual for unused vacation	(9,164)	(8,318)
	(185,049)	**(168,802)**

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 24).

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

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

	2014	2013
Present value of funded obligations	(812,717)	(681,635)
- Pension benefits transferrable to SSI	(1,125,845)	(1,008,716)
- Post-employment medical benefits transferrable to SSI (*)	627,559	552,890
- Other non-transferrable benefits	(314,431)	(225,809)
Fair value of plan assets	1,205,692	1,126,277
Surplus	**392,975**	**444,642**

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

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

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

The main opposition party had appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. The Constitution Court has dismissed the appeal with the decision taken in the meeting dated 30 March 2011. The reasoned decision has been published in the Official Gazette dated 28 December 2011 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. Within the postponement right granted to the Council of Ministers through the change in the first clause of the 20th provisional article of the "Social Insurance and General Health Insurance Law no. 5510'' published on the Official Gazette no. 28227 dated 8 March 2012, the transfer process has been postponed for one more year with the decision of the Council of Ministers published on the Official Gazette no. 28987 dated 30 April 2014. Accordingly, the process will have to be completed until 8 May 2015.

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

(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 2014 prepared considering the related articles of the New Law regarding the transferrable benefit obligations for the non-transferrable social benefits and payments which are included in the articles of association, the Fund has no technical or actual deficit which requires a provision. Since the Parent 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 Parent Bank's financial statements.

The Group's obligation in respect of the post-employment benefits transferrable to SSI has been calculated by a registered actuary. In this context, the value of the obligation regarding these benefits to be transferred to SSI as of the balance sheet date would equal the approximate payment amount that would need to be made to SSI as part of the transfer. The actuarial parameters and results used for the calculation of this amount reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%). Accordingly, as of 31 December 2014, the surplus of the Fund, including the obligation for other non-transferable benefits of TL 314,431 (31 December 2013: TL 225,809) amounts to TL 392,975 (31 December 2013: TL 444,642).

The principal actuarial assumptions used were as follows:

	2014 (%)	**2013 (%)**
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	3.43	4.34

Mortality rate:

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

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

	2014	**2013**
Beginning of year	**1,126,277**	**989,836**
Actual return on plan assets	148,312	193,840
Employer contributions	146,273	133,857
Employee contributions	124,982	114,785
Benefits paid	(340,152)	(306,041)
End of year	**1,205,692**	**1,126,277**

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

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Plan assets are comprised as follows:

	2014		2013	
Bank placements	839,215	70%	781,086	69%
Premises and equipment	20,104	2%	19,354	2%
Securities	290,010	24%	290,025	26%
Other	56,363	4%	35,812	3%
End of year	**1,205,692**	**100%**	**1,126,277**	**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 3,438.22 (in full TL amount) (31 December 2013: TL 3,254.44 (in full TL amount)) for each year of service. This liability is legally not funded and there is no funding requirement.

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

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:

	2014	2013
Discount rate (%)	3.62	4.43
Turnover rate to estimate the probability of retirement (%)	93.94	94.25

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 3,541.37 (1 January 2014: TL 3,438.22) effective from 1 January 2015 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:

	2014	2013
1 January	59,720	58,620
Increase during the year	29,612	26,627
Actuarial loss/(gain)	5,785	1,594
Paid during the year	(28,083)	(27,121)
End of year	**67,034**	**59,720**

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

NOTE 19 - SHARE CAPITAL

The historic amount of share capital of the Group is TL 4,000,000 (2013: TL 4,000,000) and consists of TL 400,000,000,000 (2013: TL 400,000,000,000) authorized shares with a nominal value of Kr 1 each.

At 31 December 2014 and 2013, the issued and fully paid-in share capital held is as follows:

	Audited 31 December 2014		Audited 31 December 2013	
	Share (%)	**TL**	**Share (%)**	**TL**
Total Sabancı Group, affiliated companies and family	48.88	1,955,000	48.88	1,955,000
Citibank Overseas Investment Corporation	9.90	396,000	9.90	396,000
Other	41.22	1,649,000	41.22	1,649,000
Historical share capital	100.00	4,000,000	100.00	4,000,000
Adjustment to share capital	-	1,529,151	-	1,529,151
Total paid-in share capital		**5,529,151**		**5,529,151**

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

For the year ending 31 December 2014, the Bank has paid dividend payment in cash with respect to 2013 net distributable profit after the transfer of first and legal reserves amounting to TL 467,483 (TL 0.0012 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 2013, the Bank has paid dividend payment in cash with respect to 2012 net distributable profit after the transfer of first and legal reserves amounting to TL 570,670 (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

	2014	**2013**
Interest income on:		
Loans and advances to customers	10,831,786	8,503,619
Investment and trading securities	3,718,611	3,311,800
Deposits with banks	100,423	58,233
Other interest income	39,766	18,181
Total interest income	**14,690,586**	**11,891,833**

	2014	**2013**
Interest expense on:		
Deposits	6,428,409	4,664,363
Funds borrowed	375,206	330,875
Interbank money market deposits	31,158	26,190
Interest on debt securities in issue	612,542	469,917
Other interest expenses	22,993	18,941
Total interest expense	**(7,470,308)**	**5,510,286**

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

NOTE 22 - NET FEE AND COMMISSION INCOME

	2014	2013
Fee and commission income on:		
Credit Cards	1,529,725	1,349,415
Retail and commercial banking operations	525,643	502,256
Mutual fund management fee	68,545	69,983
Insurance intermediary	183,735	164,545
Non-cash loans	156,199	111,204
Money transfers	121,628	84,348
Brokerage commission	71,894	60,674
Other	185,646	191,418
	2,843,015	**2,533,843**
Fee and commission expense on:		
Credit cards	(331,683)	(223,723)
Other	(63,997)	(66,607)
	(395,680)	**(290,330)**
Net fee and commission income	**2,447,335**	**2,243,513**

NOTE 23 - NET TRADING INCOME/(LOSS)

	2014	2013
Derivative financial instruments	(1,122,977)	(286,984)
Trading and available-for-sale securities	721,224	656,935
	(401,753)	**369,951**

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

NOTE 24 - OPERATING EXPENSES

	2014	**2013**
Employee costs	1,495,248	1,431,582
Credit card and banking services	438,302	412,006
Legal expenses	182,299	122,936
Depreciation charges of property, plant and equipment (Note 11)	136,608	123,689
Marketing and advertisement expenses	108,291	120,936
Computer maintenance and support expenses	152,311	144,740
Communication expenses	127,004	107,781
Saving deposits insurance fund	145,634	127,138
Sundry taxes and duties	182,061	184,008
Heating, lighting and water expenses	46,976	49,903
Amortization of other intangible assets (Note 12)	65,026	47,200
Repair and maintenance expenses	24,289	25,464
Stationery expenses	19,510	11,942
Operating lease expenses	164,220	146,380
Other(*)	629,417	519,196
Provision for general possible risks	-	270,000
	3,917,196	**3,844,901**

(*)The investigation initiated by the Competition Board on November 2011 in accordance with Law No. 4054 on the Protection of Competition 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 has been finalized and the Competition Board has decided for an administrative fine amounting to TL 172,165. The prior period balance in the "Other Expenses" line includes the provision amounting to TL 129,124 (Three-fourth of the subject administrative fine in accordance with framework of 17th clause of Misdemeanor Law).

Post-employment benefits (pension and medical) paid, reserve for employment termination benefit and accrual for unused vacation rights for the year ended 31 December 2014 which amount to TL 146,273 (2013: TL 133,857), TL 29,612 (2013: TL 26,627) and TL 9,164 (2013: TL 8,318), respectively are included in the employee costs.

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

NOTE 25 – TRANSFERRED FINANCIAL ASSETS HELD OR PLEDGED AS COLLATERAL

(a) Assets Pledged:

	2014		2013	
	Assets	**Related liability**	**Assets**	**Related liability**
Balances with other banks (Note 6)	**2,671,711**	**20,471,279**	**2,968,616**	**20,283,662**
Trading securities (Note 7)	**5,820**	-	**5,116**	-
- legal requirements	5,820	-	5,116	-
Investment securities (Note 10)				
- available-for-sale	**3,691,128**	-	**3,919,373**	-
- legal requirements	3,691,128	-	3,919,373	-
- held-to-maturity	**2,154,116**	-	**3,875,664**	-
- legal requirements	2,154,116	-	3,875,664	-
Total	**8,522,775**	**20,471,279**	**10,768,769**	**20,283,662**

(b) Transferred Assets that are not Derecognized:

	2014		2013	
	Assets	**Related liability**	**Assets**	**Related liability**
Investment securities (Note 10)				
- available-for-sale	**24,823,669**	**22,163,830**	**19,534,511**	**16,852,491**
- repurchase agreement	24,823,669	22,163,830	19,534,511	16,852,491
- held-to-maturity	**7,291,113**	**6,245,808**	**7,064,453**	**6,047,106**
- repurchase agreements	7,291,113	6,245,808	7,064,453	6,047,106
Total	**32,114,782**	**28,409,638**	**26,598,964**	**22,899,597**

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

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 2014 there are a number of legal proceedings outstanding against the Group, for which a provision of TL 11,086 (2013: TL 8,406) has been made.

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 2014 and 2013 is as follows:

	2014					
	USD	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	828,503	1,728,705	53,872	571	1,889,739	4,501,390
Swap transactions	30,416,242	11,210,946	1,237,940	944,162	5,735,226	49,544,516
- Currency rate swaps	18,517,636	4,070,190	1,237,940	944,162	4,575,643	29,345,571
- Interest rate swaps	11,898,606	7,140,756	-	-	1,159,583	20,198,945
Spot transactions	1,623,460	207,697	4,525	2,060,714	682,283	4,578,679
Option transactions	21,060,371	2,070,357	28,631	21,491	3,802,404	26,983,254
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	1,129,528	9,313	-	5,025	28,865	1,172,731
Derivatives held for hedging:						
Swap transactions	4,938,435	-	-	6,272	-	4,944,707
- Interest rate swaps	3,816,116	-	-	-	-	3,816,116
- Currency rate swaps	1,122,319	-	-	6,272	-	1,128,591
Total purchases	**59,996,539**	**15,227,018**	**1,324,968**	**3,038,235**	**12,138,517**	**91,725,277**
Derivatives held for trading:						
Currency forward transactions	1,717,013	659,242	16,572	15,508	2,182,365	4,590,700
Swap transactions	21,860,738	9,109,038	31,053	23,317	14,244,991	45,269,137
- Currency rate swaps	9,962,132	1,968,282	31,053	23,317	13,085,408	25,070,192
- Interest rate swaps	11,898,606	7,140,756	-	-	1,159,583	20,198,945
Spot transactions	2,820,781	211,963	13,304	43,492	1,474,653	4,564,193
Option transactions	21,049,070	1,895,845	28,630	21,492	3,974,385	26,969,422
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	974,983	9,312	-	4,149,454	120,877	5,254,626
Derivatives held for hedging:						
Swap transactions	3,816,116	6,355	-	-	871,688	4,694,159
- Interest rate swaps	3,816,116	-	-	-	-	3,816,116
- Currency rate swaps	-	6,355	-	-	871,688	878,043
Total sales	**52,238,701**	**11,891,755**	**89,559**	**4,253,263**	**22,868,959**	**91,342,237**
Off-balance sheet net notional position (Note 3)	**7,757,838**	**3,335,263**	**1,235,409**	**(1,215,028)**	**(10,730,442)**	**383,040**

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

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

	2013					
	USD	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	1,678,498	2,331,544	39,555	3,890	1,993,163	6,046,650
Swap transactions	25,524,874	11,714,797	1,111,949	948,735	3,919,764	43,220,119
- Currency rate swaps	14,138,394	5,029,562	1,111,949	948,735	2,810,181	24,038,821
- Interest rate swaps	11,386,480	6,685,235	-	-	1,109,583	19,181,298
Spot transactions	1,647,462	299,241	-	7,295	2,590,297	4,544,295
Option transactions	20,408,215	3,466,648	9,805	1,198,957	5,519,586	30,603,211
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	278,173	-	-	40,005	198,666	516,844
Derivatives held for hedging:						
Swap transactions	6,489,514	-	-	-	-	6,489,514
- Interest rate swaps	3,387,336	-	-	-	-	3,387,336
- Currency rate swaps	3,102,178	-	-	-	-	3,102,178
Total purchases	**56,026,736**	**17,812,230**	**1,161,309**	**2,198,882**	**14,221,476**	**91,420,633**
Derivatives held for trading:						
Currency forward transactions	1,248,585	1,227,845	-	47,249	3,504,893	6,028,572
Swap transactions	17,504,370	9,404,129	65,744	13,913	14,765,240	41,753,396
- Currency rate swaps	6,117,890	2,718,894	65,744	13,913	13,655,657	22,572,098
- Interest rate swaps	11,386,480	6,685,235	-	-	1,109,583	19,181,298
Spot transactions	2,852,410	236,923	14,678	58,145	1,391,400	4,553,556
Option transactions	19,942,241	2,404,850	9,805	1,198,958	6,925,300	30,481,154
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	278,173	-	-	1,160,045	263,650	1,701,868
Derivatives held for hedging:						
Swap transactions	3,387,336	-	-	-	2,640,102	6,027,438
- Interest rate swaps	3,387,336	-	-	-	-	3,387,336
- Currency rate swaps	-	-	-	-	2,640,102	2,640,102
Total sales	**45,213,115**	**13,273,747**	**90,227**	**2,478,310**	**29,490,585**	**90,545,984**
Off-balance sheet net notional position (Note 3)	**10,813,621**	**4,538,483**	**1,071,082**	**(279,428)**	**(15,269,109)**	**874,649**

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:

	2014			2013		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Currency forward purchases	213,378	70,397	283,775	60,834	184,308	245,142
Currency forward sales	(73,574)	(209,017)	(282,591)	(177,525)	(60,842)	(238,367)
Currency swap purchases	-	-	-	-	-	-
Currency swap sales	-	-	-	-	-	-
Interest rate swap purchases		898,956	898,956	-	1,071,513	1,071,513
Interest rate swap sales		(898,956)	(898,956)	-	(1,071,513)	(1,071,513)
Option purchases	-	-	-	-	-	-
Option sales	-	-	-	-	-	-
Spot purchases	-	-	-	-	-	-
Spot sales	-	-	-	-	-	-
Net position	**139,804**	**(138,620)**	**1,184**	**(116,691)**	**123,466**	**6,775**

(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 authorizing 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 2014 and 2013:

	2014			2013		
	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	1,486,758	11,790,424	13,277,182	1,553,265	10,163,126	11,716,391
- Foreign currency	778,078	8,307,556	9,085,634	710,586	6,758,486	7,469,072
Acceptance credits						
- Turkish lira	-	-	-	-	-	-
- Foreign currency	1,089,463	41,070	1,130,533	1,652,958	53,028	1,705,986
Letter of credit						
- Turkish lira	-	-	-	1,182	173	1,355
- Foreign currency	4,111,478	1,352,242	5,463,720	4,904,030	1,301,799	6,205,829
Other guarantees						
- Turkish lira	30,064	1,530,923	1,560,987	10,116	1,321,318	1,331,434
- Foreign currency	1,423,497	301,910	1,725,407	1,256,769	591,072	1,847,841
	8,919,338	**23,324,125**	**32,243,463**	**10,088,906**	**20,189,002**	**30,277,908**

Included in the letters of guarantee and acceptance credits are guarantees amounting to TL 1,986,485 (2013: TL 2,414,017) for related parties at 31 December 2014.

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

	2014	2013
Financial institutions	4,751,083	4,641,096
Electricity, gas, water	2,872,974	2,932,655
Chemicals	3,767,378	3,972,166
Small-scale retailers	3,804,530	2,244,381
Construction	2,955,844	2,798,820
Steel and mining	1,890,713	1,711,456
Wholesaling	6,717,977	6,548,941
Automotive	740,276	575,200
Other manufacturing	1,214,359	529,398
Food and beverage	518,647	661,056
Electronics	534,312	573,761
Textile	820,722	604,498
Transportation	306,910	315,836
Agriculture and forestry	87,355	92,939
Tourism	154,511	348,749
Telecommunications	64,651	201,480
Other	1,041,221	1,525,476
	32,243,463	**30,277,908**

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

NOTE 27 - MUTUAL FUNDS

As of 31 December 2014, the Group is the founder of 44 mutual funds (31 December 2013: 51 mutual funds) with an unaudited total fund value of TL 3,233,211 (31 December 2013: TL 2,982,884). The shares of the mutual funds established in accordance with the Capital Markets Board legislation are kept dematerialized by Istanbul Settlement and Custody Bank, Inc.

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:

	2014	**2013**
Loans and receivables, net	2,464,548	2,368,097
Finance lease receivables	5,890	3,216
Total Assets	**2,470,438**	**2,371,313**
Customer Deposit	7,210,432	7,264,450
Total Liabilities	**7,210,432**	**7,264,450**
Credit related commitments	1,986,485	2,414,017
Commitment under derivative instruments (*)	2,364,278	2,626,534
Total Commitments and contingent liabilities	**4,350,763**	**5,040,551**

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

As at 31 December 2014, the Group has repurchase commitments amounting to TL 51,645 (2013: TL 30,913) 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:

	2014	2013
Interest income on loans	172,665	105,433
Interest income	**172,665**	**105,433**
Interest expense on deposits (Note 14)	532,126	392,918
Interest expense	**532,126**	**392,918**

(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 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013
Transactions at Fair Value Through Profit or Loss						
Beginning of the Period	-	-	2,626,534	2,177,864		-
Balance at the End of the Period	-	-	2,364,278	2,626,534		-
Total Income/Loss	-	-	(12,534)	9,026		-
Transactions for Hedging Purposes						
Beginning of the Period	-	-		-		-
Balance at the End of the Period	-	-		-		-
Total Income/Loss	-	-		-		-

Figures presented in the table above show the total of "sale" and "purchase" amounts of the related transactions, accordingly, as a result of the nature of these transactions, the difference between the "sale" and "purchase" transactions affects the net exposure of the Group. As of 31 December 2014, the net exposure for direct and indirect shareholders of the Group is TL 1,184 (31 December 2013: TL 6,775).

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

	Audited 31 December 2014	Audited 31 December 2013
Customer Deposits	1,030,337	1,021,540
Total due to customers	**1,030,337**	**1,021,540**

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

Key management personnel of the bank

For the period ended 31 December 2014, total remuneration of the senior management and Board of Directors of the Bank amounted to TL 33,326 (2013: TL 29,853).

As at 31 December 2014 and 2013, other balances with directors and other key management personnel are immaterial.

NOTE 29 - EVENTS AFTER THE BALANCE SHEET DATE

TL 248.5 million of the Bank's non-performing loan portfolio were sold to Girişim Varlık Yönetimi A.Ş. at a price of TL 40.3 million.