AKBANK T.A.Ş.

FINANCIAL STATEMENTS
AT 31 DECEMBER 2015
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 2015 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 of 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 year 2014, the accompanying consolidated financial statements as at 31 December 2015 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 preceding paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 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

Damla Harman, SMMM
Partner

26 February 2016
Istanbul

AKBANK T.A.Ş.

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AKBANK T.A.Ş.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	Audited 2015	Audited 2014
ASSETS			
Cash and due from banks and balances with the Central Bank of Turkey	7	34,288,700	26,352,389
Trading securities	8	40,513	54,964
Derivative financial instruments	9	3,348,525	1,695,280
Loans and advances to customers	10	154,949,085	137,722,442
Investment securities:			
- Available-for-sale	11	43,388,363	37,607,755
- Held-to-maturity	11	10,688,440	10,800,111
Property, plant and equipment	12	796,130	863,354
Intangible assets	13	224,105	229,004
Deferred income tax assets	17	700,791	481,898
Other assets and pre-payments	14	2,087,974	1,245,990
Total assets		**250,512,626**	**217,053,187**
LIABILITIES			
Customer deposits	15	173,640,026	150,703,714
Interbank money market deposits	16	80,031	441,722
Derivative financial instruments	9	1,926,811	1,313,165
Funds borrowed	16	19,940,528	16,679,845
Debt securities in issue	16	18,647,136	15,129,940
Income taxes payable	17	379,083	325,142
Other liabilities and accrued expenses	18	7,045,124	5,677,543
Employment benefit obligations	19	192,906	127,637
Deferred tax liabilities	17	57,452	53,582
Total liabilities		**221,909,097**	**190,452,290**
EQUITY			
Capital and reserves attributable to the equity holders of the parent:			
- Share capital	20	4,000,000	4,000,000
- Adjustment to share capital	20	1,529,151	1,529,151
Total paid-in share capital	20	5,529,151	5,529,151
Share premium		1,709,098	1,709,098
Translation reserve		444,655	287,849
Other reserves		(1,446,062)	(504,327)
Retained earnings		22,366,568	19,579,026
		28,603,410	**26,600,797**
Non-controlling interest		119	100
Total equity	21	**28,603,529**	**26,600,897**
Total liabilities and equity		**250,512,626**	**217,053,187**

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Audited 2015	Audited 2014
Interest income	22	15,997,657	14,690,586
Interest expense	22	(8,266,368)	(7,470,308)
Net interest income		**7,731,289**	**7,220,278**
Fee and commission income	23	2,964,811	2,843,015
Fee and commission expense	23	(466,846)	(395,680)
Net fee and commission income		**2,497,965**	**2,447,335**
Impairment losses on loans and credit related commitments, net	10	(1,795,479)	(1,606,052)
Foreign exchange gains and losses, net		390,024	326,277
Trading gains and losses, net	24	(323,878)	(401,753)
Dividend income		2,275	1,381
Other operating income		227,266	263,222
Operating income		**8,729,462**	**8,250,688**
Operating expenses	25	(4,500,390)	(3,917,196)
Profit before income taxes		**4,229,072**	**4,333,492**
Income tax expense	17	(919,344)	(1,109,941)
Deferred Taxes	17	47,423	222,725
Profit for the period		**3,357,151**	**3,446,276**
Attributable to:			
Equity holders of the Parent		3,357,142	3,446,269
Non-controlling interest		9	7
		3,357,151	**3,446,276**
Basic and diluted earnings per share (expressed in TL, full amount, per share)	4	0.0084	0.0086

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Audited 2015	Audited 2014
Net profit for the period	**3,357,151**	**3,446,276**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Gain/(Loss) on available-for-sale financial assets	(1,034,928)	2,053,336
Foreign exchange differences on translation of foreign operations	156,806	(40,999)
Gain/(Loss) from cash flow hedges (effective part of fair value changes)	(311)	-
Gain/(Loss) from net foreign investment hedges (effective part of exchange difference on borrowings)	(85,390)	23,584
Tax related to gains and losses recognized directly in equity (*)	224,126	(415,384)
	(739,697)	**1,620,537**
Available-for-sale financial assets	(20,358)	(679,170)
Cash flow hedges	27,588	26,651
Tax related to gains/losses transferred to income statement (**)	(1,446)	130,504
Net gains/losses transferred to income statement	**5,784**	**(522,015)**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(733,913)**	**1,098,522**
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**(51,016)**	**(4,628)**
Remeasurement gains/(losses) on defined benefit plans, net of taxes	(51,016)	(4,628)
Other comprehensive income net of tax	**(784,929)**	**1,093,894**
Total comprehensive income, net of tax	**2,572,222**	**4,540,170**
Attributable to:		
Equity holders of the Group	2,572,213	4,540,163
Non-controlling interest	9	7

(*) 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 206,986, TL 62 and TL 17,078 respectively (31 December 2014: TL 416,661, TL (-) and TL 4,717).

(**) Tax effects of transfer from available-for-sale reserves and cash flow reserves to profit or loss amount to TL 4,072 and TL (5,518) respectively (31 December 2014: TL (141,828) and TL 5,330).

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

AKBANK T.A.Ş.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(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 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(losses) from AFS portfolio	-	-	-	-	-	1,642,668	-	-	-	1,642,668	-	1,642,668
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(638,936)	-	-	-	(638,936)	-	(638,936)
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**
Balance at 1 January 2015	**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**
Transfer to share capital	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurement gains/(losses) on defined benefit plans	-	-	-	-	-	-		(51,016)	-	(51,016)	-	(51,016)
Net unrealized market value gains from AFS portfolio	-	-	-	-	-	(827,943)	-	-	-	(827,943)	-	(827,943)
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(112,557)	-	-	-	(112,557)	-	(112,557)
Net gains and losses recycled to the income statement								-	-			
due to transfer of AFS into held-to-maturity portfolio	-	-	-	-	-	96,271	-	-	-	96,271	-	96,271
Cash flow hedges, net of tax	-	-	-	-	-	-	21,822	-	-	21,822	-	21,822
Translation reserve	-	-	-	-	156,806	-	-	-	-	156,806	-	156,806
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	(68,312)	-	-	(68,312)	-	(68,312)
Other comprehensive income	-	-	-	-	156,806	(844,229)	(46,490)	(51,016)	-	(784,929)	-	(784,929)
Profit for the period	-	-	-	-	-	-	-	-	3,357,142	3,357,142	9	3,357,151
Total comprehensive income for the period	-	-	-	-	156,806	(844,229)	(46,490)	(51,016)	3,357,142	2,572,213	9	2,572,222
Dividends paid	-	-	-	-	-	-	-	-	(569,600)	(569,600)	-	(569,600)
Effect of capital increase	-	-	-	-	-	-	-	-	-		10	10
Balance at 31 December 2015	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**444,655**	**(1,110,513)**	**(278,630)**	**(56,919)**	**22,366,568**	**28,603,410**	**119**	**28,603,529**

(*) Legal reserves amounting to TL 1,336,311 in the statutory financial statements are undistributable (31 December 2014: 1,295,468).

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 2015
(Amounts expressed in thousands of Turkish lira ("TL")) unless otherwise stated.

	Notes	Audited 2015	Audited 2014
Cash flows from operating activities:			
Profit before income tax		4,229,072	4,333,492
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	12, 25	143,616	136,608
Amortization of intangible assets	13, 25	79,184	65,026
Provision for loan losses, write off and net of recoveries	10	1,453,444	1,018,129
Employment termination benefits and other short-term employee benefits	19	14,253	10,693
(Gain)/loss on derivative financial instruments		(1,039,599)	772,374
Interest accrual(*)		869,061	781,403
Other non-cash items		1,307,539	(186,618)
Taxes paid		(797,569)	(923,495)
Operating profit before changes in operating assets and liabilities		**6,259,001**	**6,007,612**
Net (increase) in reserve requirements with the Central Bank of Turkey and restricted cash		(5,314,571)	(2,241,358)
Net (increase) in loans and advances to customers		(18,862,923)	(19,450,533)
Net (increase)/decrease in trading securities		14,823	69,964
Net decrease/(increase) in other assets and prepayments		(841,984)	14,449
Net increase in other liabilities and accrued expenses		1,404,597	(80,131)
Net increase in customer deposits and interbank money market deposits		22,543,069	15,395,641
Net cash from operating activities		**5,202,012**	**(284,356)**
Cash flows from/(used in) investing activities:			
Purchase of property, plant and equipment	12	(84,826)	(151,995)
Proceeds from property, plant and equipment	12	8,434	3,253
Purchase of other intangible assets	13	(74,285)	(131,815)
Proceeds from other intangible assets		-	-
Proceeds from investment securities		19,541,809	23,558,201
Purchase of investment securities		(25,760,648)	(25,320,415)
Net cash used in investing activities		**(6,369,516)**	**(2,042,771)**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities in issue		30,018,194	26,908,523
Payments of borrowed funds and debt securities in issue		(27,451,518)	(23,755,016)
Dividends paid to equity holders		(569,600)	(467,483)
Net cash (used in)/from financing activities		**1,997,076**	**2,686,024**
Effect of exchange rates on cash and cash equivalents		**934,340**	**53,348**
Net increase/(decrease) in cash and cash equivalents		**1,763,912**	**412,245**
Cash and cash equivalents at the beginning of the period	**6**	**5,345,529**	**4,933,284**
Cash and cash equivalents at the end of the period	**6**	**7,109,441**	**5,345,529**

(*) Interest paid is amounting to TL (8,205,358) (31 December 2014: TL (7,421,785)), interest received is amounting to TL 15,164,411 (31 December 2014: TL 14,896,443).

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 at 31 December 2015, the Bank has 901 branches dispersed throughout the country and 1 branch operating outside the country (31 December 2014: 990 branches and 1 branch operating outside the country). As at 31 December 2015, the Group employed 14,418 people (31 December 2014: 16,543 people). A major part of the decrease in the Bank's personnel is caused by the transfer of private security guards to an outsource firm.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 consumer and private banking, corporate and investment banking, commercial banking, SME banking, treasury activities and international banking and other activities through its subsidiaries (i.e. leasing, brokerage and portfolio management).

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 at 31 December 2015, approximately 51 % of the shares are publicly traded, including the ADRs (31 December 2014: 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 2015 have been approved on 26 February 2016 by S. Hakan Binbaşgil, the Chief Executive Officer and by K. 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

These consolidated financial statements for the year ended 31 December 2015 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 Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statutory consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA").The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The accompanying financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair 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 2015 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 2015. 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 2015 are as follows:

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

Annual Improvements to IAS/IFRSs

In December 2013, IASB issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle.

Annual Improvements - 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable).

IFRS 8 Operating Segments

The amendments clarify that: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. 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. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

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.

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 40 Investment Property

The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

Above amendments did not have a significant impact on the consolidated financial statements 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 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 clarifies that 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 Amortisation (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 amortisation 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 January 1, 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)

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
• Using the equity method defined in IAS 28

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 relevant for the consolidated financial statements of the Group; however, for the purposes of separate financial statements the Bank is in the process of assessing the impact of the new option on financial position or performance of the Group.

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

In April 2015, amendments issued 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 recognises 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 recognised 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 February 2015, amendments issued 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 February 2015, amendments issued 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)

Annual Improvements to IFRSs 2012-2014 Cycle

In September 2014, IASB issued, 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 – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures - clarifies that;
  i) a servicing contract that includes a fee can constitute continuing involvement in a financial asset and thus the nature of the fee and the arrangement must be assessed against the guidance for continuing involvement in IFRS 7.B30 andIFRS 7.42C in order to assess whether the disclosures are required
  ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within 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.

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 original effective date was 1 January 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after 1 January 2018, 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)

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 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.

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If Group applies this relief, it shall disclose that fact. 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)

IAS 7 Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods.

(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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	2015	2014
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 at 31 December 2015, the amount of net investment hedge applied to hedge the foreign currency risk arising from share premium and paid-in capital of Akbank AG is EUR 320 million. As at 31 December 2015, the net-off tax amount of TL (218,005) (31 December 2014: TL (149,693)) 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 Parent Bank 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 Bank 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 at 31 December 2015, 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 2015, 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 25).

(ii) Deferred income taxes

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

The principal temporary differences arise from the difference between the carrying value and tax base of property, 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 tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized (Note 17).

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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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:

	2015 (%)	2014 (%)
Pension benefit contributions-employer	13	13
Pension benefit contributions-employee	9	9
Medical benefit contributions-employer	8.5	8.5
Medical benefit contributions-employee	5	5

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

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

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

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

Obligation for other benefits

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

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

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 19) and is calculated using the projected unit credit method. In accordance with AS 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.

(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) 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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 27).

(w) 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 27).

(x) 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 7).

(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 6)

(aa) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. In order to be consistent with the presentation of financial statements dated 31 December 2015, there are certain reclassifications made on comprehensive income statement and statement of changes in equity.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AN JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. (Note 5 (h)) Please refer to 'Note 2 (e)' for explanation related to the use of estimates in valuation of the inflation indexed government bonds.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AN JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio, concentrations of risks and economic data. (Note 10)

Deferred tax assets

Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. (Note 17)

Employee defined benefit plans

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. (Note 19)

NOTE 4 - 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 2015 (31 December 2014: None).

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

	Audited 31 December 2015	Audited 31 December 2014
Profit attributable to equity holders of the Parent Bank	3,357,142	3,446,269
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)	**0.0084**	**0.0086**

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

NOTE 5 – FINANCIAL RISK MANAGEMENT

(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 Parent Bank and develops risk management strategies. The ERC also sets critical 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 Parent 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.

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.

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

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.

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.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

The Bank's rating tool concentration by risk classes as of 31 December 2015 and 2014 is as follows:

	2015	**2014**
Above average	49.10%	41.80%
Average	37.10%	48.04%
Below average	13.30%	8.16%
Unrated	0.50%	2.00%

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

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

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

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

Risk management related to class of loans and advances:

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

	2015			
	Commercial loans	**Consumer loans and credit cards**	**Lease receivables**	**Total**
Standard loans	109,865,327	38,544,677	3,901,989	152,311,993
Close monitoring loans	2,249,269	2,659,910	33,300	4,942,479
Impaired loans	1,016,088	2,357,235	114,268	3,487,591
Gross	**113,130,684**	**43,561,822**	**4,049,557**	**160,742,063**
Provisions	**(2,679,248)**	**(3,022,624)**	**(91,106)**	**(5,792,978)**
Net	**110,451,436**	**40,539,198**	**3,958,451**	**154,949,085**

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

	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**

The details of the close monitoring loans are as follows:

	2015			
	Commercial loans	**Consumer loans and credit cards**	**Lease receivables**	**Total**
Past due up to 30 days	1,647,651	1,639,137	9,741	3,296,529
Past due 30-60 days	304,223	701,961	1,632	1,007,816
Past due 60-90 days	297,395	318,812	1,444	617,651
Lease receivables (Uninvoiced)	-	-	20,483	20,483
	2,249,269	**2,659,910**	**33,300**	**4,942,479**

	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**

As of 31 December 2015 and 2014, 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 5 – FINANCIAL RISK MANAGEMENT (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 2015 **Moody's Rating**	**Trading Financial Assets (**)**	**Available-for-Sale Financial Assets (*)**	**Held-to-Maturity Securities**	**Total**
Aaa	-	-	-	**-**
Aa1, Aa2, Aa3	171	-	-	**171**
A1, A2, A3	8,434	255,376	-	**263,810**
Baa1, Baa2, Baa3	15,418	42,220,320	10,688,440	**52,924,178**
Ba1	-	509,323	-	**509,323**
Ba2	-	-	-	**-**
Total	**24,023**	**42,985,019**	**10,688,440**	**53,697,482**

Prior 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**

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

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

Exposure to credit risk:

	2015	2014
Credit risk exposures relating to on-balance sheet assets:	**245,926,204**	**212,949,390**
Due from banks and balances with the CBT	32,822,588	24,832,131
Loans and advances to customers	154,949,085	137,722,442
- Commercial loans	110,451,436	90,812,018
- Consumer loans and credit cards	40,539,198	43,227,103
- Financial lease receivables	3,958,451	3,683,321
Trading assets (*)	33,981	54,896
- Government debt securities	10,103	11,016
- Other marketable securities	23,878	43,880
Derivative financial instruments	2,697,157	1,410,739
Hedging derivative instruments	651,368	284,541
Available-for-sale securities (*)	42,985,019	37,301,436
- Government debt securities	35,306,201	32,437,908
- Other marketable securities	7,678,818	4,863,528
Held-to-maturity securities	10,688,440	10,800,111
Other assets	1,098,566	543,094
Credit risk exposures relating to off-balance sheet items:	**65,771,024**	**65,952,742**
- Letter of guarantees	22,551,264	22,362,816
- Other guarantees and warranties	9,805,456	9,880,647
- Credit granting commitments	9,976,655	7,190,727
- Check payment commitments	5,764,751	5,409,062
- Credit card limit commitments	17,672,898	21,109,490
	311,697,228	**278,902,132**

(*) Excluding equity securities and mutual funds

The above table represents the credit risk exposure of the Group at 31 December 2015 and 2014, 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 5 – FINANCIAL RISK MANAGEMENT (Continued)

Industry analysis:

	Financial Institutions	Public sector	Wholesale and retail trade	Manufacturing	Other industries	Individuals	Total
Due from banks and balances with the CBT	**32,822,588**	**-**	**-**	**-**	**-**	**-**	**32,822,588**
Loans and advances to customers	**12,037,300**	**1,470,425**	**29,752,889**	**36,888,165**	**34,261,108**	**40,539,198**	**154,949,085**
- Commercial loans	11,955,491	1,470,425	29,587,058	36,708,024	30,730,438	-	110,451,436
- Consumer loans and credit cards	-	-	-	-	-	40,539,198	40,539,198
- Financial lease receivables	81,809	-	165,831	180,141	3,530,670	-	3,958,451
Trading assets (*)	**13,411**	**10,103**	**-**	**-**	**10,467**	**-**	**33,981**
- Government debt securities	-	10,103	-	-	-	-	10,103
- Other marketable securities	13,411	-	-	-	10,467	-	23,878
Trading derivative financial instruments	**1,703,661**	**-**	**-**	**-**	**977,973**	**15,523**	**2,697,157**
Hedging derivative instruments	**651,368**	**-**	**-**	**-**	**-**	**-**	**651,368**
Investment securities (*)	**7,127,897**	**46,121,712**	**-**	**51,213**	**372,637**	**-**	**53,673,459**
- Available-for-sale securities	7,127,897	35,433,272	-	51,213	372,637	-	42,985,019
Government debt securities	-	35,306,201	-	-	-	-	35,306,201
Other marketable securities	7,127,897	127,071	-	51,213	372,637	-	7,678,818
- Held-to-maturity	-	10,688,440	-	-	-	-	10,688,440
Other assets	**1,098,566**	**-**	**-**	**-**	**-**	**-**	**1,098,566**
As at 31 December 2015	**55,454,791**	**47,602,240**	**29,752,889**	**36,939,378**	**35,622,185**	**40,554,721**	**245,926,204**

(*) Excluding equity securities

	Financial Institutions	Public sector	Wholesale and retail trade	Manufacturing	Other industries	Individuals	Total
Due from banks and balances with the CBT	**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

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

Geographical Distribution:

	Turkey	USA	EU Countries	Non-EU Countries	Total
Due from banks and balances with the CBT	**27,428,611**	**788,144**	**4,591,356**	**14,477**	**32,822,588**
Loans and advances to customers	**150,132,754**	**10**	**3,947,392**	**868,929**	**154,949,085**
- Commercial loans	105,635,105	10	3,947,392	868,929	110,451,436
- Consumer loans and credit cards	40,539,198	-	-	-	40,539,198
- Financial lease receivables	3,958,451	-	-	-	3,958,451
Trading assets (*)	**33,981**	**-**	**-**	**-**	**33,981**
- Government debt securities	10,103	-	-	-	10,103
- Other marketable securities	23,878	-	-	-	23,878
Trading derivative financial instruments	**1,037,090**	**192,519**	**1,445,505**	**22,043**	**2,697,157**
Hedging derivative instruments	**-**	**-**	**651,368**	**-**	**651,368**
Investment securities (*)	**52,687,976**	**-**	**985,483**	**-**	**53,673,459**
- Available-for-sale securities	41,999,536	-	985,483	-	42,985,019
Government debt securities	35,306,201	-	-	-	35,306,201
Other marketable securities	6,693,335	-	985,483	-	7,678,818
- Held-to-maturity securities	10,688,440	-	-	-	10,688,440
Other assets	**1,090,213**	**-**	**6,854**	**1,499**	**1,098,566**
As at 31 December 2015	**232,410,625**	**980,673**	**11,627,958**	**906,948**	**245,926,204**

(*) Excluding equity securities.

	Turkey	USA	EU Countries	Non-EU Countries	Total
Due from banks and balances with the CBT	**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.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (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 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. 28337 on 28 June 2012.

	Current Period 31 December 2015			Prior Period 31 December 2014		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest Rate Risk	98,051	104,576	76,059	66,069	81,004	53,173
Share Certificates Risk	178	31	230	1,630	999	466
Currency Risk	59,743	81,212	46,269	11,866	84,774	-
Commodity Risk	-	-	-	-	-	-
Settlement Risk	69	142	47	2	-	-
Option Risk	1,788	689	412	5,725	4,577	1,354
Counterparty Credit Risk	134,879	168,912	104,838	81,610	136,206	46,572
Total Amount Subject to Risk	**294,708**	**355,562**	**227,855**	**166,902**	**307,560**	**101,565**

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (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.

	2015					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other(*)**	**TL**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey (*)	5,748,934	21,038,764	34,534	3,713,701	3,752,767	34,288,700
Trading and investment securities	5,953,605	23,366,961	-	-	24,796,750	54,117,316
Derivative financial instruments	-	-	-	-	3,348,525	3,348,525
Loans and advances to customers	26,747,536	40,103,231	12,698	50,471	88,035,149	154,949,085
Property, plant and equipment	769	1,761	-	-	793,600	796,130
Intangible assets	619	-	-	-	223,486	224,105
Deferred tax assets	9,464	13,676	-	-	677,651	700,791
Other assets and pre-payments	155,086	374,817	1,144	956	1,555,971	2,087,974
Total assets	**38,616,013**	**84,899,210**	**48,376**	**3,765,128**	**123,183,899**	**250,512,626**
Customer deposits (*)	26,687,025	68,859,303	1,523,673	1,422,415	75,147,610	173,640,026
Derivative financial instruments	-	-	-	-	1,926,811	1,926,811
Interbank money market deposits, funds borrowed and debt securities in issue	8,903,550	25,831,534	644	175,032	3,756,935	38,667,695
Income taxes payable	8,322	-	-	-	370,761	379,083
Other liabilities and accrued expenses	661,841	507,771	804	7,445	5,867,263	7,045,124
Deferred tax liability	57,452	-	-	-	-	57,452
Employment benefit obligations	139	481	-	-	192,286	192,906
Equity and non-controlling interest	-	-	-	-	28,603,529	28,603,529
Total liabilities and equity	**36,318,329**	**95,199,089**	**1,525,121**	**1,604,892**	**115,865,195**	**250,512,626**
Net balance sheet position	**2,297,684**	**(10,299,879)**	**(1,476,745)**	**2,160,236**	**7,318,704**	**-**
Off-balance sheet derivative instruments net notional position	**(1,060,502)**	**9,696,914**	**1,476,778**	**(2,188,358)**	**(6,145,752)**	**1,779,080**

At 31 December 2015, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 2.8800 =US$ 1 and TL 3.1422 =EUR 1.

(*) Under "Foreign currency - Other" column "Cash and due from banks and balances with the Central Bank of Turkey" include TL 3,663,362 precious metal deposit accounts, JPY 5,377 and CHF 17,801. "Customer Deposits" include TL 777,277 precious metal deposit accounts, JPY 41,658 and CHF 285,514.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

	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	28,727	32,378	107	86	1,184,692	1,245,990
Total assets	**27,856,859**	**68,382,350**	**83,803**	**3,431,691**	**117,298,484**	**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	**(2,865,747)**	**(7,322,401)**	**(1,232,531)**	**1,194,010**	**10,226,669**	**-**
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**

(*) 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.

Currency Risk Sensitivity Analysis:

	Current Period - 31 December 2015		Prior Period - 31 December 2014	
Change in exchange rate	**Effect on Profit/Loss**	**Effect on Equity**	**Effect on Profit/Loss**	**Effect on Equity**
(+) 10%	(39,952)	(60,653)	3,975	(14,009)
(-) 10%	39,952	60,653	(3,975)	14,009

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (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 2015 and 31 December 2014. Included in the tables are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	2015					
	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	23,822,902	-	-	-	10,465,798	34,288,700
Trading and investment securities	9,483,313	9,590,730	26,901,025	7,722,413	419,835	54,117,316
Derivative financial instruments	2,169,345	770,290	192,092	216,798	-	3,348,525
Loans and advances to customers	62,324,499	47,292,795	39,275,647	5,911,208	144,936	154,949,085
Property, plant and equipment	-	-	-	-	796,130	796,130
Intangible assets	-	-	-	-	224,105	224,105
Deferred income tax assets	-	-	-	-	700,791	700,791
Other assets and pre-payments	488,003	119,129	40,474	33,392	1,406,976	2,087,974
Total assets	**98,288,062**	**57,772,944**	**66,409,238**	**13,883,811**	**14,158,571**	**250,512,626**
Customer deposits	125,197,732	11,521,758	12,985,085	2,532,859	21,402,592	173,640,026
Interbank money market deposits, funds borrowed and debt securities in issue	22,682,587	5,818,577	7,214,933	2,951,598	-	38,667,695
Derivative financial instruments	735,157	566,383	171,962	198,773	254,536	1,926,811
Income taxes payable	-	-	-	-	379,083	379,083
Other liabilities and accrued Expenses	546,809	301,785	194,126	96,139	5,906,265	7,045,124
Employment benefit obligations	-	-	-	-	192,906	192,906
Deferred tax liability	-	-	-	-	57,452	57,452
Total liabilities	**149,162,285**	**18,208,503**	**20,566,106**	**5,779,369**	**28,192,834**	**221,909,097**
Net repricing period gap	**(50,874,223)**	**39,564,441**	**45,843,132**	**8,104,442**	**(14,034,263)**	
Off-balance sheet derivative instruments net notional position	**7,025,059**	**4,161,014**	**(5,180,675)**	**(4,240,072)**	**-**	**1,765,326**

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

	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)**	
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 5 – FINANCIAL RISK MANAGEMENT (Continued)

The tables below summarize effective average interest rates by major currencies for monetary financial instruments at 31 December 2015 and 2014:

	31 December 2015			31 December 2014		
Assets	**USD (%)**	**EUR (%)**	**TL (%)**	**USD (%)**	**EUR (%)**	**TL (%)**
Cash and due from banks:						
- Time deposits in foreign banks	0.26	-	-	0.38	0.09	-
- Time deposits in domestic banks	0.53	0.47	10.86	0.36	-	10.46
- Interbank money market placements	-	-	9.37	-	-	11.24
- Reserve requirements with the Central Bank of Turkey	0.49	-	5.81	-	-	1.51
Trading securities	-	3.26	13.12	4.13	3.55	11.60
Loans and advances to customers	4.35	3.56	12.93	4.34	4.11	12.01
Investment securities:						
- Available-for-sale	3.80	2.46	9.68	3.67	3.68	10.02
- Held-to-maturity	3.83	3.69	9.71	3.83	3.69	11.22
Liabilities						
Customer deposits and interbank and money market deposits	1.70	1.02	8.99	1.42	1.17	8.02
Funds borrowed	1.71	0.98	8.00	1.62	1.14	8.05
Debt securities in issue	3.56	2.04	10.02	4.42	2.72	8.28

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 5 – FINANCIAL RISK MANAGEMENT (Continued)

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

As of 31 December 2015 and 31 December 2014, 500 bp shock and 200 bp 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.

		31.12.2015		31.12.2014	
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	3,388,004	11.14%	3,327,669	11.79%
TL	500	(3,577,919)	(11.77%)	(3,481,510)	(12.33%)
USD	-200	567,488	1.87%	583,134	2.07%
USD	200	(592,080)	(1.94%)	(609,306)	(2.16%)
EUR	-200	84,302	0,27%	73,285	0.25%
EUR	200	(500,965)	(1,65%)	(330,476)	(1.17%)
Total (for negative shocks)		**4,039,794**	**13.28%**	**3,984,088**	**14.11%**
Total (for positive shocks)		**(4.670.964)**	**(15.36%)**	**(4,421,292)**	**(15.66%)**

(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.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

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

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

	Current Period - 31.12.2015	
	TL+FC	FC
October	155.95	239.12
November	137.50	184.31
December	140.46	220.97

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.

	2015						
	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	10,319,277	23,969,423	-	-	-	-	34,288,700
Trading and investment securities	415,912	361,732	1,042,411	32,797,425	19,495,913	3,923	54,117,316
Derivative financial instruments	-	216,154	471,487	1,083,375	1,577,509	-	3,348,525
Loans and advances to customers	312,781	42,222,283	36,341,135	56,098,365	19,829,585	144,936	154,949,085
Property, plant and equipment	-	-	-	-	-	796,130	796,130
Intangible assets	-	-	-	-	-	224,105	224,105
Deferred income tax assets	-	-	-	700,791	-	-	700,791
Other assets and pre-payments	415,636	811,291	72,620	108,566	199,832	480,029	2,087,974
Total assets	11,463,606	67,580,883	37,927,653	90,788,522	41,102,839	1,649,123	250,512,626
Customer deposits	22,425,480	124,181,024	11,501,438	12,999,225	2,532,859	-	173,640,026
Derivative financial instruments	254,536	415,064	236,556	417,038	603,617	-	1,926,811
Interbank money market deposits, funds borrowed and debt securities in issue	-	8,278,988	12,067,082	12,777,078	5,544,547	-	38,667,695
Income taxes payable	-	-	379,083	-	-	-	379,083
Other liabilities and accrued expenses	313,947	5,154,225	629,180	706,462	241,310	-	7,045,124
Deferred tax liability	-	-	-	57,452	-	-	57,452
Employment benefit obligations	-	-	-	192,906	-	-	192,906
Total liabilities	22,993,963	138,029,301	24,813,339	27,150,161	8,922,333	-	221,909,097
Net gap as at 31 December 2015	(11,530,357)	(70,448,418)	13,114,314	63,638,361	32,180,506	1,649,123	28,603,529

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

	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	17,506,839	7,220,757	-	190,452,290
Net gap as at 31 December 2014	1,734,810	(69,319,441)	6,954,994	48,019,934	37,565,670	1,644,930	26,600,897

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.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

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

	2015					
Liabilities	**Up to 1 month and demand**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	121,993,491	25,234,138	11,985,377	13,988,530	2,755,406	**175,956,942**
Funds borrowed and debt securities in issue	1,132,501	7,362,329	12,772,790	14,751,396	6,247,659	**42,266,675**
Interbank money market deposits	50,082	30,551	-	-	-	**80,633**
Total	**123,176,074**	**32,627,018**	**24,758,167**	**28,739,926**	**9,003,065**	**218,304,250**
Letter of guarantees (*)	**2,052,141**	**3,048,802**	**7,778,711**	**4,302,278**	**15,174,788**	**32,356,720**

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

	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 (*)	**1,396,640**	**4,173,919**	**7,197,876**	**2,365,595**	**17,109,433**	**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.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

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

	2015					
Derivatives held for trading	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Foreign exchange derivatives:	1,558,115	1,739,445	1,475,404	(1,806,517)	(1,207,017)	1,759,430
– Inflow	23,521,509	11,659,292	21,402,437	9,573,309	2,256,618	68,413,165
– Outflow	(21,963,394)	(9,919,847)	(19,927,033)	(11,379,826)	(3,463,635)	(66,653,735)
Interest rate derivatives:	(633)	(19,957)	(24,629)	28,506	60,472	43,759
– Inflow	7,376	91,693	541,979	1,761,854	864,766	3,267,668
– Outflow	(8,009)	(111,650)	(566,608)	(1,733,348)	(804,294)	(3,223,909)
Derivatives held for hedging:						
Foreign exchange derivatives:	(15,230)	1,123	(67,681)	95,502	228,513	242,227
– Inflow	2,706	1,123	11,010	1,334,715	651,433	2,000,987
– Outflow	(17,936)	-	(78,691)	(1,239,213)	(422,920)	(1,758,760)
Interest rate derivatives:	(4,702)	(21,664)	(55,814)	(109,453)	(30,909)	(222,542)
– Inflow	12,590	45,028	194,717	1,016,733	446,745	1,715,813
– Outflow	(17,292)	(66,692)	(250,531)	(1,126,186)	(477,654)	(1,938,355)
Total inflow	**23,544,181**	**11,797,136**	**22,150,143**	**13,686,611**	**4,219,562**	**75,397,633**
(Total outflow)	**(22,006,631)**	**(10,098,189)**	**(20,822,863)**	**(15,478,573)**	**(5,168,503)**	**(73,574,759)**

	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)**

(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 2012, 2013, and 2014.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (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.

	31.12.2012	31.12.2013	31.12.2014	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,345,429	8,506,114	8,997,640	3	15	1,192,459
Amount subject to Operational Risk (Amount*12,5)						14,905,739

(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 2015 and 2014:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and advances to customers	154,949,085	155,527,494	137,722,442	140,320,798
Held-to-maturity investments (Net)	10,688,440	10,840,922	10,800,111	11,202,659
Financial liabilities				
Customer deposits	173,640,026	173,738,867	150,703,714	151,114,292
Interbank money market deposits, funds borrowed and debt securities in issue	38,667,695	38,229,506	32,251,507	31,831,162

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 5 – FINANCIAL RISK MANAGEMENT (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 5 – FINANCIAL RISK MANAGEMENT (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:

	2015			
Assets carried at fair value:	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading securities	**40,513**	**-**	**-**	**40,513**
- Government bonds	9,996	-	-	9,996
- Eurobonds	107	-	-	107
- Government bonds denominated in foreign currency	-	-	-	-
- Treasury bills	-	-	-	-
- Share certificates	6,532	-	-	6,532
- Other bonds	23,878	-	-	23,878
Trading Derivative Financial Instrument	**-**	**2,697,157**	**-**	**2,697,157**
Hedging Derivative Financial Instrument	**-**	**651,368**	**-**	**651,368**
Securities Available-for-sale	**43,029,205**	**342,399**	**-**	**43,371,604**
- Government bonds	19,376,723	-	-	19,376,723
- Eurobonds	15,929,478	-	-	15,929,478
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	-	-	-
- Mutual funds	270,627	-	-	270,627
- Equity securities	-	115,958	-	115,958
- Other Bonds	7,452,377	226,441	-	7,678,818
Assets for which fair values are disclosed (*)	**10,840,922**	**155,527,494**	**-**	**166,368,416**
- Loans and advances to customers	-	155,527,494	-	155,527,494
- Held-to-Maturity Investments	10,840,922	-	-	10,840,922
Total assets	**53,910,640**	**159,218,418**	**-**	**213,129,058**
Liabilities carried at fair value:				
Trading derivative financial instruments	**-**	**1,767,851**	**-**	**1,767,851**
Hedging derivative financial instruments	**-**	**158,960**	**-**	**158,960**
Liabilities for which fair values are disclosed (*)	**-**	**211,968,373**	**-**	**211,968,373**
- Customer Deposits	-	173,738,867	-	173,738,867
- Interbank money market deposits, funds borrowed and debt securities in issue	-	38,229,506	-	38,229,506
Total liabilities	**-**	**213,895,184**	**-**	**213,895,184**

(*) Assets and liabilities carried at amortized cost for which fair value is disclosed in Note 5 (h).

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

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

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (Continued)

	2014			
	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
- 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 5 (h).

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

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

(j) Capital management

The Group's and Parent Bank's capital adequacy ratio, calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (inline with Basel III) which became effective as of 1 January 2015, are respectively 14.46% (31 December 2014: 14.89%) and 14.58% (31 December 2014: 15.16%). 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 July 2012 and became effective as of 1 July 2012 and "Regulation on Equity of Banks" that has been published in Official Gazette no. 28756 on September 5, 2013.

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

NOTE 5 – FINANCIAL RISK MANAGEMENT (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 2015	**Prior Period 31 December 2014**	**Current Period 31 December 2015**	**Prior Period 31 December 2014**
Capital Requirement for Credit Risk(Value at credit risk)	14,438,296	13,196,610	15,302,721	14,002,698
Capital Requirement for Market Risk (CRMR)	301,959	150,850	331,804	158,643
Capital Requirement for Operational Risk (CROR)	1,143,676	973,611	1,192,459	1,014,044
Total Capital	28,954,803	27,132,960	30,410,851	28,236,377
Total Equity/((CRCR+CRMR+CROR)*12,5)*100	14.58	15.16	14.46	14.89
Additional Tier I	13.46	14.04	13.33	13.79
Common Equity/((CRCR+CRMR+CROR)*12,5)*100)	13.52	14.13	13.39	13.88

(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 2015, the Group has custody accounts amounting to TL 50,756,267 in nominal value (31 December 2014: TL 60,967,192).

NOTE 6 - SEGMENT REPORTING

The Group operates in three main business segments including Retail and Private Banking, Commercial Banking and SME Banking, Corporate Banking, Treasury activities. These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organizational structure.

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

In scope of Retail and Private Banking, the Bank offers a variety of retail services such as deposit accounts, consumer loans, commercial installment loans, credit cards, insurance products and asset management services. The retail banking products and services also include bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking. Also Private Banking serves the members of the upper-income groups who have expectations for upper-class service quality both in banking and investment transactions.

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

The Treasury Unit conducts TL and FC spot and forward transactions, treasury bonds, government bonds, Eurobond and private sector bond transactions and also derivative trading activities within determined limits. These transactions are performed according to the Bank's requirements. Furthermore, Treasury Unit also carries out marketing and pricing activities of treasury products for customers and branch network. The Treasury Unit also 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 6 - SEGMENT REPORTING (Continued)

With the changes in the Bank's organizational structure in 2015, Retail Banking Unit has merged with Private Banking Unit and started to operate under newly established Retail and Private Banking Unit, Treasury Unit has merged with the International Banking Unit and continuing its operations as Treasury Unit. For the purpose of comparative analysis of segment notes, these changes are also reflected in the prior period financial statements.

Segment information at 31 December 2015 and 2014 is as follows:

	31 December 2015				
Banking	**Retail and Private Banking**	**Corporate Banking, Commercial Banking and SME Banking**	**Treasury**	**Other and Unallocated**	**Bank's Total Activities**
Segment information regarding the balance sheet:					
Segment assets	48,825,508	117,363,170	74,539,137	4,599,381	245,327,196
Equity securities					132,717
Unallocated assets					5,052,713
Total assets					**250,512,626**
Segment liabilities	94,088,794	53,347,056	64,179,646	3,421,422	215,036,918
Unallocated liabilities					6,872,179
Equity					28,603,529
Total liabilities and equity					**250,512,626**
Segment information regarding the income statement:					
Segment revenue	2,979,213	4,411,814	927,073	409,087	8,727,187
Segment result	680,052	3,385,161	734,418	(572,834)	4,226,797
Dividend income				2,275	2,275
Income taxes				(871,921)	(871,921)
Profit for the year	**680,052**	**3,385,161**	**734,418**	**(1,442,480)**	**3,357,151**
Other segment items					
Capital expenditure	-	-	-	159,528	159,528
Depreciation and amortization	(40,894)	(23,904)	(462)	(160,840)	(226,100)
Other non-cash expenses	(961,397)	(491,120)	(183,562)	(728,915)	(2,364,994)

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

NOTE 6 - SEGMENT REPORTING (Continued)

	31 December 2014				
Banking	**Retail and Private Banking**	**Corporate Banking, Commercial Banking and SME Banking**	**Treasury**	**Other and Unallocated**	**Bank's Total Activities**
Segment information regarding the balance sheet:					
Segment assets	49,952,036	95,813,223	62,737,740	3,884,161	212,387,160
Equity securities					16,410
Unallocated assets					4,649,617
Total assets					**217,053,187**
Segment liabilities	77,900,084	39,732,148	64,391,339	2,401,197	184,424,768
Unallocated liabilities					6,027,522
Equity					26,600,897
Total liabilities and equity					**217,053,187**
Segment information regarding the income statement:					
Segment revenue	3,086,523	3,591,799	1,612,508	(41,523)	8,249,307
Segment result	923,572	2,473,765	1,401,674	(466,900)	4,332,111
Dividend income				1,381	1,381
Income taxes				(887,216)	(887,216)
Profit for the year	**923,572**	**2,473,765**	**1,401,674**	**(1,352,735)**	**3,446,276**
Other segment items:					
Capital expenditure	-	-	-	283,767	283,767
Depreciation and amortization	(60,179)	(4,459)	(983)	(136,255)	(201,876)
Other non-cash expenses	(926,529)	(440,949)	(135,252)	(575,704)	(2,078,434)

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

NOTE 7 - CASH AND DUE FROM BANKS AND BALANCES WITH THE CENTRAL BANK OF TURKEY

Cash and due from banks comprises as follows:

	2015	2014
Cash funds:		
Cash on hand (*)	1,440,324	1,507,730
Cash in transit	25,749	12,489
Purchased cheques	39	39
	1,466,112	**1,520,258**
Current accounts and demand deposits:		
Central Bank of Turkey	4,261,396	18,830,541
Foreign banks	4,591,004	3,242,149
Domestic banks	765	988
	8,853,165	**22,073,678**
Time deposits:		
Central Bank of Turkey	19,745,931	89,258
Foreign banks	802,973	741,000
Domestic banks	3,420,421	1,227,980
	23,969,325	**2,058,238**
Interbank money market placements	**98**	**700,215**
Total cash and due from banks and the balances with the Central Bank of Turkey	**34,288,700**	**26,352,389**

(*) Includes precious metal accounts amounting to TL 56,414 (31 December 2014: 41,449).

At 31 December 2015, 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 3,146,252 (2014: TL 2,671,711) (Note 26).

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

NOTE 7 - 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 2015 and 2014 are as follows:

	2015	**2014**
Cash and due from banks excluding accrued interest and blocked accounts (*)	7,081,753	4,460,013
Trading and investment securities with original maturities of less than three months excluding accrued interest	27,688	885,516
	7,109,441	**5,345,529**

(*) 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").

	2015	**2014**
The balances with the Central Bank of Turkey:		
- TL	1,230,328	2,585,518
- Foreign currency	22,776,999	16,334,281
	24,007,327	**18,919,799**

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. CBRT started paying interest on reserve balances held in USD starting from May 2015 and held in TL starting from November 2014.

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 2015 (31 December 2014: 5% and 11.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2015 (31 December 2014: 6% and 13% for all foreign currency liabilities).

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

NOTE 8 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	2015	2014
Government bonds	9,996	8,525
Eurobonds	107	2,491
Government bonds denominated in foreign currency	-	-
Treasury bills	-	-
Share certificates	6,532	68
Other	23,878	43,880
	40,513	**54,964**

There is no security pledged under repurchase agreements with financial institutions (31 December 2014: TL (-)).

Trading securities amounting to TL 8,463 (31 December 2014: TL 5,820) have been pledged as collateral to financial institutions and there are no trading securities pledged under repurchase agreements.

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters mainly 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 9 - 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 2015 and 31 December 2014 are set out in the following table.

	2015		2014	
	Fair values		**Fair values**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	2,276,767	(1,260,511)	1,069,824	(797,820)
Options purchases and sales	222,214	(257,902)	234,100	(248,141)
Currency and interest rate futures purchases and sales	-	-	35,922	(4,475)
Forward currency purchases and sales	198,176	(249,438)	70,893	(156,777)
Other purchases and sales	-	-	-	-
Derivatives held for hedging:				
Currency and interest rate swap purchases and sales	651,368	(158,960)	284,541	(105,952)
Total derivative assets/(liabilities)	**3,348,525**	**(1,926,811)**	**1,695,280**	**(1,313,165)**

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

As at 31 December 2015, 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 2015			Prior Period 31 December 2014		
	Notional Amount	**Assets**	**Liabilities**	**Notional**	**Assets**	**Liabilities**
Cross Currency swaps						
-TL	1,228,638	648,858	-	871,688	284,135	-
-FC	11,575,795	2,510	158,960	8,767,178	406	105,952
Total	**12,804,433**	**651,368**	**158,960**	**9,638,866**	**284,541**	**105,952**

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

1. Explanations on Fair Value Hedges:

Current Period - 31 December 2015

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	(175,849)	170,936	(4,913)
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	88	(93)	(5)
Cross-currency swap	Fixed interest rate FC Issued Bonds, FC Lease Receivables	Interest rate and currency risk	412	(447)	(35)
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC borrowings	Interest rate and currency risk	236,846	(233,961)	2,885
Cross-currency swap	Fixed interest rate TL available-for-sale financial assets, FC borrowings	Interest rate and currency risk	312,135	(307,153)	4,982

(*) 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".

Prior Period - 31 December 2014

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 FC Issued Bonds, FC Lease Receivables	Interest rate and currency risk	422	(237)	185
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 from the interest rate and foreign exchange risks.
(**) Represents the cumulative amounts booked under "Gains / (Losses) on Derivative Financial Transactions" and "Gains/ (Losses) on Foreign Exchange Transactions" since the beginning of hedge accounting.

As at 31 December 2015 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 at 31 December 2015, 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 8,588. (31 December 2014: 5,036)

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

2. Explanation on Cash Flow Hedge:

Current Period - 31 December 2015

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Cross-currency swap	Floating Interest Rate Securities Issues Eurobond FC, FC Lease Receivables	Interest rate and Currency risk	(911)	842	(69)
Cross-currency swap	Floating Interest Rate FC Loan Portfolio, FC Lease Receivables	Interest rate and Currency risk	557	(602)	(45)
Interest Rate Swap	Floating Interest Rate FC Loan Porftolio	Interest rate risk	(81)	75	(6)

Explanations on derivative transactions used in cash flow hedges:

As of 31 December 2015, related to cash flow hedge transactions that are discontinued, 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 (75,471) (31 December 2014: (103,059)).

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

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

	2015	2014
Consumer loans	**28,674,271**	**30,999,039**
- Mortgage	13,446,919	13,056,473
- General purpose	14,687,963	16,383,994
- Automobile	539,389	810,024
- Other	-	748,548
Credit cards	**12,530,316**	**12,903,579**
- Retail	10,898,805	11,584,124
- Corporate	1,631,511	1,319,455
Corporate, commercial and small business loans	**116,049,885**	**95,746,916**
- Export financing loans	6,937,609	6,008,727
- Loans to financial institutions	6,348,565	4,200,870
- Leasing receivables	3,935,289	3,669,460
- Project finance loans	23,426,197	20,348,175
- Commercial installment loans	7,425,305	7,134,542
- Other	67,976,920	54,385,142
Performing loans	157,254,472	139,649,534
Impaired loans	3,487,591	2,412,442
Total loans and advances to customers	160,742,063	142,061,976
Provision for impairment	(5,792,978)	(4,339,534)
Net loans and advances to customers	**154,949,085**	**137,722,442**

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	2015	**2014**
Gross investment in finance leases	4,773,456	4,475,779
Less: Unearned finance income	(723,899)	(724,032)
Total investment in finance leases	4,049,557	3,751,747
Provision for impairment	(91,106)	(68,426)
Net investment in finance leases	**3,958,451**	**3,683,321**

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

	2015		**2014**	
Period ending	**Gross investment in finance leases**	**Total investment in finance leases**	**Gross investment in finance leases**	**Total investment in finance leases**
2015	-	-	1,267,844	1,069,110
2016	1,535,717	1,306,606	909,635	729,531
2017	1,009,706	822,731	720,382	589,378
2018	784,343	656,898	557,475	468,697
2019	892,889	468,864	392,022	335,051
2020(*)	550,801	794,458	628,421	559,980
	4,773,456	**4,049,557**	**4,475,779**	**3,751,747**

(*) Balances include the year 2020 and thereafter.

The Group has provided an individual impairment for impaired loans amounting to TL 3,130,483 (31 December 2014: TL 2,203,912). As of 31 December 2015 total amount of provision for impairment provided by the Group, which amounts to TL 5,792,978 (31 December 2014: 4,339,534) 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 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements in the provision for loan losses are as follows:

	2015			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2015	**2,016,841**	**2,254,267**	**68,426**	**4,339,534**
Additions	979,442	1,427,603	29,640	2,436,685
Collections	(182,014)	(452,290)	(6,902)	(641,206)
Write-offs(*)	(135,021)	(206,956)	(58)	(342,035)
31 December 2015	**2,679,248**	**3,022,624**	**91,106**	**5,792,978**

(*) The Parent Bank has sold non-performing loan portfolio of TL 248.5 million, for which 100% provision was provided, for an amount of TL 40.3 million to Girişim Varlık Yönetimi A.Ş. Specific provision previously allocated for this amount is, included in "Write-off" section in above table.

	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.

Loans and advances to related parties are as follows:

	2015	**2014**
Loans and advances to related parties	3,421,775	2,464,548
Less: Cash collateral obtained	-	-
Net loans and advances to related parties	**3,421,775**	**2,464,548**

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

	2015	**2014**
Private sector	159,221,130	139,805,331
Public sector	1,520,933	2,256,645
Total loans and advances to customers	**160,742,063**	**142,061,976**

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

NOTE 11 - INVESTMENT SECURITIES

(a) Securities available-for-sale:

	2015	2014
Debt securities		
- Government bonds	19,376,723	21,283,380
- Eurobonds	15,929,478	11,154,528
- Treasury bills	-	-
- Government bonds denominated in foreign currency	-	-
- Other bonds	7,678,818	4,863,528
Equity securities		
- Listed	-	-
- Unlisted	132,717	16,410
- Mutual Funds	270,627	289,909
Total securities available-for-sale	**43,388,363**	**37,607,755**

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.

(b) Securities held-to-maturity

	2015	2014
Debt securities		
- Government bonds	9,654,713	9,973,280
- Other government debt securities	1,033,727	826,831
Total securities held-to-maturity	**10,688,440**	**10,800,111**

As at 31 December 2015, investment securities subject to repurchase agreements amount to TL 26,114,866 (31 December 2014: TL 32,114,782); and those given as collateral/blocked amount to TL 3,976,566 (31 December 2014: TL 5,845,244).

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

NOTE 11 - INVESTMENT SECURITIES (Continued)

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

	2015	2014
Balance at 1 January	10,800,111	12,153,453
Additions	382	6,405
Redemptions	(1,112,849)	(1,798,189)
Exchange differences	864,389	145,662
Impairment Provision (-)	(63,740)	(9,300)
Change in Amortized Cost	200,147	302,080
Balance at 31 December	**10,688,440**	**10,800,111**

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
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**
Opening net book amount	491,977	316,660	2,495	52,222	863,354
Additions	-	73,275	5,467	6,084	84,826
Disposals	(1,153)	(1,269)	-	(6,012)	(8,434)
Depreciation charge (Note 25)	(12,299)	(113,327)	-	(17,990)	(143,616)
Transferred	5,753	-	(6,306)	553	-
Closing net book amount	**484,278**	**275,339**	**1,656**	**34,857**	**796,130**
At 31 December 2015					
Cost	719,055	988,790	1,656	124,313	1,833,814
Accumulated depreciation	(234,777)	(713,451)	-	(89,456)	(1,037,684)
Net book amount	**484,278**	**275,339**	**1,656**	**34,857**	**796,130**

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2015, no impairment has been recorded on property, plant and equipment (31 December 2014: None).

	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 25)	(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**

NOTE 13 - INTANGIBLE ASSETS

	2015	**2014**
Cost	576,407	503,566
Accumulated depreciation	(352,302)	(274,562)
Net book amount	**224,105**	**229,004**
Opening balance at 1 January	229,004	162,215
Disposals (-)	-	-
Additions	74,285	131,815
Charge for the year (net)	(79,184)	(65,026)
Net book amount	**224,105**	**229,004**

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

NOTE 14 - OTHER ASSETS AND PRE-PAYMENTS

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

	2015	2014
Receivables from cheques in clearance	513,180	462,917
Miscellaneous receivables	469,141	282,190
Pre-payments	260,269	228,622
Receivables from credit card payments	16,902	11,249
Fund management fee accruals	4,292	2,599
Other	824,190	258,413
	2,087,974	**1,245,990**

NOTE 15 – CUSTOMER DEPOSITS

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

	2015			2014		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	11,275,748	67,455,714	78,731,462	9,352,145	55,733,215	65,085,360
Commercial deposits	9,864,791	43,581,000	53,445,791	8,739,444	30,469,734	39,209,178
Funds deposited under repurchase agreements	-	24,169,208	24,169,208	-	28,409,638	28,409,638
Bank deposits	256,697	12,661,189	12,917,886	501,286	13,082,115	13,583,401
Other	1,028,244	3,347,435	4,375,679	998,672	3,417,465	4,416,137
	22,425,480	**151,214,546**	**173,640,026**	**19,591,547**	**131,112,167**	**150,703,714**

At 31 December 2014, deposits of TL 8,663,832 (31 December 2014: TL 7,210,432) were from Sabancı Holding Group companies and other related parties. The total interest expense paid to related party deposits is TL 635,498 (31 December 2014: TL 532,126) for the year ended 31 December 2015.

NOTE 16 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	2015	2014
Interbank money market deposits	**80,031**	**441,722**
Domestic banks		
- TL	286,556	318,759
- Foreign currency	520,324	376,626
Foreign institutions	19,133,648	15,984,460
Funds borrowed	**19,940,528**	**16,679,845**

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

NOTE 16 - 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 2015, Akbank has three outstanding syndicated loan facilities.

The first outstanding syndicated loan facility comprising of two tranches amounting to EUR 737.6 million and USD 421.3 million with maturities of 364 days and 367 days with a cost of LIBOR/EURIBOR+0,70% and LIBOR/EURIBOR+0,80%, respectively was signed on 16 March 2015.

The second outstanding 1-year loan facility signed on 13 August 2015 raised EUR 873.1 million and USD 260.8 million with LIBOR/EURIBOR +75bps.

The third outstanding 3-year facility signed on 9 July 2015 raised USD 335 million with LIBOR+185 bps.

Debt securities in issue

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

The balances amounting to USD (000) 4,986,876 and EUR (000) 234,371 consist of securitization deals and other currencies TL(000) 174,670 consist of RON,CZK and HUF denominated securities issued by the Group. The repayment schedule of the total USD, EUR and RON denominated notes in issue is as follows:

	31 December 2015					31 December 2014			
	USD (000)	TL	EUR (000)	TL	Other TL	USD (000)	TL	EUR (000)	TL
2015(*)	-	-	-	-	-	1,725,810	4,015,787	591	1,670
2016	620,933	1,788,288	50,520	158,747	44,573	252,692	587,989	16,208	45,823
2017	751,749	2,165,036	63,708	200,183	35,515	732,268	1,703,914	63,694	180,076
2018	995,023	2,865,667	63,693	200,136	52,110	856,893	1,993,904	63,680	180,036
2019	301,974	869,684	47,846	150,342	42,472	136,795	318,308	47,833	135,233
2020	747,277	2,152,158	332	1,043	-	76,000	176,844	320	905
2021	53,713	154,693	319	1,002	-	102,014	237,376	307	868
2022	404,224	1,164,165	307	965	-	650,117	1,512,757	295	834
2023	28,490	82,051	295	927	-	291,495	678,280	284	803
2024	735,720	2,118,874	283	889	-	71,400	166,141	273	772
2025	325,773	938,226	272	855	-	-	-	262	741
2026	11,000	31,680	261	820	-	-	-	252	712
2027	11,000	31,680	251	789	-	-	-	242	684
2028	-	-	241	757	-	-	-	232	656
2029	-	-	6,043	18,988	-	-	-	5,809	16,423
Total	**4,986,876**	**14,362,202**	**234,371**	**736,443**	**174,670**	**4,895,484**	**11,391,300**	**200,282**	**566,236**

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

As of 31 December 2015, the outstanding TL denominated bonds with the maturity of up to 3 months are TL 568,089, with the maturity of 4 months are TL 917,737, with the maturity of 6 months are TL 62,858, with the maturity of 1 year are TL 765,023, and with the maturity of over 5 years are TL 1,060,114.

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

NOTE 16 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE (Continued)

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.

NOTE 17 - TAXATION

	2015	2014
Current income tax expense	919,344	1,109,941
Deferred tax expense/(income)	(47,423)	(222,725)
Income tax expense	**871,921**	**887,216**
Income taxes currently payable	851,510	1,174,268
Prepaid taxes	(472,427)	(849,126)
Income taxes payable	**379,083**	**325,142**

(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 17 – 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 2015 and 2014 is as follows;

	2015	**2014**
Balance at 1 January	**325,142**	**74,369**
Current taxes charged to income statement	919,344	1,109,941
Current taxes charged to equity	(67,834)	64,327
Less: Taxes paid	(797,569)	(923,495)
	379,083	**325,142**

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

	2015	**2014**
Profit before income taxes and minority interest	4,229,072	4,333,492
Theoretical tax charge at the applicable tax rate 20%	845,814	866,698
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(21,482)	(20,978)
Non-deductible expenses	47,589	41,496
	871,921	**887,216**

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

NOTE 17 - 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 2015 and 2014 as follows;

	2015	2014
Deferred tax asset, net at 1 January	**428,316**	**424,995**
Deferred income tax recognized in income statement	47,423	222,725
Deferred income tax recognized in equity	167,600	(219,404)
Deferred tax asset/(liability), net at 31 December	**643,339**	**428,316**

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)**	
	2015	**2014**	**2015**	**2014**
Temporary differences on financial instruments	(2,755,925)	(1,986,267)	567,683	397,254
Employment benefit obligations	(192,906)	(127,637)	38,502	25,550
Other temporary differences	(534,492)	(381,251)	106,898	76,227
Gross deferred income assets			**713,083**	**499,031**
Reversal of country risk provision	140,736	142,171	(45,036)	(45,495)
Differences between book value and tax base of property, plant and equipment	123,540	126,098	(24,708)	(25,220)
Gross deferred income liabilities			**(69,744)**	**(70,715)**
			643,339	**428,316**
Net deferred income tax assets			**700,791**	**481,898**
Net deferred income tax liabilities			**57,452**	**53,582**

NOTE 18 - OTHER LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2015, 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 2015, payables to point of sale acquiring merchants of TL 334,756 (31 December 2014: TL 241,644) were from Sabancı Holding Group companies and other related parties.

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

NOTE 19 - EMPLOYMENT BENEFIT OBLIGATIONS

	2015	2014
Balance sheet obligations for:		
- Reserve for employment termination benefits	124,027	67,034
- Accrual for unused vacation	68,879	60,603
- Post-employment benefits (pension and medical)	-	-
	192,906	**127,637**

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 2015 and 2014.

	2015	2014
Income statement charge for:		
- Post-employment benefits (pension and medical)	(154,457)	(146,273)
- Reserve for employment termination benefits	(62,388)	(29,612)
- Accrual for unused vacation	(8,277)	(9,164)
	(225,122)	**(185,049)**

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

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

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

	2015	2014
Present value of funded obligations	(986,395)	(812,717)
- Pension benefits transferrable to SSI	(1,377,543)	(1,125,845)
- Post-employment medical benefits transferrable to SSI (*)	666,933	627,559
- Other non-transferrable benefits	(275,785)	(314,431)
Fair value of plan assets	1,288,959	1,205,692
Surplus	**302,564**	**392,975**

(*) 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 19 - 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 numbered 28156 dated 28 December 2011.

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. Within the postponement right granted to the Council of Ministers through the change in the first clause of the 20th provisional article of the ''Social Insurance and General Health Insurance Law no. 5510'' published on the Official Gazette no. 28227 dated 8 March 2012, the transfer process has been postponed for one more year with the decision of the Council of Ministers published on the Official Gazette no. 28987 dated 30 April 2014. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335.

According to 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 19 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

With respect to that, according to the technical balance sheet report as at 31 December 2015 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 2015, the surplus of the Fund, including the obligation for other non-transferable benefits of TL 275,785 (31 December 2014: TL 314,431) amounts to TL 302,564 (31 December 2014: TL 392,975).

The principal actuarial assumptions used were as follows:

	2015 (%)	**2014 (%)**
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	4.27	3.43

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:

	2015	**2014**
Beginning of year	**1,205,692**	**1,126,277**
Actual return on plan assets	166,008	148,312
Employer contributions	154,457	146,273
Employee contributions	132,086	124,982
Benefits paid	(369,284)	(340,152)
End of year	**1,288,959**	**1,205,692**

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

NOTE 19 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Plan assets are comprised as follows:

	2015		2014	
Bank placements	938,789	73%	839,215	70%
Premises and equipment	18,739	1%	20,104	2%
Securities	240,010	19%	290,010	24%
Other	91,421	7%	56,363	4%
End of year	**1,288,959**	**100%**	**1,205,692**	**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 3,828.37 (in full TL amount) (31 December 2014: TL 3,438.22 (in full TL amount)) for each year of service.

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:

	2015	2014
Discount rate (%)	4,17	3.62
Turnover rate to estimate the probability of retirement (%)	93,88	93.94

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 4,092.53 (1 January 2015: TL 3,541.37) effective from 1 January 2016 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:

	2015	2014
1 January	67,034	59,720
Increase during the year	62,388	29,612
Actuarial loss/(gain)	63,770	5,785
Paid during the year	(69,165)	(28,083)
End of year	**124,027**	**67,034**

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

NOTE 20 - SHARE CAPITAL

The historic amount of share capital of the Group is TL 4,000,000 (31 December 2014: TL 4,000,000) and consists of TL 400,000,000,000 (31 December 2014: TL 400,000,000,000) authorized shares with a nominal value of Kr 1 each.

At 31 December 2015 and 2014, the issued and fully paid-in share capital held is as follows:

	Audited 31 December 2015		Audited 31 December 2014	
	Share (%)	**TL**	**Share (%)**	**TL**
Total Sabancı Group, affiliated companies and family	48.88	1,954,225	48.88	1,955,000
Citibank Overseas Investment Corporation	-	-	9.90	396,000
Other	51.12	2,045,775	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.

NOTE 21 - RETAINED EARNINGS AND LEGAL RESERVES

For the year ending 31 December 2015, the Bank has paid dividend payment in cash with respect to 31 December 2014 net distributable profit after the transfer of first and legal reserves amounting to TL 569,600 (TL 0.0014 per share).

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).

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%.

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

NOTE 22 - NET INTEREST INCOME

	2015	2014
Interest income on:		
Loans and advances to customers	12,661,634	10,831,786
Investment and trading securities	3,052,027	3,718,611
Deposits with banks	248,095	100,423
Other interest income	35,901	39,766
Total interest income	**15,997,657**	**14,690,586**

	2015	2014
Interest expense on:		
Deposits	6,161,481	6,428,409
Funds borrowed	436,249	375,206
Interbank money market deposits	899,474	31,158
Interest on debt securities in issue	744,167	612,542
Other interest expenses	24,997	22,993
Total interest expense	**(8,266,368)**	**(7,470,308)**

NOTE 23 - NET FEE AND COMMISSION INCOME

	2015	2014
Fee and commission income on:		
Credit Cards	1,449,051	1,529,725
Retail and commercial banking operations	628,073	525,643
Mutual fund management fee	77,406	68,545
Insurance intermediary	200,304	183,735
Non-cash loans	179,670	156,199
Money transfers	167,396	121,628
Brokerage commission	93,074	71,894
Other	169,837	185,646
	2,964,811	**2,843,015**
Fee and commission expense on:		
Credit cards	(396,094)	(331,683)
Other	(70,752)	(63,997)
	(466,846)	**(395,680)**
Net fee and commission income	**2,497,965**	**2,447,335**

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

NOTE 24 - NET TRADING INCOME/(LOSS)

	2015	2014
Derivative financial instruments	(550,013)	(1,122,977)
Trading and available-for-sale securities	226,135	721,224
	(323,878)	**(401,753)**

NOTE 25 - OPERATING EXPENSES

	2015	2014
Employee costs	1,680,638	1,495,248
Credit card and banking services	504,803	438,302
Legal expenses	133,874	182,299
Depreciation charges of property, plant and equipment (Note 12)	143,616	136,608
Marketing and advertisement expenses	120,577	108,291
Computer maintenance and support expenses	190,728	152,311
Communication expenses	125,347	127,004
Saving deposits insurance fund	185,266	145,634
Sundry taxes and duties	176,930	182,061
Heating, lighting and water expenses	47,728	46,976
Amortization of other intangible assets (Note 13)	79,184	65,026
Repair and maintenance expenses	23,497	24,289
Stationery expenses	16,783	19,510
Operating lease expenses	177,543	164,220
Other (*)	893,876	629,417
	4,500,390	**3,917,196**

(*) The balance shown in the "other" line includes fees and commissions reimbursements as per the decision of Consumer Arbitration Board, Courts and Offices of Enforcement amounting to TL 217,281 (31 December 2014: TL 109,431).

Post-employment benefits (pension and medical) paid, reserve for employment termination benefit and accrual for unused vacation rights for the year ended 31 December 2015 which amount to TL 154,457 (31 December 2014: TL 146,273), TL 62,388 (31 December 2014: TL 29,612) and TL 8,277 (31 December 2014: TL 9,164), respectively are included in the employee costs.

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

NOTE 26 – TRANSFERRED FINANCIAL ASSETS HELD OR PLEDGED AS COLLATERAL

(a) Assets Pledged:

	2015		2014	
	Assets	**Related liability**	**Assets**	**Related liability**
Balances with other banks (Note 7)	**3,146,252**	**24,576,998**	**2,671,711**	**20,471,279**
Trading securities (Note 8)	**8,463**	-	**5,820**	-
- legal requirements	8,463	-	5,820	-
Investment securities (Note 11)				
- available-for-sale	**1,939,145**	-	**3,691,128**	-
- legal requirements	1,939,145	-	3,691,128	-
- held-to-maturity	**2,037,421**	-	**2,154,116**	-
- legal requirements	2,037,421	-	2,154,116	-
Total	**7,131,281**	**24,576,998**	**8,522,775**	**20,471,279**

(b) Transferred Assets that are not Derecognized:

	2015		2014	
	Assets	**Related liability**	**Assets**	**Related liability**
Investment securities (Note 11)				
- available-for-sale	**20,185,224**	**19,078,289**	**24,823,669**	**22,163,830**
- repurchase agreement	20,185,224	19,078,289	24,823,669	22,163,830
- held-to-maturity	**5,929,642**	**5,090,919**	**7,291,113**	**6,245,808**
- repurchase agreements	5,929,642	5,090,919	7,291,113	6,245,808
Total	**26,114,866**	**24,169,208**	**32,114,782**	**28,409,638**

NOTE 27 - 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

The bank has accounted a provision amounting to TL 10,312 (31 December 2014: TL 11,086) for the contingent liabilities with a high probability of realization regarding continuing opposing trials. There are also some other opposing trials. In Addition the probability of realization of these trials is low so no cash outflow expected regarding these trials.

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

NOTE 27 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

(b) Commitments under derivative instruments:

The breakdown of notional amounts of derivative transactions at 31 December 2015 and 2014 is as follows:

	2015					
	USD	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	2,045,851	2,797,980	13,552	-	2,647,607	7,504,990
Swap transactions	45,206,428	12,610,243	1,493,726	733,167	12,868,152	72,911,716
- Currency rate swaps	22,648,310	6,380,409	1,493,726	733,167	11,458,152	42,713,764
- Interest rate swaps	22,558,118	6,229,834	-	-	1,410,000	30,197,952
Spot transactions	788,266	260,926	5,851	17,054	1,097,048	2,169,145
Option transactions	25,838,482	3,668,125	39,007	30,685	4,938,312	34,514,611
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	4,333,944	33,281	-	2,607	373,089	4,742,921
Derivatives held for hedging:						
Swap transactions	6,590,218	25,404	-	48,294	-	6,663,916
- Interest rate swaps	4,766,533	25,404	-	-	-	4,791,937
- Currency rate swaps	1,823,685	-	-	48,294	-	1,871,979
Total purchases	**84,803,189**	**19,395,959**	**1,552,136**	**831,807**	**21,924,208**	**128,507,299**
Derivatives held for trading:						
Currency forward transactions	2,654,712	1,453,056	5,540	10,810	3,481,417	7,605,535
Swap transactions	36,708,996	15,780,319	17,306	16,240	16,993,295	69,516,156
- Currency rate swaps	14,150,878	9,550,485	17,306	16,240	15,583,295	39,318,204
- Interest rate swaps	22,558,118	6,229,834	-	-	1,410,000	30,197,952
Spot transactions	1,304,196	255,427	13,505	7,150	575,112	2,155,390
Option transactions	26,405,931	2,830,996	39,007	30,685	5,336,490	34,643,109
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	3,223,942	33,282	-	2,955,280	455,008	6,667,512
Derivatives held for hedging:						
Swap transactions	4,808,498	103,381	-	-	1,228,638	6,140,517
- Interest rate swaps	4,766,533	25,404	-	-	-	4,791,937
- Currency rate swaps	41,965	77,977	-	-	1,228,638	1,348,580
Total sales	**75,106,275**	**20,456,461**	**75,358**	**3,020,165**	**28,069,960**	**126,728,219**
Off-balance sheet net notional position (Note 5)	**9,696,914**	**(1,060,502)**	**1,476,778**	**(2,188,358)**	**(6,145,752)**	**1,779,080**

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

NOTE 27 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

	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 5)	**7,757,838**	**3,335,263**	**1,235,409**	**(1,215,028)**	**(10,730,442)**	**383,040**

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 27 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

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

	2015			2014		
	TL	**Foreign currency**	**Total**	**TL**	**Foreign currency**	**Total**
Currency forward purchases	714,413	103,769	818,182	213,378	70,397	283,775
Currency forward sales	(113,605)	(709,072)	(822,677)	(73,574)	(209,017)	(282,591)
Currency swap purchases	66,250	-	66,250	-	-	-
Currency swap sales	-	(72,000)	(72,000)	-	-	-
Interest rate swap purchases	-	847,569	847,569	-	898,956	898,956
Interest rate swap sales	-	(847,569)	(847,569)	-	(898,956)	(898,956)
Option purchases	-	-	-	-	-	-
Option sales	-	-	-	-	-	-
Spot purchases	-	-	-	-	-	-
Spot sales	-	-	-	-	-	-
Other purchases	-	13,617	13,617	-	-	-
Other sales	-	(13,617)	(13,617)	-	-	-
Net position	**667,058**	**(677,303)**	**(10,245)**	**139,804**	**(138,620)**	**1,184**

(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 27 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

The following table shows the outstanding credit related commitments of the Group at 31 December 2015 and 2014:

	2015			2014		
	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	795,856	11,067,323	11,863,179	1,486,758	11,790,424	13,277,182
- Foreign currency	667,487	10,020,598	10,688,085	778,078	8,307,556	9,085,634
Acceptance credits						
- Turkish lira	-	-	-	-	-	-
- Foreign currency	920,299	12,931	933,230	1,089,463	41,070	1,130,533
Letter of credit						
- Turkish lira	396	-	396	-	-	-
- Foreign currency	3,828,236	1,530,504	5,358,740	4,111,478	1,352,242	5,463,720
Other guarantees						
- Turkish lira	52,773	1,846,606	1,899,379	30,064	1,530,923	1,560,987
- Foreign currency	1,524,823	88,888	1,613,711	1,423,497	301,910	1,725,407
	7,789,870	**24,566,850**	**32,356,720**	**8,919,338**	**23,324,125**	**32,243,463**

Included in the letters of guarantee and acceptance credits are guarantees amounting to TL 1,447,302 (31 December 2014: TL 1,986,485) for related parties at 31 December 2015.

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

	2015	2014
Financial institutions	4,684,261	4,751,083
Electricity, gas, water	2,671,156	2,872,974
Chemicals	3,217,408	3,767,378
Small-scale retailers	3,490,727	3,804,530
Construction	3,858,576	2,955,844
Steel and mining	1,771,624	1,890,713
Wholesaling	6,142,290	6,717,977
Automotive	863,646	740,276
Other manufacturing	1,607,157	1,214,359
Food and beverage	455,109	518,647
Electronics	421,013	534,312
Textile	823,825	820,722
Transportation	318,507	306,910
Agriculture and forestry	53,886	87,355
Tourism	187,588	154,511
Telecommunications	61,116	64,651
Other	1,728,831	1,041,221
	32,356,720	**32,243,463**

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

NOTE 28 - MUTUAL FUNDS

As of 31 December 2015, the Group is the founder of 43 mutual funds (31 December 2014: 44 mutual funds) with an unaudited total fund value of TL 3,283,444 (31 December 2014: TL 3,233,211). 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 29 - RELATED PARTY TRANSACTIONS

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

(a) Balances with related parties:

	2015	**2014**
Loans and receivables, net	3,421,775	2,464,548
Finance lease receivables	97,992	5,890
Total Assets	**3,519,767**	**2,470,438**
Customer Deposit	8,663,832	7,210,432
Total Liabilities	**8,663,832**	**7,210,432**
Credit related commitments	1,447,302	1,986,485
Commitment under derivative instruments (*)	3,501,482	2,364,278
Total Commitments and contingent liabilities	**4,948,784**	**4,350,763**

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

As at 31 December 2015, the Group has repurchase commitments amounting to TL 20,072 (31 December 2014: TL 51,645) with Sabancı Holding Group companies and other related parties.

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

NOTE 29 - RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties:

	2015	2014
Interest income on loans	253,718	172,665
Interest income	**253,718**	**172,665**
Interest expense on deposits (Note 15)	635,498	532,126
Interest expense	**635,498**	**532,126**

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

	Audited 31 December 2015	Audited 31 December 2014
Customer Deposits	926,599	1,030,337
Total due to customers	**926,599**	**1,030,337**

Key management personnel of the bank

For the period ended 31 December 2015, total remuneration of the senior management and Board of Directors of the Bank amounted to TL 36,406 (31 December 2014: TL 33,326).

As at 31 December 2015 and 2014, other balances with directors and other key management personnel are immaterial.

NOTE 30 – SUBSEQUENT EVENTS

At the meeting of the Board of Directors on February 25, 2016, the Ordinary General Assembly Meeting of the Bank has been decided to be held on on March 28, 2016, Monday, at 14:00, at the Akbank Head Office, Sabancı Center 4. Levent, Istanbul.

In the Board of Directors (BOD) Meeting of the Bank held on February 25, 2016, it has been decided to propose to General Assembly to distribute a TL 600,000 cash dividend over the TL 2,994,848 net unconsolidated income from 2015 operations to the Bank's shareholders. It has been also proposed in BOD meeting to allocate TL 8,646 as Special Reserve Account, TL 40,000 as Legal Reserves and the remaining profit as Extraordinary Reserves.