AKBANK T.A.Ş.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2014 TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT

Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Akbank T.A.Ş. and its subsidiaries ("the Group") as at 30 June 2014, comprising of interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 34, *"Interim financial reporting"* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

Subsequent to the reversal of TL 70,000 thousands and deferred tax asset amounting to 14,000 thousands during the current period, the accompanying consolidated financial statements as at 30 June 2014 include an unallocated reserve amounting to TL 200,000 thousands and deferred tax asset amounting to 40,000 thousands which is 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.

Conclusion

Based on our review, except for the effect of the matter referred in the preceding paragraph on the consolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

Fatma Ebru Yücel, SMMM
Partner

8 August 2014
İstanbul, Turkey

AKBANK T.A.Ş.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Notes	Unaudited 30 June 2014	Audited 31 December 2013
ASSETS			
Cash and due from banks and balances with the Central Bank of Turkey	6	26,776,540	24,062,218
Trading securities	7	88,840	124,740
Derivative financial instruments	8	1,084,294	2,397,047
Loans and advances to customers	9	128,395,329	119,530,903
Investment securities:			
- Available-for-sale	10	37,441,253	33,168,905
- Held-to-maturity	10	10,429,492	12,153,453
Property and equipment	11	825,674	851,220
Intangible assets	11	180,678	162,215
Deferred income tax assets		499,781	468,228
Other assets and pre-payments		1,628,173	1,260,439
Total assets		**207,350,054**	**194,179,368**
LIABILITIES			
Customer deposits	12	143,709,541	135,372,280
Interbank money market deposits	13	408,574	331,154
Derivative financial instruments	8	978,066	1,242,558
Funds borrowed	13	17,349,571	17,497,294
Debt securities in issue	13	13,123,878	11,129,148
Income taxes payable		393,774	74,369
Other liabilities and accrued expenses		6,340,862	5,849,971
Employment benefit obligations	14	118,252	111,159
Deferred tax liabilities		45,021	43,233
Total liabilities		**182,467,539**	**171,651,166**
EQUITY			
Capital and reserves attributable to the equity holders of the parent:			
- Share capital	15	4,000,000	4,000,000
- Adjustment to share capital	15	1,529,151	1,529,151
Total paid-in share capital	15	5,529,151	5,529,151
Share premium		1,709,098	1,709,098
Translation reserve		314,235	328,848
Other reserves		(434,390)	(1,639,220)
Retained earnings		17,764,325	16,600,240
		24,882,419	**22,528,117**
Non-controlling interest		96	85
Total equity		**24,882,515**	**22,528,202**
Total liabilities and equity		**207,350,054**	**194,179,368**

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Notes	Unaudited 30 June 2014	Unaudited 30 June 2013
Interest income		7,244,246	5,652,901
Interest expense		(3,797,124)	(2,482,907)
Net interest income		**3,447,122**	**3,169,994**
Fee and commission income	16	1,380,675	1,296,193
Fee and commission expense	16	(175,243)	(133,661)
Net fee and commission income		**1,205,432**	**1,162,532**
Impairment losses on loans and credit related commitments, net	9	(717,358)	(679,471)
Foreign exchange gains and losses, net		15,635	82,833
Trading gains and losses, net		(171,682)	602,468
Dividend income		1,381	4,970
Other operating income		168,976	109,177
Operating income		**3,949,506**	**4,452,503**
Operating expenses	17	(1,899,906)	(2,016,040)
Profit before income taxes		**2,049,600**	**2,436,463**
Income taxes			
Current		(642,946)	(592,707)
Deferred		224,917	72,017
Profit for the period		**1,631,571**	**1,915,773**
Attributable to:			
Equity holders of the Group		1,631,568	1,915,771
Non controlling interest		3	2
		1,631,571	**1,915,773**
Basic and diluted earnings per share (expressed in TL, full amount, per share)	4	0.0041	0.0048

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Unaudited 30 June 2014	**Unaudited 30 June 2013**
Net profit for the period	**1,631,571**	**1,915,773**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net (loss) gain on available-for-sale financial assets	1,975,881	(2,444,923)
Foreign exchange differences on translation of foreign operations	(14,613)	52,315
Gain/(Loss) from cash flow hedges (effective part of fair value changes)	-	45,095
Gain/(Loss) from net foreign investment hedges (effective part of exchange difference on borrowings)	8,030	(28,645)
Tax related to gains and losses recognized directly in equity (*)	(396,782)	485,695
	1,572,516	**(1,890,463)**
Available-for-sale financial assets, net of tax	(332,189)	(588,927)
Cash flow hedges, net of tax	13,515	39,685
Other, net of taxes	(63,625)	(5,587)
Net gains/losses transferred to income statement	**(382,299)**	**(554,829)**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**1,190,217**	**(2,445,292)**
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**-**	**-**
Other comprehensive income net of tax	**1,190,217**	**(2,445,292)**
Total comprehensive income, net of tax	**2,821,788**	**(529,519)**
Attributable to:		
Equity holders of the Group	**2,821,785**	(529,521)
Non-controlling interest	3	2

(*) 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), gain/(loss) from net foreign investment hedge (effective part of exchange difference on borrowings) amount to TL (395,176), TL (-) and TL (1,606) respectively (30 June 2013: TL 488,985, TL (9,019) and TL 5,729).

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Attributable to equity holders of the Group										
	Share capital										
	Share capital	Adjustment to share capital	Total paid-in share capital	Share premium	Translation reserve	AFS reserves	Hedge reserves	Actuarial reserves	Retained earnings	Non controlling interest	Total
Balance at 1 January 2013	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**135,806**	**1,673,778**	**(272,884)**	**-**	**13,942,383**	**73**	**22,717,405**
Transfer to share capital	-	-	-	-	-	-	-	-	-	-	-
Net unrealized market value gains(losses) from available-for-sale portfolio	-	-	-	-	-	(1,955,938)	-	-	-	-	(1,955,938)
Net gains on available-for-sale portfolio transferred to the income statement	-	-	-	-	-	(588,927)	-	-	-	-	(588,927)
Net gains and losses recycled to the income statement due to transfer of available-for-sale into held-to-maturity portfolio	-	-	-	-	-	(5,587)	-	-	-	-	(5,587)
Cash flow hedges, net of tax	-	-	-	-	-	-	75,761	-	-	-	75,761
Translation reserve	-	-	-	-	52,315	-	-	-	-	-	52,315
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	(22,916)	-	-	-	(22,916)
Other comprehensive income (expense)	-	-	-	-	52,315	(2,550,452)	52,845	-	-	-	(2,445,292)
Profit for the period	-	-	-	-	-	-	-	-	1,915,771	2	1,915,773
Total comprehensive income for the period	-	-	-	-	52,315	(2,550,452)	52,845	-	1,915,771	2	(529,519)
Dividends paid	-	-	-	-	-	-	-	-	(570,670)	-	(570,670)
Balance at 30 June 2013	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**188,121**	**(876,674)**	**(220,039)**	**-**	**15,287,484**	**75**	**21,617,216**
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**	**85**	**22,528,202**
Transfer to share capital	-	-	-	-	-	-	-	-	-	-	-
Net unrealized market value gains(losses) from available-for-sale portfolio	-	-	-	-	-	1,580,705	-	-	-	-	1,580,705
Net gains on available-for-sale portfolio transferred to the income statement	-	-	-	-	-	(332,189)	-	-	-	-	(332,189)
Net gains and losses recycled to the income statement due to transfer of available-for-sale into held-to-maturity portfolio	-	-	-	-	-	(63,625)	-	-	-	-	(63,625)
Cash flow hedges, net of tax	-	-	-	-	-	-	13,515	-	-	-	13,515
Translation reserve	-	-	-	-	(14,613)	-	-	-	-	-	(14,613)
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	6,424	-	-	-	6,424
Other comprehensive income (expense)	-	-	-	-	(14,613)	1,184,891	19,939	-	-	-	1,190,217
Profit for the period	-	-	-	-	-	-	-	-	1,631,568	3	1,631,571
Total comprehensive income for the period	-	-	-	-	(14,613)	1,184,891	19,939	-	1,631,568	3	2,821,788
Dividends paid	-	-	-	-	-	-	-	-	(467,483)	-	(467,483)
Effect of capital increase	-	-	-	-	-	-	-	-	-	8	8
Balance at 30 June 2014	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**314,235**	**(180,726)**	**(252,389)**	**(1,275)**	**17,764,325**	**96**	**24,882,515**

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Notes	Unaudited 30 June 2014	Unaudited 30 June 2013
Cash flows from operating activities:			
Profit before income tax		2,049,600	2,436,463
Non cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	17	66,476	61,070
Amortisation of intangible assets	17	30,716	20,781
Provision for loan losses	9	523,787	397,858
Employment termination benefits and other short-term employee benefits		(66,138)	15,095
Loss (Gain) on derivative financial instruments		1,048,261	(777,440)
Interest accrual(*)		1,034,940	(582,792)
Other non cash items		(38,390)	(446,460)
Operating profit before changes in operating assets and liabilities		**4,649,252**	**1,124,575**
Net increase in reserve requirements with the Central Bank of Turkey and restricted cash		(1,678,733)	543,939
Net increase/decrease in loans and advances to customers		(9,522,312)	(12,570,161)
Net increase/decrease in trading securities		36,030	(79,502)
Net increase/decrease in other assets and prepayments		(367,734)	17,920
Net increase in other liabilities and accrued expenses		543,625	(229,018)
Net increase/decrease in customer deposits and interbank money market deposits		8,359,523	12,812,833
Taxes paid		(356,369)	(487,944)
Net cash from operating activities		**1,663,282**	**1,132,642**
Cash flows from/(used in) investing activities:			
Purchase of property and equipment	11	(42,842)	(130,076)
Proceeds from property and equipment		1,912	88,645
Purchase of other intangible assets, net	11	(49,179)	(4,166)
Proceeds from investment securities		19,967,933	22,725,953
Purchase of investment securities		(22,250,751)	(25,690,978)
Net cash used in investing activities		**(2,372,927)**	**(3,010,622)**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities in issue		16,733,966	10,406,486
Payments of borrowed funds and debt securities in issue		(14,937,933)	(8,302,320)
Dividends paid to equity holders	15	(467,483)	(570,670)
Net cash (used in)/from financing activities		**1,328,550**	**1,533,496**
Effect of exchange rates on cash and cash equivalents		**(28,946)**	**229,713**
Net increase/(decrease) in cash and cash equivalents		**589,959**	**(114,771)**
Cash and cash equivalents at the beginning of the period	**6**	**4,933,284**	**4,072,442**
Cash and cash equivalents at the end of the period	**6**	**5,523,243**	**3,957,671**

(*) Interest paid is amounting to TL (3,680,428) (2013: TL (2,273,758), interest received is amounting to TL 8,173,954 (2013: TL 4,869,391).

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

NOTE 1 - PRINCIPAL ACTIVITIES

Akbank T.A.Ş. ("the Parent Bank" or "Akbank" or together with its subsidiaries referred to as "the Group" in these consolidated financial statements) was formed in 1948 and is a member of the Sabancı Group of companies which is incorporated and domiciled in Turkey. The Parent Bank's head offices are located at Sabancı Center 4. Levent Istanbul/Turkey. As of 30 June 2014, the Parent Bank has 993 branches dispersed throughout the country and 1 branch operating outside the country (2013: 985 branches and 1 branch operating outside the country). As at 30 June 2014, the Group employed 16.594 people (2013: 16.473 people). In addition to regular banking operations, the Group also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. The Group's operations are carried out substantially in one geographical segment (Turkey) and in business segments including retail banking, corporate banking, commercial banking and SME banking, private banking, treasury activities, international banking and other activities through its subsidiaries (i.e. leasing, brokerage and portfolio management).

The Parent Bank's shares have been quoted on the Istanbul Stock Exchange since 1990. In April 1998, 4.03% of the outstanding share capital of the Parent Bank, was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipt ("ADR"). As of 30 June 2014, approximately 41 % of the shares are publicly traded, including the ADRs (2013: 41%).

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

The consolidated financial statements as at and for the period ended 30 June 2014 have been approved on 8 August 2014 by S. Hakan Binbaşgil, the Chief Executive Officer and by Atıl Özus, the Chief Financial Officer of Akbank T.A.Ş.. Authorised boards of the Parent Bank and other regulatory bodies have the power to amend the statutory financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These interim condensed consolidated financial statements for the period ended 30 June 2014 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for held-for-trading and available-for-sale financial instruments and derivatives 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Parent Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by Public Oversight Accounting and Auditing Standards Authority "POAASA" and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions. The accompanying financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

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

Changes in accounting policy and disclosures

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2014 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the interim condensed consolidated financial statements of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

TFRS Interpretation 21 Levies

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

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

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

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

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

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment does not have any impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments – Classification and measurement

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

Improvements to IFRSs

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

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

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

IFRS 3 Business Combinations

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

IFRS 8 Operating Segments

The changes are as follows:

i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard.

ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 13 Fair Value Measurement

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

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

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed as follows:

i) Adjust the gross carrying amount of the asset to market value or

ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

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

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that:

i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures

ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

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

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

IAS 40 Investment Property

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

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

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

In May 2014 the IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting 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.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transit 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. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In June 2014, the IASB issued amendments 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 benefit is that it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

(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.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

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

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 NV and Akbank AG have merged in Akbank AG with the discontinuation of activities of Akbank N.V effective from 15 June 2012. Akbank AG operates in Germany, providing corporate and retail banking services.

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

The list of consolidated subsidiary undertakings is set out below:

		Shareholding %	
Name of subsidiary	**Country of incorporation**	**2014**	**2013**
Ak Yatırım Menkul Değ. A.Ş.	Turkey	100.00	100.00
Akbank AG	Germany	100.00	100.00
Ak Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Akbank (Dubai) Limited	The United Arab Emirates	100.00	100.00
Ak Portföy Yönetimi A.Ş.	Turkey	100.00	100.00
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivables Corporation	Cayman Islands	-	-

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Group companies

The results and financial positions 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 or sold and when the hedge relationship becomes ineffective 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 hedge item with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

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

In accordance with IAS 39, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

(ii) Net Investment Hedge

The Group hedges the net investment risk on foreign investments with the foreign currency denominated financial liabilities. The effective part of the foreign exchange differences on the foreign currency denominated financial liabilities is accounted in the "Hedge reserves" account under shareholders' equity. As of 30 June 2014, the amount of fair value hedge applied to hedge the foreign currency risk arising from share premium and paid-in capital of Akbank AG is EUR 220 million. As of 30 June 2014, the net-off tax amount of TL (162,136) (31 December 2013: TL 168,560) is accounted under hedge reserves as an investment hedge reserve.

(iii) Derivatives that do not qualify for hedge accounting

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Embedded derivatives

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

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

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

(e) Investment securities

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

In the case of debt instruments classified as available-for-sale, the 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Group has Consumer Price Index (''CPI'') linked government bonds 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.

Unlisted share certificates classified as available-for-sale are carried at cost less impairment.

(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 30 June 2014, the Group has not classified any financial asset as financial assets designated at fair value through profit or loss.

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(m) 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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(n) 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.

(o) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a currently enforceable legal right to set-off 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 consolidated statements of financial position.

(p) Cash and cash equivalents

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

(r) 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 21).

(s) 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 30 June 2014, there are certain reclassifications made on statement of cash flow as of 30 June 2013.

(Currency - in Thousands of Turkish Lira (“TL”) unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The most significant uses of judgments, estimates and assumptions include fair value of financial instruments, impairment for financial assets and valuation of inflation indexed government bonds. Please refer to ‘Note 2 (e)’ for explanation related to the use of estimates in valuation of the inflation indexed government bonds.

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 as at 30 June 2014 (31 December 2013: None).

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

	Unaudited 30 June 2014	**Unaudited 30 June 2013**
Profit attributable to equity holders of the Group	1,631,568	1,915,771
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)	**0,0041**	**0,0048**

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares in issue.

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, two Executive Board Members and the Chief Executive Officer. The ERC establishes policies, procedures and rules for 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 changed 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 statements 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 counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments.

NOTE 5 - FINANCIAL RISK MANAGEMENT (continued)

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.

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.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(c) Market risk

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

(i) Value-at-risk

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

(ii) Stress tests

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

As of 30 June 2014 and 31 December 2013, 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.

		30.06.2014		**31.12.2013**	
Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity	Gains/Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity
TRY	-400	3,358,514	12.74%	2.720.119	11,35%
TRY	500	(3,503,830)	(13.29%)	(2.822.999)	(11,78%)
USD	-200	348,116	1.32%	433.706	1,81%
USD	200	(430,220)	(1.63%)	(339.961)	(1,42%)
EURO	-200	100,122	0.38%	299.027	1,24%
EURO	200	(315,098)	(1.20%)	(348.120)	(1,45%)
Total (for negative shocks)		**3,806,752**	**14.44%**	**3.452.852**	**14,40%**
Total (for positive shocks)		**(4,249,148)**	**(16.12%)**	**(3.511.080)**	**(14,65%)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

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.

	Unaudited 30 June 2014					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other (*)**	**TL**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	5,643,258	13,950,483	35,374	3,416,584	3,730,841	26,776,540
Trading and investment securities	4,747,394	13,231,622	-	-	29,980,569	47,959,585
Derivative financial instruments	-	-	-	-	1,084,294	1,084,294
Loans and advances to customers	16,892,846	34,001,675	36,826	22,483	77,441,499	128,395,329
Property, plant and equipment	647	1,806	-	-	823,221	825,674
Intangible assets	522	14	-	-	180,142	180,678
Current tax asset	-	-	-	-	-	-
Deferred tax assets	6,295	-	-	-	493,486	499,781
Other assets and pre-payments	59,449	22,570	104	50	1,546,000	1,628,173
Total assets	**27,350,411**	**61,208,170**	**72,304**	**3,439,117**	**115,280,052**	**207,350,054**
Customer deposits	22,199,360	49,776,082	1,210,699	2,231,572	68,291,828	143,709,541
Derivative financial instruments	-	-	-	-	978,066	978,066
Interbank money market deposits, funds borrowed and debt securities in issue	7,774,904	18,700,050	2,673	35,557	4,368,839	30,882,023
Income taxes payable	16,838	-	-	-	376,936	393,774
Other liabilities and accrued expenses	248,551	629,922	38,944	42,074	5,381,371	6,340,862
Employment benefit obligations	49	-	-	-	118,203	118,252
Deferred tax liability	40,413	-	-	-	4,608	45,021
Equity and non-controlling interest	-	-	-	-	24,882,515	24,882,515
Total liabilities and equity	**30,280,115**	**69,106,054**	**1,252,316**	**2,309,203**	**104,402,266**	**207,350,054**
Net balance sheet position	**(2,929,704)**	**(7,897,884)**	**(1,180,012)**	**1,129,914**	**10,877,686**	**-**
Off-balance sheet derivative instruments net notional position	**3,619,652**	**7,987,280**	**1,178,939**	**(884,421)**	**(11,902,343)**	**(893)**

(*) Under "Foreign currency – Other" column "Cash and due from banks and balances with the Central Bank of Turkey" include TL 3,314,151 (31 December 2013: TL 2,892,268) and "Customer deposits" include TL 1,280,514 (31 December 2013: TL 1,766,526) precious metal deposit accounts.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

At 30 June 2014, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 2.1226 =US$ 1 (31 December 2013: TL 2.1304 = US$ 1) and TL 2.8979 =EUR 1 (31 December 2013: TL 2.9344 =EUR 1).

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

(e) Interest rate risk

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

The tables below summarize the Group's exposure to interest rate risks at 30 June 2014 and 31 December 2013. Included in the tables are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	Unaudited 30 June 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	2,787,731	81,273	-	-	23,907,536	26,776,540
Trading and investment securities	15,412,452	9,929,048	14,208,442	8,091,820	317,823	47,959,585
Derivative financial instruments	427,250	485,331	46,899	124,814	-	1,084,294
Loans and advances to customers	56,187,185	35,529,348	31,937,376	4,593,092	148,328	128,395,329
Property, plant and equipment	-	-	-	-	825,674	825,674
Intangible assets	-	-	-	-	180,678	180,678
Deferred tax assets	-	-	-	-	499,781	499,781
Other assets and pre-payments	167,675	-	-	-	1,460,498	1,628,173
Total assets	**74,982,293**	**46,025,000**	**46,192,717**	**12,809,726**	**27,340,318**	**207,350,054**
Customer deposits	100,699,611	11,947,761	8,888,577	3,517,135	18,656,457	143,709,541
Interbank money market deposits, funds borrowed and debt securities in issue	17,138,603	6,563,285	6,041,470	1,128,462	10,203	30,882,023
Derivative financial instruments	370,558	434,393	53,877	119,238	-	978,066
Income taxes payable	-	-	-	-	393,774	393,774
Other liabilities and accrued expenses	144,592	69,324	132,434	44,638	5,949,874	6,340,862
Employment benefit obligations	-	-	-	-	118,252	118,252
Deferred tax liability	-	-	-	-	45,021	45,021
Total liabilities	**118,353,364**	**19,014,763**	**15,116,358**	**4,809,473**	**25,173,581**	**182,467,539**
Net repricing period gap	**(43,371,071)**	**27,010,237**	**31,076,259**	**8,000,253**	**2,166,737**	**24,882,515**
Off-balance sheet derivative instruments net notional position	**4,144,073**	**(2,940,685)**	**(894,982)**	**(315,289)**	**-**	**(6,883)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Audited 31 December 2013					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from banks and balances with the Central Bank of Turkey	2,113,441	-	-	-	21,948,777	24,062,218
Trading and investment securities	15,429,987	12,478,023	6,889,911	10,326,867	322,310	45,447,098
Derivative financial instruments	1,462,519	686,957	68,972	178,599	-	2,397,047
Loans and advances to customers	61,584,480	22,374,507	30,947,254	4,533,140	91,522	119,530,903
Property, plant and equipment	-	-	-	-	851,220	851,220
Intangible assets	-	-	-	-	162,215	162,215
Deferred income tax assets	-	-	-	-	468,228	468,228
Other assets and pre-payments	188,858	-	-	-	1,071,581	1,260,439
Total assets	**80,779,285**	**35,539,487**	**37,906,137**	**15,038,606**	**24,915,853**	**194,179,368**
Customer deposits	93,573,670	13,409,010	6,732,081	4,586,118	17,071,401	135,372,280
Interbank money market deposits, funds borrowed and debt securities in issue	15,132,413	6,565,945	6,122,394	1,136,844	-	28,957,596
Derivative financial instruments	474,721	538,690	53,216	175,931	-	1,242,558
Income taxes payable	-	-	-	-	74,369	74,369
Other liabilities and accrued expenses	139,090	79,512	170,370	45,197	5,415,802	5,849,971
Employment benefit obligations	-	-	-	-	111,159	111,159
Deferred tax liability	-	-	-	-	43,233	43,233
Total liabilities	**109,319,894**	**20,593,157**	**13,078,061**	**5,944,090**	**22,715,964**	**171,651,166**
Net repricing period gap	**(28,540,609)**	**14,946,330**	**24,828,076**	**9,094,516**	**2,199,889**	**22,528,202**
Off-balance sheet derivative instruments net notional position	**7,289,555**	**(129,765)**	**(2,919,864)**	**(3,356,016)**	**-**	**883,910**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

The tables below summarize the effective average interest rates by major currencies for monetary financial instruments at 30 June 2014 and 31 December 2013:

	Unaudited 30 June 2014			Audited 31 December 2013		
Assets	USD (%)	EUR (%)	TL (%)	USD (%)	EUR (%)	TL (%)
Cash and due from banks						
Time deposits in foreign banks	0.38	0.13	-	0.22	0.12	-
Time deposits in domestic banks	-	-	10.55	0.15	-	9.37
Interbank money market placements	-	-	10.09	-	-	-
Reserve requirements with the Central Bank of Turkey	-	-	-	-	-	-
Trading securities	3.92	3.16	12.31	3.92	2.89	11.38
Loans and advances to customers	4.65	4.30	12.29	4.67	4.31	11.23
Investment securities						
Available-for-sale	3.53	3.80	10.75	3.52	3.75	9.44
Held-to-maturity	3.42	3.00	11.21	3.42	3.00	9.96
Liabilities						
Customer deposits and interbank and money market deposits	1.53	1.36	8.06	1.78	1.89	6.64
Funds borrowed	1.66	1.34	8.43	1.60	1.19	7.70
Debt securities in issue	4.03	2.30	8.83	4.01	-	8.20

(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.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

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

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.

	Unaudited 30 June 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	23,907,536	2,787,731	81,273	-	-	-	26,776,540
Trading and investment securities	313,900	1,115,142	7,146,319	17,250,028	22,130,273	3,923	47,959,585
Derivative financial instruments	-	147,425	157,887	277,282	501,700	-	1,084,294
Loans and advances to customers	-	38,014,037	28,169,897	44,916,830	17,146,237	148,328	128,395,329
Property and Equipment	-	-	-	-	-	825,674	825,674
Intangible assets	-	-	-	-	-	180,678	180,678
Deferred tax assets	-	-	-	499,781	-	-	499,781
Other asset and pre-payments	218,914	971,107	-	-	-	438,152	1,628,173
Total Assets	**24,440,350**	**43,035,442**	**35,555,376**	**62,943,921**	**39,778,210**	**1,596,755**	**207,350,054**
Customer deposits	19,705,357	99,650,711	11,947,761	8,888,577	3,517,135	-	143,709,541
Derivative financial instruments	-	220,629	207,536	126,113	423,788	-	978,066
Interbank money market deposits, funds borrowed and debt in issue	10,203	9,359,138	10,698,791	9,460,336	1,353,555	-	30,882,023
Income Taxes Payable	-	-	393,774	-	-	-	393,774
Other liabilities and accrued expenses	178,451	5,517,824	85,324	514,626	44,637	-	6,340,862
Deferred Tax Liability	-	-	-	45,021	-	-	45,021
Reserve for employment termination benefits	-	-	-	-	-	118,252	118,252
Total Liabilities	**19,894,011**	**114,748,302**	**23,333,186**	**19,034,673**	**5,339,115**	**118,252**	**182,467,539**
Net Liquidity Gap	**4,546,339**	**(71,712,860)**	**12,222,190**	**43,909,248**	**34,439,095**	**1,478,503**	**24,882,515**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Audited 31 December 2013						
	Demand	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	21,948,777	2,113,441	-	-	-	-	24,062,218
Trading and investment securities	318,387	4,180,373	10,477,318	11,195,399	19,271,698	3,923	45,447,098
Derivative financial instruments	-	546,461	523,929	673,033	653,624	-	2,397,047
Loans and advances to customers	-	37,867,271	21,864,475	41,932,142	17,775,494	91,521	119,530,903
Property and equipment	-	-	-	-	-	851,220	851,220
Intangible assets	-	-	-	-	-	162,215	162,215
Deferred income tax assets	-	-	-	468,228	-	-	468,228
Other assets and pre-payments	365,825	583,610	-	-	-	311,004	1,260,439
Total assets	**22,632,989**	**45,291,156**	**32,865,722**	**54,268,802**	**37,700,816**	**1,419,883**	**194,179,368**
Customer deposits	18,146,501	92,498,573	13,409,007	6,732,081	4,586,118	-	135,372,280
Derivative financial instruments	-	211,327	318,291	220,698	492,242	-	1,242,558
Interbank money market deposits, funds borrowed and debt securities in issue	-	6,308,320	11,245,992	10,058,229	1,345,055	-	28,957,596
Income taxes payable	-	-	74,369	-	-	-	74,369
Other liabilities and accrued expenses	324,338	4,691,586	158,182	630,668	45,197	-	5,849,971
Deferred tax liability		-	-	43,233	-	-	43,233
Employment benefit obligations	-	-	-	-	-	111,159	111,159
Total liabilities	**18,470,839**	**103,709,806**	**25,205,841**	**17,684,909**	**6,468,612**	**111,159**	**171,651,166**
Net Liquidity Gap	**4,162,150**	**(58,418,650)**	**7,659,881**	**36,583,893**	**31,232,204**	**1,308,724**	**22,528,202**

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

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

	Unaudited 30 June 2014					
Liabilities	**Up to 1 month and demand**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	92,687,497	27,032,844	12,376,956	10,249,073	3,904,713	**146,251,083**
Funds borrowed and debt securities in issue	1,512,045	7,098,913	11,171,337	10,592,643	1,473,701	**31,848,639**
Interbank money market deposits	408,574	-	-	-	-	**408,574**
Total	**94,608,116**	**34,131,757**	**23,548,293**	**20,841,716**	**5,378,414**	**178,508,296**
Letter of guarantees (*)	47,467	407,633	7,991,263	5,307,988	16,686,513	30,440,864

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

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

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

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NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

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

	Unaudited 30 June 2014					
	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
Derivatives held for trading						
Foreign exchange derivatives:	1,126,959	891,157	368,286	(1,633,094)	(483,106)	270,202
– Inflow	14,274,388	9,556,808	9,282,271	5,842,008	756,401	39,711,876
– Outflow	(13,147,429)	(8,665,651)	(8,913,985)	(7,475,102)	(1,239,507)	(39,441,674)
Interest rate derivatives:	(2,984)	(13,508)	(25,732)	(80,319)	20,900	(101,643)
– Inflow	21,607	29,008	224,470	672,158	198,923	1,146,166
– Outflow	(24,591)	(42,516)	(250,202)	(752,477)	(178,023)	(1,247,809)
Derivatives held for hedging:						
Foreign exchange derivatives:	(23,280)	(5,889)	(67,493)	(54,837)	63,108	(88,391)
– Inflow	2,201	175	4,100	1,236,940	655,539	1,898,955
– Outflow	(25,481)	(6,064)	(71,593)	(1,291,777)	(592,431)	(1,987,346)
Interest rate derivatives:	(3,548)	(11,809)	(48,589)	(64,661)	41,431	(87,176)
– Inflow	9,047	14,495	111,622	731,781	600,513	1,467,458
– Outflow	(12,595)	(26,304)	(160,211)	(796,442)	(559,082)	(1,554,634)
Total inflow	**14,307,243**	**9,600,486**	**9,622,463**	**8,482,887**	**2,211,376**	**44,224,455**
Total outflow	**(13,210,096)**	**(8,740,535)**	**(9,395,991)**	**(10,315,798)**	**(2,569,043)**	**(44,231,463)**

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

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

(h) 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 30 June 2014, the Group has custody accounts amounting to TL 56,768,070 in nominal value (31 December 2013: TL 58,826,582).

(i) 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 (ie 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 statements of financial position at their fair values at 30 June 2014 and 31 December 2013:

	2014		2013	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets				
Cash and due from banks and balances with the Central Bank with Turkey	26,776,540	26,776,540	24,062,218	24,062,218
Loans and advances to customers	128,395,329	130,358,754	119,530,903	118,680,238
Investment securities (Held-to-Maturity)	10,429,492	10,878,394	12,153,453	11,983,445
Financial liabilities				
Customer deposits	143,709,541	143,971,657	135,372,280	135,096,167
Interbank money market deposits, funds borrowed and debt securities in issue	30,882,023	30,624,165	28,957,596	28,313,240

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

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

(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.

(j) 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.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

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 5 (i), according to the foregoing principles is given in the table below:

	2014			
Assets carried at fair value:	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading securities	**88,840**	**-**	**-**	**88,840**
- Government bonds	8,267	-	-	8,267
- Eurobonds	2,320	-	-	2,320
- Government bonds denominated in foreign currency	-	-	-	-
- Treasury bills	-	-	-	-
- Share certificates	26,181	-	-	26,181
- Other bonds	52,072	-	-	52,072
Trading Derivative Financial Instrument	**47,729**	**755,057**	**-**	**802,786**
Hedging Derivative Financial Instrument	**-**	**281,508**	**-**	**281,508**
Securities Available-for-sale	**37,205,320**	**219,523**	**-**	**37,424,843**
- Government bonds	24,148,584		-	24,148,584
- Eurobonds	9,648,502	-	-	9,648,502
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	-	-	-
- Mutual funds	275,231	-	-	275,231
- Listed equity securities	-	-	-	-
- Other Bonds	3,133,003	219,523	-	3,352,525
Assets for which fair values are disclosed (*)	**10,878,394**	**130,358,754**	**-**	**141,237,148**
- Loans and advances to customers	-	130,358,754	-	130,358,754
- Held-to-Maturity Investments	10,878,394	-	-	10,878,394
Total assets	**48,220,283**	**131,614,841**	**-**	**179,835,125**
Liabilities carried at fair value:				
Trading derivative financial instruments	**8,605**	**914,093**	**-**	**922,698**
Hedging derivative financial instruments	**-**	**55,368**	**-**	**55,368**
Liabilities for which fair values are disclosed (*)	**-**	**174,595,822**	**-**	**174,595,822**
- Customer Deposits	-	143,971,657	-	143,971,657
- Interbank money market deposits, funds borrowed and debt securities in issue	-	30,624,165	-	30,624,165
Total liabilities	**8,605**	**175,565,283**	**-**	**175,573,888**

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

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

Cash and due from banks comprises as follows:

	Unaudited 30 June 2014	Audited 31 December 2013
Cash funds:		
Cash on hand	1,452,683	1,532,332
Cash in transit	29,576	71
Purchased cheques	27	34
	1,482,286	**1,532,437**
Current accounts and demand deposits:		
Central Bank of Turkey	19,276,938	16,690,682
Foreign banks	3,139,805	3,723,955
Domestic banks	8,508	6,995
	22,425,251	**20,421,632**
Time deposits:		
Foreign banks	1,094,521	1,799,727
Domestic banks	314,078	308,422
	1,408,599	**2,108,149**
Interbank money market placements	**1,460,404**	**-**
Total cash and due from banks and the balances with the Central Bank of Turkey	**26,776,540**	**24,062,218**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 6 - CASH AND DUE FROM BANKS (continued)

Cash and cash equivalents at the beginning of the period included in the statements of cash flows for the six-month period ended 30 June 2014 and 30 June 2013 are as follows:

	Unaudited 1 January 2014	Unaudited 1 January 2013
Cash and due from banks excluding accrued interest and blocked accounts (*)	4,411,200	3,283,328
Trading and investment securities with original maturities of less than three months excluding accrued interest	522,084	789,114
	4,933,284	**4,072,442**

Cash and cash equivalents at the end of the period included in the statements of cash flows for the six-month period ended 30 June 2014 and 30 June 2013 are as follows:

	Unaudited 30 June 2014	Unaudited 30 June 2013
Cash and due from banks excluding accrued interest and blocked accounts (*)	5,442,910	2,873,770
Trading and investment securities with original maturities of less than three months excluding accrued interest	80,333	1,083,901
	5,523,243	**3,957,671**

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

The Parent Bank has been required to maintain additional reserves at CBRT amounting to USD 742 million on average for approximately 3,5 years regarding a judgmental difference between the Parent Bank and the CBRT with respect to the reserve requirements for syndication loans borrowed by Malta Branch. Mentioned additional reserve requirement has been met as of 30 January 2014 and the Parent Bank does not have any more liability as at this date. However, the lawsuit for the cancellation of the Central Bank's said decision was filed with a motion for stay of execution. The 10th Division of the Administrative Court has rejected the motion for stay of execution. It is continuing to hear the case on the merits.

NOTE 7 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	Unaudited 30 June 2014	Audited 31 December 2013
Government bonds	8,267	8,701
Eurobonds	2,320	2,167
Share certificates	26,181	58,377
Other	52,072	55,495
	88,840	**124,740**

Trading securities amounting to TL 5,239 (31 December 2013: TL 5,116) have been pledged as collateral to financial institutions and there are no trading securities pledged under repurchase agreements.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into the following derivative financial instruments:

"Currency forwards" represent commitments to purchase or to sell foreign and 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.

"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 30 June 2014 and 31 December 2013 are set out in the following table.

	30 June 2014		**31 December 2013**	
	Fair values		**Fair values**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	503,162	(626,280)	1,007,871	(610,805)
Options purchases and sales	186,621	(198,581)	472,704	(394,618)
Currency and interest rate futures purchases and sales	47,729	(8,605)	79,013	(31,312)
Forward currency purchases and sales	65,274	(89,232)	207,282	(142,013)
Derivatives held for hedging:				
Currency and interest rate swap purchases and sales	281,508	(55,368)	630,177	(63,810)
Total derivative assets/(liabilities)	**1,084,294**	**(978,066)**	**2,397,047**	**(1,242,558)**

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Certain derivative transactions, while providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, and are therefore treated as derivatives held for trading.

The Parent Bank's transactions subject to fair value hedge accounting as of 30 June 2014 are as follows:

- The Parent Bank hedges certain part of its fixed rate TL denominated mortgage portfolio against fair value risk arising from the fluctuations in the market interest rates and certain part of its foreign currency denominated borrowings from the fluctuations in the foreign exchange rates with cross currency swaps. The fair value change of the hedged item since the beginning of hedge accounting is TL (6,610).

- The Parent Bank hedges certain part of its fixed rate TL denominated available-for-sale government bonds against fair value risk arising from the fluctuations in the market interest rates and certain part of its foreign currency denominated borrowings from the fluctuations in the foreign exchange rates with cross currency swaps. The fair value change of the hedged item since the beginning of hedge accounting is TL (17,803) and this amount has been reclassified from equity to income statement.

- The Parent Bank hedges certain part of its fixed rate FC denominated available-for-sale investment securities against fair value changes due to interest rate fluctuations with interest rate swap transactions. The change in the fair value of the hedged item since the beginning of hedge accounting is TL 73,146 and this amount has been reclassified from equity to income statement.

- The Group applies net investment hedge to hedge the foreign currency risk arising from share premium and paid-in-capital of Akbank AG, one of Parent Bank's subsidiaries amounting EURO 220 million. EURO 220 million of syndication loans used by the Parent Bank have been classified as "hedging instruments."

As of 30 June 2014, fair value hedge transactions as stated above have been proven to be effective.

In addition, information about discontinued hedge accounting relations arising from the expiration, execution or sale of the hedging instrument; hedge relationship becoming ineffective or discontinuance of the hedge relationship as a result of being revoked by the Parent Bank is as follows;

- As of 30 June 2014, related to fair value hedge transactions, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL 12,388.

- As of 30 June 2014, related to cash flow hedge transactions, the remaining before tax amount in equity after amortization of the cumulative fair value change of the hedging instruments, since the beginning of hedge accounting is TL (112,815).

The notional amounts of derivative transactions are explained in detail in Note 18.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	30 June 2014	31 December 2013
Consumer loans	**29,710,812**	**27,743,593**
- Mortgage	12,519,625	12,604,184
- General purpose	15,522,768	13,319,401
- Automobile	873,949	993,735
- Other	794,470	826,273
Credit cards	**13,408,639**	**14,693,331**
- Retail	12,260,917	13,592,665
- Corporate	1,147,722	1,100,666
Corporate, commercial and small business loans	**86,969,762**	**78,683,718**
- Export financing loans	5,508,107	5,731,127
- Loans to financial institutions	1,953,119	2,657,025
- Leasing receivables	3,327,946	3,203,987
- Project finance loans	17,563,688	15,943,292
- Commercial installment loans	6,608,784	6,360,978
- Other	52,008,118	44,787,309
Performing loans	130,089,213	121,120,642
Impaired loans	2,071,134	1,731,666
Total loans and advances to customers	132,160,347	122,852,308
Provision for impairment	(3,765,018)	(3,321,405)
Net loans and advances to customers	**128,395,329**	**119,530,903**

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

	30 June 2014	31 December 2013
Gross investment in finance leases	3,986,452	3,764,396
Less: Unearned finance income	(586,770)	(505,425)
Total investment in finance leases	3,399,682	3,258,971
Provision for impairment	(59,647)	(49,462)
Net investment in finance leases	**3,340,035**	**3,209,509**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	30 June 2014		31 December 2013	
Period ending	**Gross investment in finance leases**	**Total investment in finance leases**	**Gross investment in finance leases**	**Total investment in finance leases**
2014	873,536	890,457	1,372,067	1,392,067
2015	857,622	861,690	698,834	706,316
2016	692,516	604,795	565,975	401,154
2017	504,767	331,458	401,865	270,214
2018	369,473	248,405	280,303	191,707
2019(*)	688,538	462,877	445,352	298,113
	3,986,452	**3,399,682**	**3,764,396**	**3,258,971**

(*) Balances include the year 2019 and after.

Movements in the provision for loan losses are as follows:

	Unaudited 30 June 2014	Unaudited 30 June 2013
Balance at beginning of period	3,321,405	2,249,398
- Charge for the period/year	1,009,381	874,155
- Recoveries	(292,023)	(194,684)
Net provision for the period	717,358	679,471
Written-off (*)	(273,745)	(281,614)
Exchange differences	-	-
Balance at the end of period	**3,765,018**	**2,647,255**

(*) TL 252.2 million of the Parent Bank's non performing loan portfolio has been sold to Girişim Varlık Yönetimi A.Ş. at a price of TL 44 million.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 10 - INVESTMENT SECURITIES

(a) Securities available-for-sale

	30 June 2014	31 December 2013
Debt securities		
- Government bonds	24,148,584	23,173,174
- Eurobonds	9,648,502	6,902,969
- Other bonds	3,352,526	2,828,829
Equity securities		
- Unlisted	16,410	15,243
- Mutual Funds	275,231	248,690
Total securities available-for-sale	**37,441,253**	**33,168,905**

Unrealized gain and losses arising from changes in the fair value of securities classified as "available-for-sale" are recognized as "other reserves" in other comprehensive income unless there is 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 or unless they are designated as hedged items in fair value hedges in which case the fair value changes in relation to hedged risk is reclassified to profit or loss.

The Parent 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. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Parent Bank determines the estimated inflation rates in line with this. In this context, as of 30 June 2014, valuation of such assets is made according to estimated annual inflation rate of 9.0 %. If valuation of these securities indexed to the CPI had been done by the reference index valid through 30 June 2014, the Parent Bank's equity securities valuation differences would decrease by TL 108 million, net profit would increase by TL 140 million and be TL 1,772 million.

(b) Securities held-to-maturity

	30 June 2014	31 December 2013
Debt securities		
- Government bonds	10,429,492	12,153,453
- Eurobonds	-	-
- Other bonds	-	-
Total securities held-to-maturity	**10,429,492**	**12,153,453**

Investment securities amounting to TL 5,042,959 have been pledged as collateral to various institutions at 30 June 2014 (2013: TL 7,795,037) and securities amounting to TL 31,692,527 (2013: TL 26,598,964) are pledged under repurchase agreements.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 10 - INVESTMENT SECURITIES (continued)

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

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.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the six months period ended 30 June 2014 amounts to TL 92,021 (30 June 2013: TL 47,626).

The cost of tangible and intangible assets sold during the six months period ended 30 June 2014 amounts to TL 7,441 (30 June 2013: TL 88,645).

NOTE 12 - CUSTOMER DEPOSITS

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

	30 June 2014			31 December 2013		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	8,894,629	51,741,936	60,636,565	8,461,016	48,203,299	56,664,315
Commercial deposits	8,283,341	30,862,125	39,145,466	8,095,645	33,386,857	41,482,502
Funds deposited under repurchase agreements	-	27,417,513	27,417,513	-	22,899,597	22,899,597
Bank deposits	292,169	9,948,237	10,240,406	687,555	10,733,998	11,421,553
Other	2,245,422	4,024,169	6,269,591	902,284	2,002,029	2,904,313
	19,715,561	**123,993,980**	**143,709,541**	**18,146,500**	**117,225,780**	**135,372,280**

NOTE 13 – INTERBANK MONEY MARKET DEPOSITS, FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	30 June 2014	31 December 2013
Interbank money market deposits	**408,574**	**331,154**
Domestic banks		
- TL	447,177	457,357
- Foreign currency	605,715	426,991
Foreign institutions	16,296,679	16,612,946
Funds borrowed	**17,349,571**	**17,497,294**

NOTE 13 – INTERBANK MONEY MARKET DEPOSITS, FUNDS BORROWED AND DEBT SECURITIES IN ISSUE (Continued)

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

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 30 June 2014, Akbank has three outstanding syndicated loan facilities.

On 19 March 2014 the Parent Bank signed the first syndicated loan facility and raised EUR 817.7 million and USD 221.8 million. The loan's maturity is 1 year with a cost of LIBOR/EURIBOR+0.90%.

With the second syndicated loan facility signed on 16 August 2013; the Parent Bank raised EUR 779 million and USD 419,5 million with LIBOR/EURIBOR+0,75% for 1 year tenor.

The third outstanding syndicated loan facility was signed on 21 March 2013. The loan's 2-year tranche which will be repaid in March 2015, amounts to USD 100 million with an applicable cost of LIBOR/EURIBOR+1,25%.

Debt securities in issue

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

The balances amounting to USD (000) 4,336,364 and EUR (000) 190,012 consist of securitization deals and USD and EUR denominated securities issued by the Parent Bank. The repayment schedule of the total USD and EUR denominated notes in issue is as follows:

	30 June 2014				31 December 2013	
	USD (000)	**TL**	**EUR (000)**	**TL**	**USD (000)**	**TL**
2014 (*)	933,128	1,980,657	12	35	497,127	1,059,079
2015	1,324,557	2,811,505	-	-	1,274,524	2,715,246
2016	262,570	557,331	15,834	45,886	260,786	555,578
2017	632,039	1,341,566	63,333	183,533	609,135	1,297,701
2018	770,767	1,636,030	63,333	183,533	716,987	1,527,469
2019	32,523	69,033	47,500	137,650	19,842	42,271
2020	19,056	40,448	-	-	18,900	40,265
2021	18,139	38,502	-	-	18,006	38,360
2022	343,585	729,293	-	-	335,209	714,129
Total	**4,336,364**	**9,204,365**	**190,012**	**550,637**	**3,750,516**	**7,990,098**

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

As of 30 June 2014, the outstanding TL denominated bonds with the maturity of 3 months are TL 1,360,926, with the maturity of 1 year are TL 734,573, with the maturity of 3 years are TL 394,135 and with the maturity of 5 years are TL 879,242. As of 31 December 2013, the outstanding TL denominated bonds with the maturity of 6 months are TL 933,802, with the maturity of 1 year are TL 778,610, with the maturity of 2 years are TL 151,665, with maturity of 3 years are TL 391,956 and with the maturity of 5 years are TL 883,017.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS

	30 June 2014	31 December 2013
Balance sheet obligations for:		
- Reserve for employment termination benefits	63,134	59,720
- Accrual for unused vacation	55,118	51,439
- Post-employment benefits (pension and medical)	-	-
	118,252	**111,159**

There are no amounts recognized in the balance sheet for post-employment benefits since fair value of the Fund's plan assets compensate defined benefit obligations as of 30 June 2014.

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

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

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

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

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

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9.8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. Within the postponement right granted to the Council of Ministers through the change in the first clause of the 20th provisional article of the ''Social Insurance and General Health Insurance Law no. 5510'' published on the Official Gazette no. 28227 dated 8 March 2012, the transfer process has been postponed for one more year with the decision of the Council of Ministers published on the Official Gazette no. 28987 dated 30 April 2014. Accordingly, the process will have to be completed until 8 May 2015.

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

With respect to that, according to the technical balance sheet report as at 31 December 2013 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 and audited within the framework stated in the first paragraph above, the Fund has no actuarial 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 balance sheet.

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

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

(b) Employment termination benefits

Under the Turkish Labor 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.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 (in full TL amount) (31 December 2013: TL 3,254.44 (in full TL amount)) for each year of service. This liability is legally not funded and there is no funding requirement.

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

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

NOTE 15 - SHARE CAPITAL

The historic amount of share capital of the Group is TL 4,000,000 (31 December 2013: TL 4,000,000) and consists of 400,000,000,000 (31 December 2013: 400,000,000,000) authorized shares with a nominal value of Kr 1 each.

At 30 June 2014 and 31 December 2013, the issued and fully paid-in share capital held is as follows:

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

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

For the interim period ending 30 June 2014, the Parent Bank has paid dividend 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).

For the interim period ending 30 June 2013, the Parent Bank has paid dividend in cash with respect to 2012 net distributable profit after the transfer of first and legal reserves amounting to TL 570,670 (TL 0.0014 per share).

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 16 - NET FEES AND COMMISSION INCOME

	Unaudited 1 January- 30 June 2014	Unaudited 1 January- 30 June 2013
Fee and commission income on:		
Credit cards	767,008	658,530
Retail and commercial banking operations	244,263	298,786
Mutual fund management fee	24,984	34,706
Brokerage	29,245	32,845
Non-cash loans	76,149	55,919
Insurance intermediary	90,317	79,355
Money transfers	54,994	38,162
Other	93,715	97,889
	1,380,675	**1,296,193**
Fee and commission expense on:		
Credit cards	(152,618)	(102,873)
Other	(22,625)	(30,788)
	(175,243)	**(133,661)**
Net fee and commission income	**1,205,432**	**1,162,532**

NOTE 17 - OPERATING EXPENSES

	Unaudited 1 January- 30 June 2014	Unaudited 1 January- 30 June 2013
Employee costs	749,539	730,463
Credit card and banking services	182,795	202,416
Legal expenses	105,140	64,921
Depreciation charges of property and equipment	66,476	61,070
Communication expenses	61,372	60,020
Information technology	78,909	67,222
Marketing and advertisement expenses	51,478	55,734
Saving deposits insurance fund	70,425	63,742
Sundry taxes and duties	91,700	94,937
Heating, lighting and water expenses	22,398	24,121
Repair and maintenance expenses	10,363	10,091
Amortisation of intangible assets	30,716	20,781
Stationery expenses	9,806	5,659
Provision for general possible risks	-	175,000
Provision for Competition Board Penalty (*)	-	129,124
Other	368,789	250,739
	1,899,906	**2,016,040**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 17 - OPERATING EXPENSES (Continued)

(*) The investigation initiated by the Competition Board on November 2011 in accordance with Law No. 4054 on the Protection of Competition against 12 banks and 2 firms in the financial services industry, including the Parent Bank, to determine whether the 4th clause of the aforementioned Law was violated through agreements limiting competition has been finalized and the Competition Board has decided for an administrative fine amounting to TL 172,165. The prior period balance in the "Provision for Competition Board Penalty" line includes the provision amounting to TL 129,124 (Three-fourth of the subject administrative fine in accordance with framework of 17th clause of Misdemeanor Law).

NOTE 18 - 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 statements of financial position, 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) Commitments under derivative instruments

The breakdown of notional amounts of derivative transactions at 30 June 2014 and 31 December 2013 is as follows:

	30 June 2014					
	USD	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	813,624	2,450,931	25,967	3,877	1,871,501	5,165,900
Swap transactions	23,719,712	10,926,270	1,197,267	927,402	5,060,037	41,830,688
- Currency rate swaps	13,903,751	4,506,240	1,197,267	927,402	3,950,454	24,485,114
- Interest rate swaps	9,815,961	6,420,030	-	-	1,109,583	17,345,574
Spot transactions	2,274,182	297,895	722	57,767	1,313,530	3,944,096
Option transactions	19,900,606	2,425,384	53,787	585,758	4,008,011	26,973,546
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	132,707	-	-	6,988	143,401	283,096
Derivatives held for hedging:						
Swap transactions	4,610,662	-	-	6,839	-	4,617,501
- Currency rate swaps	1,766,378	-	-	6,839	-	1,773,217
- Interest rate swaps	2,844,284	-	-	-	-	2,844,284
Total purchases	**51,451,493**	**16,100,480**	**1,277,743**	**1,588,631**	**12,396,480**	**82,814,827**
Derivatives held for trading:						
Currency forward transactions	1,942,453	633,995	631	28,131	2,611,490	5,216,700
Swap transactions	17,179,726	9,227,606	23,455	35,774	13,426,804	39,893,365
- Currency rate swaps	7,363,765	2,807,576	23,455	35,774	12,317,221	22,547,791
- Interest rate swaps	9,815,961	6,420,030	-	-	1,109,583	17,345,574
Spot transactions	1,609,999	493,765	20,931	20,245	1,793,171	3,938,111
Option transactions	19,755,044	2,118,947	53,787	331,047	4,725,100	26,983,925
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	132,707	-	-	2,057,855	234,046	2,424,608
Derivatives held for hedging:						
Swap transactions	2,844,284	6,515	-	-	1,508,212	4,359,011
- Currency rate swaps	-	6,515	-	-	1,508,212	1,514,727
- Interest rate swaps	2,844,284	-	-	-	-	2,844,284
Total sales	**43,464,213**	**12,480,828**	**98,804**	**2,473,052**	**24,298,823**	**82,815,720**
Off-balance sheet net notional position (Note 5)	**7,987,280**	**3,619,652**	**1,178,939**	**(884,421)**	**(11,902,343)**	**(893)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 18 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

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

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 18- COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

(b) 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 Parent 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.

The following table shows the outstanding credit related commitments of the Group at 30 June 2014 and 31 December 2013:

	30 June 2014			31 December 2013		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Letters of guarantee issued by the Group						
- Turkish lira	1,499,258	12,314,796	13,814,054	1,553,265	10,163,126	11,716,391
- Foreign currency	760,169	6,646,511	7,406,680	710,586	6,758,486	7,469,072
Acceptance credits						
- Turkish lira	-	-	-	-	-	-
- Foreign currency	1,095,390	44,459	1,139,849	1,652,958	53,028	1,705,986
Letter of credit						
- Turkish lira	-	-	-	1,182	173	1,355
- Foreign currency	3,229,661	1,311,461	4,541,122	4,904,030	1,301,799	6,205,829
Other guarantees						
- Turkish lira	13,002	1,275,543	1,288,545	10,116	1,321,318	1,331,434
- Foreign currency	1,848,883	401,731	2,250,614	1,256,769	591,072	1,847,841
	8,446,363	**21,994,501**	**30,440,864**	**10,088,906**	**20,189,002**	**30,277,908**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 19 - MUTUAL FUNDS

As of 30 June 2014, the Group is the founder of 54 mutual funds (31 December 2013: 51 mutual funds) with a total fund value of TL 3.201.629 (31 December 2013: TL 2.982.884). The shares of the mutual funds established in accordance with the Capital Markets Board legislation are kept dematerialized by Istanbul Takas ve Saklama Bankası A.Ş..

NOTE 20 - RELATED PARTY TRANSACTIONS

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

Balances with related parties:

	30 June 2014	31 December 2013
Loans and receivables, net	2,663,835	2,368,097
Finance lease receivables	6,584	3,216
Total Assets	**2,670,419**	**2,371,313**
Customer Deposits	7,626,320	7,264,450
Total Liabilities	**7,626,320**	**7,264,450**
Credit related commitments	2,523,131	2,414,017
Commitment under derivative instruments (*)	2,359,041	2,626,534
Total Commitments and Contingent Liabilities	**4,882,172**	**5,040,551**

Transactions with related parties:

	Unaudited 30 June 2014	Unaudited 30 June 2013
Total interest income	83,539	51,069
Total interest expense	272,981	179,474
Trading (losses)/gains	(11,172)	17,946

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)

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

	Audited 30 June 2014	Audited 31 December 2013
Customer Deposits	976,222	1,021,540
Total due to customers	**976,222**	**1,021,540**

Key management personnel compensation:

For the period ended 30 June 2014, total remuneration of the senior management and Board of Directors amounted to TL 20,900 (30 June 2013: TL 18,151).

As at 30 June 2014 and 2013, other balances with directors and other key management personnel are immaterial.

NOTE 21 - SEGMENT REPORTING

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

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

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

Corporate banking and 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 Group provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 21 - SEGMENT REPORTING (Continued)

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

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

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

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

Segment information regarding the balance sheet at 30 June 2014 and 31 December 2013 and the income statements for the six-month periods ended 30 June 2014 and 2013 are as follows:

	Unaudited 30 June 2014						
	Retail banking	**Corporate and SME banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the balance sheet:							
Segment assets	48,097,005	87,392,424	1,238,479	55,042,422	7,136,607	3,573,067	202,480,004
Equity securities	-	-	-	-	-	-	16,410
Unallocated assets	-	-	-	-	-	-	4,853,640
Total assets							**207,350,054**
Segment liabilities	58,044,564	40,919,102	13,976,834	52,526,299	7,940,099	2,418,948	175,825,846
Unallocated liabilities	-	-	-	-	-	-	6,641,693
Equity	-	-	-	-	-	-	24,882,515
Total liabilities and equity							**207,350,054**
Segment information regarding the income statement:							
Segment revenue	1,602,118	1,298,593	191,469	709,152	109,941	36,852	3,948,125
Segment result	353,584	1,043,736	75,408	482,845	70,253	22,393	2,048,219
Dividend income						1,381	1,381
Income taxes						(418,029)	(418,029)
Profit for the period	**353,584**	**1,043,736**	**75,408**	**482,845**	**70,253**	**(394,255)**	**1,631,571**
Other segment items:							
Capital expenditure	35,665	1	78	1,984	-	54,293	92,021
Depreciation and amortization	(87,014)	(6,868)	(1,341)	(1,368)	(250)	(465)	(97,306)
Other non-cash expenses	(326,252)	(571,871)	(1,474)	(123,895)	(9)	(1,411)	(1,024,912)

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 21 - SEGMENT REPORTING (Continued)

	31 December 2013						
	Retail banking	Corporate banking	Private banking	Treasury activities	International banking	Other	Total
Segment information regarding the balance sheet:							
Segment assets	46,677,947	78,284,004	1,237,150	53,184,605	6,488,081	3,470,108	189,341,895
Equity securities	-	-	-	-	-	-	15,243
Unallocated assets	-	-	-	-	-	-	4,822,230
Total assets							**194,179,368**
Segment liabilities	53,327,173	40,442,792	14,887,590	46,492,781	8,236,576	2,471,744	165,858,656
Unallocated liabilities	-	-	-	-	-	-	5,792,510
Equity	-	-	-	-	-	-	22,528,202
Total liabilities and equity							**194,179,368**
Segment information regarding the income statement:							
Segment revenue	1,517,393	1,248,826	138,355	1,414,090	88,523	45,316	4,452,503
Segment result	429,481	952,253	99,416	1,240,523	59,124	(349,304)	2,431,493
Dividend income						4,970	4,970
Income taxes						(520,690)	(520,690)
Profit for the period	**429,481**	**952,253**	**99,416**	**1,240,523**	**59,124**	**(865,024)**	**1,915,773**
Other segment items:							
Capital expenditure	21,161	-	838	33	-	25,594	47,626
Depreciation and amortization	(47,062)	(4,022)	(805)	(709)	(152)	(29,101)	(81,851)
Other non-cash expenses	(286,882)	(414,155)	(126,954)	(2,198)	(21)	(180,331)	(1,010,541)

NOTE 22 - SUBSEQUENT EVENTS

None.