AKBANK T.A.Ş.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2015 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 2015, comprising of interim consolidated statement of financial position as at 30 June 2015 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 Turkish Financial Reporting Standard 34, *"Interim financial reporting"* (TAS 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 Turkish 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 year 2014, the accompanying consolidated financial statements as at 30 June 2015 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.

Qualified 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 TAS 34.

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

Damla Harman, SMMM
Partner

11 August 2015
İstanbul, Turkey

AKBANK T.A.Ş.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

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

	Notes	Unaudited 30 June 2015	Audited 31 December 2014
ASSETS			
Cash and due from banks and balances with the Central Bank of Turkey	6	35,822,652	26,352,389
Trading securities	7	38,790	54,964
Derivative financial instruments	8	2,947,046	1,695,280
Loans and advances to customers	9	147,655,864	137,722,442
Investment securities:			
- Available-for-sale	10	36,312,131	37,607,755
- Held-to-maturity	10	10,122,953	10,800,111
Property and equipment	11	812,344	863,354
Intangible assets	11	230,990	229,004
Deferred income tax assets		527,088	481,898
Other assets and pre-payments		1,971,385	1,245,990
Total assets		**236,441,243**	**217,053,187**
LIABILITIES			
Customer deposits	12	161,381,711	150,703,714
Interbank money market deposits	13	19,021	441,722
Derivative financial instruments	8	1,925,750	1,313,165
Funds borrowed	13	19,553,610	16,679,845
Debt securities in issue	13	19,354,547	15,129,940
Income taxes payable		241,530	325,142
Other liabilities and accrued expenses		6,665,895	5,677,543
Employment benefit obligations	14	134,546	127,637
Deferred tax liabilities		50,846	53,582
Total liabilities		**209,327,456**	**190,452,290**
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		345,125	287,849
Other reserves		(1,035,771)	(504,327)
Retained earnings		20,566,070	19,579,026
		27,113,673	**26,600,797**
Non-controlling interest		114	100
Total equity		**27,113,787**	**26,600,897**
Total liabilities and equity		**236,441,243**	**217,053,187**

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 2015

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

	Notes	Unaudited 30 June 2015	Unaudited 30 June 2014
Interest income		7,606,687	7,244,246
Interest expense		(3,837,220)	(3,797,124)
Net interest income		**3,769,467**	**3,447,122**
Fee and commission income	16	1,423,819	1,380,675
Fee and commission expense	16	(222,030)	(175,243)
Net fee and commission income		**1,201,789**	**1,205,432**
Impairment losses on loans and credit related commitments, net	9	(955,267)	(717,358)
Foreign exchange gains and losses, net		208,543	15,635
Trading gains and losses, net		(132,192)	(171,682)
Dividend income		2,264	1,381
Other operating income		165,850	168,976
Operating income		**4,260,454**	**3,949,506**
Operating expenses	17	(2,298,910)	(1,899,906)
Profit before income taxes		**1,961,544**	**2,049,600**
Income taxes			
Current		(415,004)	(642,946)
Deferred		10,108	224,917
Profit for the period		**1,556,648**	**1,631,571**
Attributable to:			
Equity holders of the Group		1,556,644	1,631,568
Non-controlling interest		4	3
		1,556,648	**1,631,571**
Basic and diluted earnings per share (expressed in TL, full amount, per share)	4	0.0039	0.0041

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

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

	Unaudited 30 June 2015	Unaudited 30 June 2014
Net profit for the period	**1,556,648**	**1,631,571**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net (loss) gain on available-for-sale financial assets	(560,450)	1,536,509
Foreign exchange differences on translation of foreign operations	57,276	(14,613)
Gain/(Loss) from cash flow hedges (effective part of fair value changes)	(850)	-
Gain/(Loss) from net foreign investment hedges (effective part of exchange difference on borrowings)	(26,805)	8,030
Tax related to gains and losses recognized directly in equity (*)	117,621	(308,908)
	(413,208)	**1,221,018**
Available-for-sale financial assets	(92,325)	(55,283)
Cash flow hedges	16,125	16,894
Tax related to gains/losses transferred to income statement	15,240	7,678
Net gains/losses transferred to income statement	**(60,960)**	**(30,711)**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(474,168)**	**1,190,217**
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**-**	**-**
Other comprehensive income net of tax	**(474,168)**	**1,190,217**
Total comprehensive income, net of tax	**1,082,480**	**2,821,788**
Attributable to:		
Equity holders of the Group	**1,082,476**	**2,821,785**
Non-controlling interest	4	3

(*) 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 112,090, TL 170 and TL 5,361 respectively (30 June 2014: TL (395,176), TL (-) and TL (1,606)).

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(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 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**
Balance at 1 January 2015	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**287,849**	**(266,284)**	**(232,140)**	**(5,903)**	**19,579,026**	**100**	**26,600,897**
Transfer to share capital	-	-	-	-	-	-	-	-	-	-	-
Net unrealized market value gains(losses) from available-for-sale portfolio	-	-	-	-	-	(448,360)	-	-	-	-	(448,360)
Net gains on available-for-sale portfolio transferred to the income statement	-	-	-	-	-	(123,593)	-	-	-	-	(123,593)
Net gains and losses recycled to the income statement due to transfer of available-for-sale into held-to-maturity portfolio	-	-	-	-	-	49,733		-	-	-	49,733
Cash flow hedges, net of tax	-	-	-	-	-	-	12,220	-	-	-	12,220
Translation reserve	-	-	-	-	57,276	-	-	-	-	-	57,276
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	(21,444)	-	-	-	(21,444)
Other comprehensive income (expense)	-	-	-	-	57,276	(522,220)	(9,224)	-	-	-	(474,168)
Profit for the period	-	-	-	-	-	-	-	-	1,556,644	4	1,556,648
Total comprehensive income for the period	-	-	-	-	**57,276**	**(522,220)**	**(9,224)**		**1,556,644**	**4**	**1,082,480**
Dividends paid	-	-	-	-	-	-	-	-	(569,600)	-	(569,600)
Effect of capital increase										10	10
Balance at 30 June 2015	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**345,125**	**(788,504)**	**(241,364)**	**(5,903)**	**20,566,070**	**114**	**27,113,787**

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

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

	Notes	Unaudited 30 June 2015	Unaudited 30 June 2014
Cash flows from operating activities:			
Profit before income tax		1,961,544	2,049,600
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	17	74,049	66,476
Amortization of intangible assets	17	39,451	30,716
Provision for loan losses	9	(670,617)	523,787
Employment termination benefits and other short-term employee benefits		(2,736)	(66,138)
Loss (Gain) on derivative financial instruments		(639,181)	1,048,261
Interest accrual (*)		1,117,956	1,034,940
Other non-cash items		(350,470)	(38,390)
Operating profit before changes in operating assets and liabilities		**1,529,996**	**4,649,252**
Net increase in reserve requirements with the Central Bank of Turkey and restricted cash		(3,413,404)	(1,678,733)
Net increase/decrease in loans and advances to customers		(9,303,605)	(9,522,312)
Net increase/decrease in trading securities		16,141	36,030
Net increase/decrease in other assets and prepayments		(725,395)	(367,734)
Net increase in other liabilities and accrued expenses		1,017,256	543,625
Net increase/decrease in customer deposits and interbank money market deposits		10,250,774	8,359,523
Taxes paid		(420,736)	(356,369)
Net cash from operating activities		**(1,048,973)**	**1,663,282**
Cash flows from/(used in) investing activities:			
Purchase of property and equipment	11	(25,675)	(42,842)
Proceeds from property and equipment		2,545	1,912
Purchase of other intangible assets, net	11	(41,500)	(49,179)
Proceeds from investment securities		18,410,087	19,967,933
Purchase of investment securities		(17,717,932)	(22,250,751)
Net cash used in investing activities		**627,525**	**(2,372,927)**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities in issue		17,248,294	16,733,966
Payments of borrowed funds and debt securities in issue		(10,759,432)	(14,937,933)
Dividends paid to equity holders	15	(569,600)	(467,483)
Net cash (used in)/from financing activities		**5,919,262**	**1,328,550**
Effect of exchange rates on cash and cash equivalents		**379,009**	**(28,946)**
Net increase/(decrease) in cash and cash equivalents		**5,876,823**	**589,959**
Cash and cash equivalents at the beginning of the period	**6**	**5,345,529**	**4,933,284**
Cash and cash equivalents at the end of the period	**6**	**11,222,352**	**5,523,243**

(*) Interest paid is amounting to TL (3,816,051) (2014: TL (3,680,428), interest received is amounting to TL 7,670,831 (2014: TL 8,173,954).

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 2015, the Parent Bank has 949 branches dispersed throughout the country and 1 branch operating outside the country (2014: 990 branches and 1 branch operating outside the country). As at 30 June 2015, the Group employed 14,976 people (2014: 16,543 people). Decrease in the Bank's personnel is mainly due to the transfer of private security guards to an outsourcing firm. 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 and private banking, corporate and investment banking, commercial banking and SME 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 2015, approximately 51% of the shares are publicly traded, including the ADRs (2014: 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 2015 have been approved on 10 August 2015 by S. Hakan Binbaşgil, the Chief Executive Officer and by Atıl Özus, the Chief Financial Officer of Akbank T.A.Ş.. Authorized 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 2015 have been prepared in accordance with TAS 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 2014.

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 Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions.

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

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2015. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2015 are as follows:

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

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

Annual Improvements to TAS/TFRSs

In December 2013, IASB issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

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

TFRS 3 Business Combinations

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

TFRS 8 Operating Segments

The amendments clarify that: i) An entity must disclose the judgments made by management in applying the aggregation criteria in TFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

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

The amendment to TAS 16.35(a) and TAS 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.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

TFRS 13 Fair Value Measurement

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

TAS 40 Investment Property

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

Above amendments did not have a significant impact on the interim condensed consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted

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

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

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs 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.

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 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.

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

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

- At cost
- In accordance with TFRS 9,

Or

- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not relevant for the consolidated financial statements of the Group; however, for the purposes of separate financial statements the Bank is in the process of assessing the impact of the new option on financial position or performance of the Group.

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

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

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

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- TFRS 7 Financial Instruments: Disclosures – clarifies that i) a servicing contract that includes a fee can constitute continuing involvement in a financial asset and thus the nature of the fee and the arrangement must be assessed against the guidance for continuing involvement in TFRS 7.B30 and TFRS 7.42C in order to assess whether the disclosures are required. ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- TAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- TAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

TFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was 1 January 2017. However, in July 2015, IASB decided to defer the effective date to reporting periods beginning on or after 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. IFRS 15 scopes out(a) lease contracts within the scope of IAS 17 Leases; (b) insurance contracts within the scope of IFRS 4 Insurance Contracts;(c) financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; consequently the Group estimates that the impact of the standard on financial position or performance of the Group will not be significant.

TFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace TAS 39 Financial Instruments: Recognition and Measurement. TFRS 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, TFRS 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. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 is referred to as the "Group" in these accompanying consolidated financial statements.

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

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**	**2015**	**2014**
Ak Yatırım Menkul Değ. A.Ş.	Turkey	100.00	100.00
Akbank AG	Germany	100.00	100.00
Ak Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Akbank (Dubai) Limited	The United Arab Emirates	100.00	100.00
Ak Portföy Yönetimi A.Ş.	Turkey	100.00	100.00
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivables Corporation	Cayman Islands	-	-

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Group companies

The results and financial 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 TAS 39.

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

- The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,

- Adjustments made to the carrying amount of the hedged item are transferred to profit and loss over the life of the hedged item with straight line method for portfolio hedges or with effective interest rate method for micro hedges.

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

In accordance with TAS 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 2015, 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 320 million. As of 30 June 2015, the net-off tax amount of TL (171,137) (31 December 2014: TL 149,693) is accounted under hedge reserves as an investment hedge reserve.

(iii) Derivatives that do not qualify for hedge accounting

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for as a derivative in accordance with TAS 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 TAS 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.

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

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

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

The Group has Consumer Price Index (''CPI'') linked government bonds under available-for-sale and held-to maturity portfolios with semi-annual fixed real coupon rates and a maturity of 5 to 10 years. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

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 2015, the Group has not classified any financial asset as financial assets designated at fair value through profit or loss.

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

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

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(h) Sale and repurchase agreements

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

(i) Fee and commission income and expenses

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

(j) Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price until, in management's estimates and judgment, collection becomes doubtful.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Related parties

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

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

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

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

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Sabancı Holding Group and Akbank T.A.Ş. Personnel Pension Fund Foundation are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions.

(l) Financial liabilities

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 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).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 2015, there are certain reclassifications made on statement of other comprehensive income as of 30 June 2014.

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

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

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

Going concern

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

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

Fair value of financial instruments

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

Impairment losses on loans and advances

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

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

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses if any, to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Employee defined benefit plans

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

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

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 2015 (31 December 2014: None).

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

	30 June 2015	30 June 2014
Profit attributable to equity holders of the Group	1,556,644	1,631,568
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)	**0.0039**	**0.0041**

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 principles, policies, procedures and with regards to risk management of the Parent Bank and develops risk management strategies. The ERC also sets critical risk limits and parameters for liquidity risk, credit risk, foreign exchange risk and interest rate risk and; through close monitoring of the markets and overall economy, such limits are updated as necessary. These limits and implementation of policies are broken down to various levels of authorities in order to enhance control effectiveness. The Parent Bank's risk positions are reported to the ERC members on a regular basis. Additionally, the ERC reviews the latest figures and projections for the Parent Bank's profit and loss accounts and consolidated 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.

NOTE 5 - FINANCIAL RISK MANAGEMENT (continued)

(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, such as loan commitments and other credit related commitments.

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

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

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

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

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

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

Bank’s rating system:

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

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (continued)

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

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

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored.

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

(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.

(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 following table represents average market risk calculated in accordance with the Market Risk Calculation principles pursuant to the Part 2 of the Second Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette No. 28337 on 28 June 2012.

		30 June 2015		31 December 2014	
Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity	Gains/Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity
TL	-400	2,840,425	9.83%	3,327,669	11.79%
TL	500	(3,001,118)	(10.38%)	(3,481,510)	(12.33%)
USD	-200	656,587	2.27%	583,134	2.07%
USD	200	(703,389)	(2.43%)	(609,306)	(2.16%)
EUR	-200	95,652	0.33%	73,285	0.25%
EUR	200	(376,515)	(1.30%)	(330,476)	(1.17%)
Total (for negative shocks)		**3,592,664**	**12.43%**	**3,984,088**	**14.11%**
Total (for positive shocks)		**(4,081,022)**	**(14.12%)**	**(4,421,292)**	**(15.66%)**

(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.

	30 June 2015					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other (*)**	**TL**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	1,932,426	24,246,334	72,828	3,804,864	5,766,200	35,822,652
Trading and investment securities	5,225,354	20,245,647	-	-	21,002,873	46,473,874
Derivative financial instruments	-	-	-	-	2,947,046	2,947,046
Loans and advances to customers(**)	22,595,368	41,137,532	16,148	36,599	83,870,217	147,655,864
Property, plant and equipment	760	1,792	-	-	809,792	812,344
Intangible assets	429	4	-	-	230,557	230,990
Current tax asset	-	-	-	-	-	-
Deferred tax assets	8,660	-	-	-	518,428	527,088
Other assets and pre-payments	114,477	241,758	132	78	1,614,940	1,971,385
Total assets	**29,877,474**	**85,873,067**	**89,108**	**3,841,541**	**116,760,053**	**236,441,243**
Customer deposits	25,980,487	65,421,269	1,411,489	1,645,780	66,922,686	161,381,711
Derivative financial instruments	-	-	-	-	1,925,750	1,925,750
Interbank money market deposits, funds borrowed and debt securities in issue	7,842,732	27,280,062	-	130,412	3,673,972	38,927,178
Income taxes payable	28,652	-	-	-	212,878	241,530
Other liabilities and accrued expenses	636,736	350,324	1,447	7,543	5,669,845	6,665,895
Employment benefit obligations	136	362	-	-	134,048	134,546
Deferred tax liability	49,851	-	-	-	995	50,846
Equity and non-controlling interest	-	-	-	-	27,113,787	27,113,787
Total liabilities and equity	**34,538,594**	**93,052,017**	**1,412,936**	**1,783,735**	**105,653,961**	**236,441,243**
Net balance sheet position	**(4,661,120)**	**(7,178,950)**	**(1,323,828)**	**2,057,806**	**11,106,092**	**-**
Off-balance sheet derivative instruments net notional position	**5,705,956**	**6,495,508**	**1,328,609**	**(2,088,788)**	**(10,593,757)**	**847,528**

(*) Under "Foreign currency – Other" column "Cash and due from banks and balances with the Central Bank of Turkey" include TL 3,692,239 (31 December 2014: TL 3,308,533) and "Customer deposits" include TL 767,262 (31 December 2014: TL 1,225,353) 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 2015, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 2.6500 =US$ 1 (31 December 2014: TL 2.3269 = US$ 1) and TL 2.9591 =EUR 1 (31 December 2014: TL 2.8272 =EUR 1).

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

(e) Interest rate risk

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

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

			30 June 2015			
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	10,945,758	-	-	-	24,876,894	35,822,652
Trading and investment securities	9,165,832	9,233,161	21,102,467	6,668,293	304,121	46,473,874
Derivative financial instruments	1,893,396	838,463	49,289	165,898	-	2,947,046
Loans and advances to customers	57,655,708	45,348,848	38,471,842	6,032,432	147,034	147,655,864
Property, plant and equipment	-	-	-	-	812,344	812,344
Intangible assets	-	-	-	-	230,990	230,990
Deferred tax assets	-	-	-	-	527,088	527,088
Other assets and pre-payments	284,553	106,072	7,031	21,606	1,552,123	1,971,385
Total assets	**79,945,247**	**55,526,544**	**59,630,629**	**12,888,229**	**28,450,594**	**236,441,243**
Customer deposits	111,380,333	13,762,564	14,105,380	1,974,560	20,158,874	161,381,711
Interbank money market deposits, funds borrowed and debt securities in issue	21,358,020	8,085,843	6,906,692	2,576,623	-	38,927,178
Derivative financial instruments	645,384	930,569	179,606	170,191	-	1,925,750
Income taxes payable	-	-	-	-	241,530	241,530
Other liabilities and accrued expenses	221,692	335,837	150,673	63,471	5,894,222	6,665,895
Employment benefit obligations	-	-	-	-	134,546	134,546
Deferred tax liability	-	-	-	-	50,846	50,846
Total liabilities	**133,605,429**	**23,114,813**	**21,342,351**	**4,784,845**	**26,480,018**	**209,327,456**
Net repricing period gap	**(53,660,182)**	**32,411,731**	**38,288,278**	**8,103,384**	**1,970,576**	**27,113,787**
Off-balance sheet derivative instruments net notional position	**5,470,087**	**(889,939)**	**(6,170,222)**	**2,440,700**	**-**	**850,626**

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

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

(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 2015 and 31 December 2014:

	30 June 2015			31 December 2014		
Assets	USD (%)	EUR (%)	TL (%)	USD (%)	EUR (%)	TL (%)
Cash and due from banks						
Time deposits in foreign banks	0.18	-	-	0.38	0.09	-
Time deposits in domestic banks	0.31	0.28	10.83	0.36	-	10.46
Interbank money market placements	-	-	10.75	-	-	11.24
Reserve requirements with the Central Bank of Turkey	0.15	-	2.09	-	-	1.51
Trading securities	3.96	3.55	11.56	4.13	3.55	11.60
Loans and advances to customers	4.11	3.87	12.05	4.34	4.11	12.01
Investment securities						
Available-for-sale	3.82	3.20	8.89	3.67	3.68	10.02
Held-to-maturity	3.83	3.69	9.70	3.83	3.69	11.22
Liabilities						
Customer deposits and interbank and money market deposits	1.51	1.10	8.01	1.42	1.17	8.02
Funds borrowed	1.71	1.04	8.56	1.62	1.14	8.05
Debt securities in issue	4.33	2.68	6.62	4.42	2.72	8.28

(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.

	30 June 2015						
	Demand	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No Maturity**	**Total**
Cash and due from banks	24,876,894	10,945,758	-	-	-	-	35,822,652
Trading and investment securities	300,198	47,822	516,783	26,308,346	19,296,802	3,923	46,473,874
Derivative financial instruments	-	254,441	552,722	793,975	1,345,908	-	2,947,046
Loans and advances to customers	-	41,106,786	33,118,430	53,649,212	19,634,402	147,034	147,655,864
Property and Equipment	-			-	-	812,344	812,344
Intangible assets	-	-	-	-	-	230,990	230,990
Deferred tax assets	-	-	-	527,088	-	-	527,088
Other asset and pre-payments	321,160	898,792	69,718	53,563	141,586	486,566	1,971,385
Total Assets	**25,498,252**	**53,253,599**	**34,257,653**	**81,332,184**	**40,418,698**	**1,680,857**	**236,441,243**
Customer deposits	21,084,276	110,441,557	13,762,680	14,118,697	1,974,501	-	161,381,711
Derivative financial instruments	-	414,698	659,151	348,602	503,299	-	1,925,750
Interbank money market deposits, funds borrowed and debt in issue	-	10,844,752	12,600,882	10,476,445	5,005,099	-	38,927,178
Income Taxes Payable	-	-	241,530			-	241,530
Other liabilities and accrued expenses	280,068	5,298,403	323,454	606,538	157,432	-	6,665,895
Deferred Tax Liability	-	-	-	50,846	-	-	50,846
Reserve for employment termination benefits	-	-	-	-	-	134,546	134,546
Total Liabilities	**21,364,344**	**126,999,410**	**27,587,697**	**25,601,128**	**7,640,331**	**134,546**	**209,327,456**
Net Liquidity Gap	**4,133,908**	**(73,745,811)**	**6,669,956**	**55,731,056**	**32,778,367**	**1,546,311**	**27,113,787**

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

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2014						
	Demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Cash and due from banks and balances with the Central Bank of Turkey	21,013,510	5,324,212	14,667	-	-	-	26,352,389
Trading and investment securities	302,464	3,404,833	4,214,209	15,725,135	24,812,266	3,923	48,462,830
Derivative financial instruments	-	441,744	213,876	420,118	619,542	-	1,695,280
Loans and advances to customers	-	38,936,414	30,382,787	48,899,622	19,354,619	149,000	137,722,442
Property, plant and equipment	-	-	-	-	-	863,354	863,354
Intangible assets	-	-	-	-	-	229,004	229,004
Deferred income tax assets	-	-	-	481,898	-	-	481,898
Other assets and pre-payments	271,577	574,358	406	-	-	399,649	1,245,990
Total assets	21,587,551	48,681,561	34,825,945	65,526,773	44,786,427	1,644,930	217,053,187
Customer deposits	19,593,665	104,935,696	14,001,312	8,574,579	3,598,462	-	150,703,714
Derivative financial instruments	-	221,645	332,540	250,886	508,094	-	1,313,165
Interbank money market deposits, funds borrowed and debt securities in issue	-	7,932,784	13,053,691	8,163,066	3,101,966	-	32,251,507
Income taxes payable	-	-	325,142	-	-	-	325,142
Other liabilities and accrued expenses	259,076	4,910,877	158,266	337,089	12,235	-	5,677,543
Deferred tax liability		-	-	53,582	-	-	53,582
Employment benefit obligations	-	-	-	-	-	127,637	127,637
Total liabilities	19,852,741	118,001,002	27,870,951	17,379,202	7,220,757	127,637	190,452,290
Net gap as at 31 December 2014	1,734,810	(69,319,441)	6,954,994	48,147,571	37,565,670	1,517,293	26,600,897

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:

	30 June 2015					
Liabilities	**Up to 1 month and demand**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	107,328,651	25,306,547	14,029,773	15,136,628	2,224,383	**164,025,982**
Funds borrowed and debt securities in issue	4,277,184	6,848,024	13,172,173	12,377,542	5,717,508	**42,392,431**
Interbank money market deposits	19,021	-	-	-	-	**19,021**
Total	**111,624,856**	**32,154,571**	**27,201,946**	**27,514,170**	**7,941,891**	**206,437,434**
Letter of guarantees (*)	49,878	309,506	8,042,429	7,082,110	17,553,923	33,037,846

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

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

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

(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 derivative financial instruments of the Group are as follows:

	30 June 2015					
	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:	1,838,605	1,281,351	1,039,267	(4,008,466)	(591,401)	(440,644)
– Inflow	21,851,147	8,111,389	20,831,292	9,572,354	2,020,921	62,387,103
– Outflow	(20,012,542)	(6,830,038)	(19,792,025)	(13,580,820)	(2,612,322)	(62,827,747)
Interest rate derivatives:	(736)	(15,384)	(34,075)	(8,657)	21,378	(37,474)
– Inflow	26,223	42,921	270,867	821,411	315,030	1,476,452
– Outflow	(26,959)	(58,305)	(304,942)	(830,068)	(293,652)	(1,513,926)
Derivatives held for hedging:						
Foreign exchange derivatives:	(15,458)	(5,351)	(88,018)	70,256	170,387	131,816
– Inflow	2,478	713	7,996	1,696,475	606,947	2,314,609
– Outflow	(17,936)	(6,064)	(96,014)	(1,626,219)	(436,560)	(2,182,793)
Interest rate derivatives:	(4,401)	(20,405)	(60,450)	(80,309)	(1,073)	(166,638)
– Inflow	11,333	40,280	167,516	1,044,318	485,881	1,749,328
– Outflow	(15,734)	(60,685)	(227,966)	(1,124,627)	(486,954)	(1,915,966)
Total inflow	**21,891,181**	**8,195,303**	**21,277,671**	**13,134,558**	**3,428,779**	**67,927,492**
Total outflow	**(20,073,171)**	**(6,955,092)**	**(20,420,947)**	**(17,161,734)**	**(3,829,488)**	**(68,440,432)**

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

(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 is used in the annual operational risk calculation of the Parent Bank. The amount subject to the operational risk is calculated by using the statutory gross income of the Parent Bank in 2012, 2013, and 2014.

(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 2015, the Group has custody accounts amounting to TL 44,684,829 in nominal value (31 December 2014: TL 60,967,192).

(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 2015 and 31 December 2014:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and advances to customers	147,655,864	148,770,730	137,722,442	140,320,798
Held-to-maturity investments (Net)	10,122,953	10,405,083	10,800,111	11,202,659
Financial liabilities				
Customer deposits	161,381,711	161,555,181	150,703,714	151,114,292
Interbank money market deposits, funds borrowed and debt securities in issue	38,927,178	38,481,515	32,251,507	31,831,162

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 to calculate the estimated fair value of funds borrowed and debt securities in issue.

(j) Fair value hierarchy:

TFRS 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:

	2015			
Assets carried at fair value:	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading securities	**38,790**	**-**	**-**	**38,790**
- Government bonds	11,061	-	-	11,061
- Eurobonds	1,978	-	-	1,978
- Government bonds denominated in foreign currency	-	-	-	-
- Treasury bills	-	-	-	-
- Share certificates	106	-	-	106
- Other bonds	25,645	-	-	25,645
Trading Derivative Financial Instrument	**-**	**2,331,156**	**-**	**2,331,156**
Hedging Derivative Financial Instrument	**-**	**615,890**	**-**	**615,890**
Securities Available-for-sale	**36,089,035**	**206,176**	**-**	**36,295,211**
- Government bonds	15,831,002	-	-	15,831,002
- Eurobonds	14,117,068	-	-	14,117,068
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	-	-	-
- Mutual funds	283,956	-	-	283,956
- Listed equity securities	-	-	-	-
- Other Bonds	5,857,009	206,176	-	6,063,185
Assets for which fair values are disclosed (*)	**10,405,083**	**148,770,730**	**-**	**159,175,813**
- Loans and advances to customers	-	148,770,730	-	148,770,730
- Held-to-Maturity Investments	10,405,083	-	-	10,405,083
Total assets	**46,532,908**	**151,923,952**	**-**	**198,456,860**
Liabilities carried at fair value:				
Trading derivative financial instruments	**-**	**1,798,010**	**-**	**1,798,010**
Hedging derivative financial instruments	**-**	**127,740**	**-**	**127,740**
Liabilities for which fair values are disclosed (*)	**-**	**200,036,696**	**-**	**200,036,696**
- Customer Deposits	-	161,555,181	-	161,555,181
- Interbank money market deposits, funds borrowed and debt securities in issue	-	38,481,515	-	38,481,515
Total liabilities	**-**	**201,962,446**	**-**	**201,962,446**

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

(*) Assets and liabilities carried at amortized cost for which fair value is disclosed in Note 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 cannot 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:

	30 June 2015	31 December 2014
Cash funds:		
Cash on hand (*)	1,394,266	1,507,730
Cash in transit	60,359	12,489
Purchased cheques	42	39
	1,454,667	**1,520,258**
Current accounts and demand deposits:		
Central Bank of Turkey	19,001,143	18,830,541
Foreign banks (**)	4,396,052	3,242,149
Domestic banks	25,032	988
	23,422,227	**22,073,678**
Time deposits:		
Central Bank of Turkey	2,908,702	89,258
Foreign banks	1,485,343	741,000
Domestic banks	3,250,741	1,227,980
	7,644,786	**2,058,238**
Interbank money market placements	**3,300,972**	**700,215**
Total cash and due from banks and the balances with the Central Bank of Turkey	**35,822,652**	**26,352,389**

(*) Includes precious metal accounts amounting to TL 56,049 (31 December 2014: 41,449).
(**) Includes reserve requirement of Akbank AG amounting to TL 531,746 (31 December 2014: TL 227,418) and Malta Branch amounting to TL 201,956 (31 December 2014: TL 155,782).

The reserve requirements maintained in Central Bank of Turkey amounts to to TL 21,887,572 (31 December 2014: 18,825,447).

(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 2015 and 30 June 2014 are as follows:

	1 January 2015	1 January 2014
Cash and due from banks excluding accrued interest and blocked accounts (*)	4,460,013	4,411,200
Trading and investment securities with original maturities of less than three months excluding accrued interest	885,516	522,084
	5,345,529	**4,933,284**

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 2015 and 30 June 2014 are as follows:

	30 June 2015	30 June 2014
Cash and due from banks excluding accrued interest and blocked accounts (*)	11,209,027	5,442,910
Trading and investment securities with original maturities of less than three months excluding accrued interest	13,325	80,333
	11,222,352	**5,523,243**

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

NOTE 7 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	30 June 2015	31 December 2014
Government bonds	11,061	8,525
Eurobonds	1,978	2,491
Share certificates	106	68
Other	25,645	43,880
	38,790	**54,964**

Trading securities amounting to TL 8,446 (31 December 2014: TL 5,820) 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 2015 and 31 December 2014 are set out in the following table.

	30 June 2015 Fair values		31 December 2014 Fair values	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	1,923,327	(1,210,877)	1,069,824	(797,820)
Options purchases and sales	291,535	(351,243)	234,100	(248,141)
Currency and interest rate futures purchases and sales	-	-	35,922	(4,475)
Forward currency purchases and sales	116,294	(235,890)	70,893	(156,777)
Derivatives held for hedging:				
Currency and interest rate swap purchases and sales	615,890	(127,740)	284,541	(105,952)
Total derivative assets/(liabilities)	**2,947,046**	**(1,925,750)**	**1,695,280**	**(1,313,165)**

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 TAS 39, and are therefore treated as derivatives held for trading.

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

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

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

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

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

In accordance with TAS 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.

The Group also applies net investment hedge to hedge the foreign currency risk arising from investments abroad. Effective portion of the fair value change of the hedging instrument is accounted under "Hedge reserve funds" under equity. Ineffective portion is accounted under income statement.

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

As at 30 June 2015, contractual amounts of derivative financial instruments designated as hedging instruments and the net fair values carried in the balance sheet of the Bank are summarized in the following table:

	Current Period 30 June 2015			Prior Period 31 December 2014		
	Notional Amount	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
Interest Rate and Cross Currency Swaps						
-TL	1,598,325	615,411	-	871,688	284,135	-
-FC	10,832,284	-	127,585	8,754,550	-	105,952
Total	**12,430,609**	**615,411**	**127,585**	**9,626,238**	**284,135**	**105,952**

1. Explanations on Net Investment Hedge:

The Group has been using hedge against net investment strategy to hedge against foreign currency risk born of EURO 320 million which represents share premiums and paid-in-capital of Akbank AG, one of its subsidiaries. EUR0 320 million of syndication loans used by the Group have been classified as "hedging instrument."

2. Explanations on Fair Value Hedge:

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(143,402)	140,965	(2,437)
Cross-currency swap	Fixed interest rate TL Mortgage Loans, FC borrowings	Interest rate and currency risk	291,637	(288,308)	3,329
Cross-currency swap	Fixed interest rate TL available-for-sale financial assets, FC borrowings	Interest rate and currency risk	236,634	(233,136)	3,498

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

As of 30 June 2015, fair value hedge transactions have been proven to be effective.

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

- As of 30 June 2015, related to fair value hedge transactions that are discontinued, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL 9,106.

3. Explanations on Cash Flow Hedge:

There are no derivative transactions used in cash flow hedges as of 30 June 2015.

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

- As of 30 June 2015, related to cash flow hedge transactions that are discontinued, the remaining before tax amount in equity after amortization of the fair value change of the hedging instruments, since the beginning of hedge accounting is TL (86,934).

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

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	30 June 2015	31 December 2014
Consumer loans	**29,115,890**	**30,999,039**
- Mortgage	13,216,347	13,056,473
- General purpose	15,246,824	16,383,994
- Automobile	652,719	810,024
- Other	-	748,548
Credit cards	**12,406,770**	**12,903,579**
- Retail	10,963,539	11,584,124
- Corporate	1,443,231	1,319,455
Corporate, commercial and small business loans	**108,292,913**	**95,746,916**
- Export financing loans	6,538,320	6,008,727
- Loans to financial institutions	5,665,915	4,200,870
- Leasing receivables	3,896,200	3,669,460
- Project finance loans	21,860,235	20,348,175
- Commercial installment loans	7,408,870	7,134,542
- Other	62,923,373	54,385,142
Performing loans	149,815,573	139,649,534
Impaired loans	2,850,443	2,412,442
Total loans and advances to customers	152,666,016	142,061,976
Provision for impairment	(5,010,152)	(4,339,534)
Net loans and advances to customers	**147,655,864**	**137,722,442**

(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)

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

	30 June 2015	31 December 2014
Gross investment in finance leases	4,706,814	4,475,779
Less: Unearned finance income	(722,831)	(724,032)
Total investment in finance leases	3,983,983	3,751,747
Provision for impairment	(82,782)	(68,426)
Net investment in finance leases	**3,901,201**	**3,683,321**

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

	30 June 2015		31 December 2014	
Period ending	Gross investment in finance leases	Total investment in finance leases	Gross investment in finance leases	Total investment in finance leases
2015	1,022,218	921,964	1,267,844	1,069,110
2016	989,868	767,113	909,635	729,531
2017	856,594	703,339	720,382	589,378
2018	663,679	560,339	557,475	468,697
2019	461,302	395,374	392,022	335,052
2020(*)	713,153	635,854	628,421	559,979
	4,706,814	**3,983,983**	**4,475,779**	**3,751,747**

(*) Balances include the year 2020 and after.

(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)

Movements in the provision for loan losses are as follows:

	2015			
	Commercial loans	**Consumer loans and credit cards**	**Leasing receivables**	**Total**
1 January 2015	**2,016,841**	**2,254,267**	**68,426**	**4,339,534**
Additions	498,321	742,978	19,410	1,260,709
Collections	(90,672)	(209,717)	(5,053)	(305,442)
Write-offs(*)	(85,077)	(199,572)	-	(284,649)
31 June 2015	**2,339,413**	**2,587,956**	**82,783**	**5,010,152**

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

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

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

NOTE 10 - INVESTMENT SECURITIES

(a) Securities available-for-sale

	30 June 2015	**31 December 2014**
Debt securities		
- Government bonds	15,831,002	21,283,380
- Eurobonds	14,117,068	11,154,528
- Other bonds	6,063,185	4,863,528
Equity securities		
- Unlisted	16,920	16,410
- Mutual Funds	283,956	289,909
Total securities available-for-sale	**36,312,131**	**37,607,755**

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

NOTE 10 - INVESTMENT SECURITIES (Continued)

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 2015, valuation of such assets is made according to estimated annual inflation rate of 7.0%. If valuation of these securities indexed to the CPI had been done by the reference index valid through 30 June 2015, the Parent Bank's equity securities valuation differences would decrease by TL 61 million, net profit would increase by TL 87 million and be TL 1,644 million.

(b) Securities held-to-maturity

	30 June 2015	31 December 2014
Debt securities		
- Government bonds	9,176,672	9,973,280
- Eurobonds	-	-
- Other government debt securities	946,281	826,831
Total securities held-to-maturity	**10,122,953**	**10,800,111**

Investment securities amounting to TL 5,055,287 have been pledged as collateral to various institutions at 30 June 2015 (31 December 2014: 5,845,244) and securities amounting to TL 27,470,731 (31 December 2014: 32,114,782) are pledged under repurchase agreements.

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.

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the six months period ended 30 June 2015 amounts to TL 67,175 (30 June 2014: TL 92,021).

The net amount of tangible and intangible assets sold during the six months period ended 30 June 2015 amounts to TL 2,545 (30 June 2014: TL 1,912).

NOTE 12 - CUSTOMER DEPOSITS

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

	30 June 2015			31 December 2014		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	10,714,462	61,733,862	72,448,324	9,352,145	55,733,215	65,085,360
Commercial deposits	8,854,163	37,019,261	45,873,424	8,739,444	30,469,734	39,209,178
Funds deposited under repurchase agreements	-	24,896,673	24,896,673	-	28,409,638	28,409,638
Bank deposits	431,753	13,772,629	14,204,382	501,286	13,082,115	13,583,401
Other	1,083,898	2,875,010	3,958,908	998,672	3,417,465	4,416,137
	21,084,276	**140,297,435**	**161,381,711**	**19,591,547**	**131,112,167**	**150,703,714**

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

	30 June 2015	**31 December 2014**
Interbank money market deposits	**19,021**	**441,722**
Domestic banks		
- TL	297,705	318,759
- Foreign currency	620,653	376,626
Foreign institutions	18,635,252	15,984,460
Funds borrowed	**19,553,610**	**16,679,845**

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.

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

As of 30 June 2015, Akbank has two outstanding syndicated loan facilities.

With the syndicated loan facility signed on 14 August 2014; the Parent Bank raised EUR 851.4 million and USD 367.7 million with LIBOR/EURIBOR+0,90% for 1 year tenor.

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

Debt securities in issue

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

The balances amounting to USD (000) 5,843,154 and EUR (000) 200,262 consist of securitization deals and USD and EUR denominated securities issued by the Parent Bank and RON(000) 82,582 consist of RON denominated securities issued by the Parent Bank. The repayment schedule of the total USD, EUR and RON denominated notes in issue is as follows:

	30 June 2015						31 December 2014			
	USD (000)	TL	EUR (000)	TL	RON (000)	TL	USD (000)	TL	EUR	TL
2014 (*)	-	-	-	-	-	-	-	-		
2015	1,526,180	4,044,376	379	1,124	-	-	1,725,810	4,015,787	591	1,670
2016	351,157	930,566	16,216	47,985	3,041	1,997	252,692	587,989	16,208	45,823
2017	726,331	1,924,777	63,701	188,499	2,905	1,908	732,268	1,703,914	63,694	180,076
2018	1,086,738	2,879,856	63,687	188,457	27,701	18,191	856,893	1,993,904	63,680	180,036
2019	163,299	432,742	47,839	141,561	48,935	32,135	136,795	318,308	47,833	135,233
2020	512,840	1,359,026	326	965	-	-	76,000	176,844	320	905
2021	43,661	115,702	313	926	-	-	102,014	237,376	307	868
2022	385,294	1,021,029	301	891	-	-	650,117	1,512,757	295	834
2023	16,908	44,806	289	855	-	-	291,495	678,280	284	803
2024	724,160	1,919,024	278	823	-	-	71,400	166,141	273	772
2025	306,586	812,451	267	790	-	-	-	-	262	741
2026	-	-	257	760	-	-	-	-	252	712
2027	-	-	247	731	-	-	-	-	242	684
2028	-	-	237	701	-	-	-	-	232	656
2029	-	-	5,925	17,533	-	-	-	-	5,809	16,423
Total	**5,843,154**	**15,484,355**	**200,262**	**592,601**	**82,582**	**54,231**	**4,895,484**	**11,391,300**	**200,282**	**566,236**

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

As of 30 June 2015, the outstanding TL denominated bonds with the maturity of 3 months are TL 1,427,555, with the maturity of 1 year are TL 729,670, with the maturity of 5 years are TL 1,066,135. As of 31 December 2014, the outstanding TL denominated bonds with the maturity of up to 3 months are TL 381,551, with the maturity of 6 months are TL 1,033,753, with the maturity of 1 year are TL 70,221, with the maturity of 2 years are TL 465,894, with maturity of 4 years are TL 406,735 and with the maturity of over 5 years are TL 814,250.

(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 2015	31 December 2014
Balance sheet obligations for:		
- Reserve for employment termination benefits	70,104	67,034
- Accrual for unused vacation	64,442	60,603
	134,546	**127,637**

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 2015.

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

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

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

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

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

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. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 and numbered 29335.

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

With respect to that, according to the technical balance sheet report as at 31 December 2014 prepared considering the related articles of the New Law regarding the transferrable benefit obligations for the non-transferrable social benefits and payments which are included in the articles of association, the Fund has no technical or actual deficit which requires a provision. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer 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 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 3,541.37 (in full TL amount) (31 December 2014: TL 3,438.22 (in full TL amount)) for each year of service. This liability is legally not funded and there is no funding requirement.

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

NOTE 15 - SHARE CAPITAL

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

At 30 June 2015 and 31 December 2014, the issued and fully paid-in share capital held is as follows:

	30 June 2015		31 December 2014	
	Share (%)	TL	Share (%)	TL
Total Sabancı Group, affiliated companies and family	48.88	1,954,225	48.88	1,955,000
Citibank Overseas Investment Corporation	-	-	9.90	396,000
Other	51.12	2,045,775	41.22	1,649,000
Historical share capital	100.00	4,000,000	100.00	4,000,000
Adjustment to share capital	-	1,529,151	-	1,529,151
Total paid-in share capital		**5,529,151**		**5,529,151**

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

For the interim period ending 30 June 2015, the Parent Bank has paid dividend in cash with respect to 2014 net distributable profit after the transfer of first and legal reserves amounting to TL 569,600 (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

	1 January- 30 June 2015	1 January- 30 June 2014
Fee and commission income on:		
Credit cards	707,825	767,008
Retail and commercial banking operations	289,617	244,263
Mutual fund management fee	34,023	24,984
Brokerage	46,262	29,245
Non-cash loans	85,420	76,149
Insurance intermediary	103,724	90,317
Money transfers	79,765	54,994
Other	77,183	93,715
	1,423,819	**1,380,675**
Fee and commission expense on:		
Credit cards	(183,622)	(152,618)
Other	(38,408)	(22,625)
	(222,030)	**(175,243)**
Net fee and commission income	**1,201,789**	**1,205,432**

NOTE 17 - OPERATING EXPENSES

	1 January- 30 June 2015	1 January- 30 June 2014
Employee costs	841,042	749,539
Credit card and banking services	261,224	182,795
Legal expenses	65,562	105,140
Depreciation charges of property, plant and equipment (Note 11)	74,049	66,476
Computer maintenance and support expenses	98,372	61,372
Communication expenses	67,334	78,909
Marketing and advertisement expenses	53,639	51,478
Saving deposits insurance fund	93,252	70,425
Sundry taxes and duties	94,576	91,700
Heating, lighting and water expenses	22,510	22,398
Repair and maintenance expenses	10,878	10,363
Amortization of other intangible assets (Note 12)	39,451	30,716
Stationery expenses	6,287	9,806
Other (*)	570,734	368,789
	2,298,910	**1,899,906**

(*) The balance shown in the "other" line includes fees and commissions reimbursements as per the decision of Consumer Arbitration Board, Courts and Offices of Enforcement amounting to TL 126,109 (30 June 2014: TL 20,332).

(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

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 2015 and 31 December 2014 is as follows:

	30 June 2015					
	USD	**EUR**	**GBP**	**Other**	**TL**	**Total**
Derivatives held for trading:						
Currency forward transactions	2,462,042	2,416,147	42,266	-	2,634,260	7,554,715
Swap transactions	32,234,174	13,902,063	1,317,818	918,313	9,482,898	57,855,266
- Currency rate swap	18,012,179	6,738,405	1,317,818	918,313	8,323,315	35,310,030
- Interest rate swaps	14,221,995	7,163,658	-	-	1,159,583	22,545,236
Spot transactions	1,406,638	385,008	11,880	17,817	1,203,872	3,025,215
Option transactions	23,664,932	4,166,525	81,068	-	6,517,703	34,430,228
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	3,069,968	9,747	-	3,279	53,362	3,136,356
Derivatives held for hedging:						
Swap transactions	6,596,326	-	-	45,010	-	6,641,336
- Interest rate swaps	4,388,883	-	-	-	-	4,388,883
- Currency rate swaps	2,207,443	-	-	45,010	-	2,252,453
Total purchases	**69,434,080**	**20,879,490**	**1,453,032**	**984,419**	**19,892,095**	**112,643,116**
Derivatives held for trading:						
Currency forward transactions	2,613,856	1,559,547	2,909	8,924	3,544,382	7,729,618
Swap transactions	27,645,252	9,607,141	20,703	31,816	17,495,931	54,800,843
- Currency rate swaps	13,423,257	2,443,483	20,703	31,816	16,336,348	32,255,607
- Interest rate swaps	14,221,995	7,163,658	-	-	1,159,583	22,545,236
Spot transactions	1,547,471	291,749	19,744	27,702	1,141,644	3,028,310
Option transactions	24,377,476	3,632,168	81,067	-	6,559,659	34,650,370
Future transactions	-	-	-	-	-	-
Other Derivative Instruments	2,326,863	9,747	-	3,004,765	145,911	5,487,286
Derivatives held for hedging:						
Swap transactions	4,427,654	73,182	-	-	1,598,325	6,099,161
- Interest rate swaps	4,388,883					4,388,883
- Currency rate swaps	38,771	73,182	-	-	1,598,325	1,710,278
Total sales	**62,938,572**	**15,173,534**	**124,423**	**3,073,207**	**30,485,852**	**111,795,588**
Off-balance sheet net notional position (Note 3)	**6,495,508**	**5,705,956**	**1,328,609**	**(2,088,788)**	**(10,593,757)**	**847,528**

(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)

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

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 2015 and 31 December 2014:

	30 June 2015			31 December 2014		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Letters of guarantee issued by the Group						
- Turkish lira	1,144,957	12,049,628	13,194,585	1,486,758	11,790,424	13,277,182
- Foreign currency	547,642	9,569,955	10,117,597	778,078	8,307,556	9,085,634
Acceptance credits						
- Turkish lira	-	-	-	-	-	-
- Foreign currency	1,507,180	13,610	1,520,790	1,089,463	41,070	1,130,533
Letter of credit						
- Turkish lira	665	-	665	-	-	-
- Foreign currency	3,778,969	1,363,505	5,142,474	4,111,478	1,352,242	5,463,720
Other guarantees						
- Turkish lira	28,281	1,527,747	1,556,028	30,064	1,530,923	1,560,987
- Foreign currency	1,394,119	111,588	1,505,707	1,423,497	301,910	1,725,407
	8,401,813	**24,636,033**	**33,037,846**	**8,919,338**	**23,324,125**	**32,243,463**

(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 2015, the Group is the founder of 36 mutual funds (31 December 2014: 44 mutual funds) with a total fund value of TL 3.324.884 (31 December 2014: TL 3.233.211). The shares of the mutual funds established in accordance with the Capital Markets Board legislation are kept dematerialized by Istanbul Settlement and Custody Bank, Inc.

NOTE 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 2015	31 December 2014
Loans and receivables, net	3,083,689	2,464,548
Finance lease receivables	5,145	5,890
Total Assets	**3,088,834**	**2,470,438**
Customer Deposits	8,937,085	7,210,432
Total Liabilities	**8,937,085**	**7,210,432**
Credit related commitments	1,951,080	1,986,485
Commitment under derivative instruments (*)	4,365,813	2,364,278
Total Commitments and Contingent Liabilities	**6,316,893**	**4,350,763**

Transactions with related parties:

	30 June 2015	30 June 2014
Total interest income	103,822	83,539
Total interest expense	279,714	272,981
Trading (losses)/gains	(827)	(11,172)

(*) 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:

	30 June 2015	31 December 2014
Customer Deposits	1,050,905	1,030,337
Total due to customers	**1,050,905**	**1,030,337**

Key management personnel compensation:

For the period ended 30 June 2015, total remuneration of the senior management and Board of Directors amounted to TL 21,656 (30 June 2014: TL 20,900).

As at 30 June 2015 and 2014, 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 include services provided by Ak Finansal Kiralama A.Ş., Ak Yatırım Menkul Değerler A.Ş., Ak Portföy Yönetimi A.Ş., Akbank (Dubai) Limited which are the consolidated subsidiaries of the Parent Bank.

Segment information regarding the balance sheet at 30 June 2015 and 31 December 2014 and the income statements for the six-month periods ended 30 June 2015 and 2014 are as follows:

	30 June 2015						
	Retail banking	**Corporate and SME banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the balance sheet							
Segment assets	46,924,088	107,582,808	1,586,872	60,621,982	9,532,458	4,621,160	230,869,368
Equity securities	-	-	-	-	-	-	16,920
Unallocated assets	-	-	-	-	-	-	5,554,955
Total assets	**46,924,088**	**107,582,808**	**1,586,872**	**60,621,982**	**9,532,458**	**4,621,160**	**236,441,243**
Segment liabilities	68,352,043	44,146,271	21,990,363	53,982,586	11,304,645	2,649,635	202,425,543
Unallocated liabilities	-	-	-	-	-	-	6,901,913
Equity	-	-	-	-	-	-	27,113,787
Total liabilities and equity	**68,352,043**	**44,146,271**	**21,990,363**	**53,982,586**	**11,304,645**	**2,649,635**	**236,441,243**
Segment information regarding the income statement:							
Segment revenue	1,598,816	1,604,890	150,389	676,916	140,274	86,905	4,258,190
Segment result	38,404	1,317,354	86,625	348,598	103,175	65,124	1,959,280
Dividend income						2,264	2,264
Income taxes						(404,896)	(404,896)
Profit for the period	38,404	1,317,354	86,625	348,598	103,175	(337,508)	1,556,648
Other segment items:							
Capital expenditure	26,738	1	52	1,400	-	38,984	67,175
Depreciation and amortization	(103,668)	(7,537)	(1,410)	(1,336)	(324)	(469)	(114,744)
Other non-cash expenses	(500,567)	(248,225)	(1,694)	(149,056)	(8)	(432,655)	(1,332,205)

(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 2014						
	Retail banking	Corporate and SME banking	Private banking	Treasury activities	International banking	Other	Total
Segment information regarding the balance sheet:							
Segment assets	48,737,933	95,813,223	1,214,103	56,121,019	6,616,721	3,884,161	212,387,160
Equity securities	-	-	-	-	-	-	16,410
Unallocated assets	-	-	-	-	-	-	4,649,617
Total assets	**48,737,933**	**95,813,223**	**1,214,103**	**56,121,019**	**6,616,721**	**3,884,161**	**217,053,187**
Segment liabilities	62,054,557	39,732,148	15,845,527	55,470,248	8,921,091	2,401,196	182,334,178
Unallocated liabilities	-	-	-	-	-	-	6,027,522
Equity	-	-	-	-	-	-	26,600,897
Total liabilities and equity	**62,054,557**	**39,732,148**	**15,845,527**	**55,470,248**	**8,921,091**	**2,401,196**	**217,053,187**
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 year	**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)

(*)30 June 2014 amounts are used for income statement accounts.

NOTE 22 - SUBSEQUENT EVENTS

None.