AKBANK T.A.Ş.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016 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 2016, comprising of interim consolidated statement of financial position as at 30 June 2016 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 34, *"Interim financial reporting"* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Basis for qualified conclusion

The accompanying consolidated financial statements as at 30 June 2016 include an unallocated reserve amounting to TL 200,000 thousands and deferred tax asset amounting to TL 40,000 thousands which is carried forward from 2014 by the Bank management for possible results of the circumstances which may arise from possible 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 IAS 34.

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

Zeynep Deldağ, SMMM
Partner

10 August 2016
İstanbul, Turkey

AKBANK T.A.Ş.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

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

	Notes	Unaudited 30 June 2016	Audited 31 December 2015
ASSETS			
Cash and due from banks and balances with the Central Bank of Turkey	6	41,552,016	34,288,700
Trading securities	7	71,129	40,513
Derivative financial instruments	8	4,858,396	3,348,525
Loans and advances to customers	9	161,619,074	154,949,085
Investment securities:			
- Available-for-sale	10	40,128,016	43,388,363
- Held-to-maturity	10	10,749,474	10,688,440
Property and equipment	11	740,871	796,130
Intangible assets	11	225,626	224,105
Deferred income tax assets		573,221	700,791
Other assets and pre-payments		2,961,321	2,087,974
Total assets		**263,479,144**	**250,512,626**
LIABILITIES			
Customer deposits	12	177,892,482	173,640,026
Interbank money market deposits	13	1,702,193	80,031
Derivative financial instruments	8	2,933,491	1,926,811
Funds borrowed	13	19,016,787	19,940,528
Debt securities in issue	13	22,144,339	18,647,136
Income taxes payable		373,293	379,083
Other liabilities and accrued expenses		7,990,153	7,045,124
Employment benefit obligations	14	198,369	192,906
Deferred tax liabilities		97,185	57,452
Total liabilities		**232,348,292**	**221,909,097**
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		461,310	444,655
Other reserves		(845,636)	(1,446,062)
Retained earnings		24,276,804	22,366,568
		31,130,727	**28,603,410**
Non-controlling interest		125	119
Total equity		**31,130,852**	**28,603,529**
Total liabilities and equity		**263,479,144**	**250,512,626**

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 2016

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

	Notes	Unaudited 30 June 2016	Unaudited 30 June 2015
Interest income		9,360,123	7,606,687
Interest expense		(5,127,027)	(3,837,220)
Net interest income		**4,233,096**	**3,769,467**
Fee and commission income	16	1,543,281	1,423,819
Fee and commission expense	16	(249,262)	(222,030)
Net fee and commission income		**1,294,019**	**1,201,789**
Impairment losses on loans and credit related commitments, net	9	(724,504)	(955,267)
Foreign exchange gains and losses, net		186,978	208,543
Trading gains and losses, net		92,151	(132,192)
Dividend income		2,599	2,264
Other operating income(*)		333,483	165,850
Operating income		**5,417,822**	**4,260,454**
Operating expenses	17	(2,291,719)	(2,298,910)
Profit before income taxes		**3,126,103**	**1,961,544**
Income taxes			
Current		(646,281)	(415,004)
Deferred		30,420	10,108
Profit for the period		**2,510,242**	**1,556,648**
Attributable to:			
Equity holders of the Group		2,510,236	1,556,644
Non-controlling interest		6	4
		2,510,242	**1,556,648**
Basic and diluted earnings per share (expressed in TL, full amount, per share)	4	0.0063	0.0039

(*) "Other Operating Income" in the Income Statement includes income amounting to TL 181,774 originating from the acquisition of Visa Europe Ltd, of which the Bank is a Shareholder, by Visa Inc., has been reflected to financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

	Unaudited 30 June 2016	Unaudited 30 June 2015
Net profit for the period	**2,510,242**	**1,556,648**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net (loss) gain on available-for-sale financial assets	1,038,395	(560,450)
Foreign exchange differences on translation of foreign operations	16,655	57,276
Gain/(Loss) from cash flow hedges (effective part of fair value changes)	(29,109)	(850)
Gain/(Loss) from net foreign investment hedges (effective part of exchange difference on borrowings)	(10,752)	(26,805)
Tax related to gains and losses recognized directly in equity (*)	(199,707)	117,621
	815,482	**(413,208)**
Available-for-sale financial assets	(271,264)	(92,325)
Cash flow hedges	23,263	16,125
Tax related to gains/losses transferred to income statement	49,600	15,240
Net gains/losses transferred to income statement	**(198,401)**	**(60,960)**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**617,081**	**(474,168)**
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**-**	**-**
Other comprehensive income net of tax	**617,081**	**(474,168)**
Total comprehensive income, net of tax	**3,127,323**	**1,082,480**
Attributable to:		
Equity holders of the Group	**3,127,317**	**1,082,476**
Non-controlling interest	6	4

(*) Tax effects of additions to marketable securities valuation differences from available-for-sale financial assets, gain/(loss) from cash flow hedge (effective part of fair value changes), gain/(loss) from net foreign investment hedge (effective part of exchange difference on borrowings) amount to TL (207,679), TL 5,822 and TL 2,150 respectively (30 June 2015: TL 112,090, TL 170 and TL 5,361).

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

AKBANK T.A.Ş.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(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 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
Balance at 1 January 2016	4,000,000	1,529,151	5,529,151	1,709,098	444,655	(1,110,513)	(278,630)	(56,919)	22,366,568	119	28,603,529
Transfer to share capital	-	-	-	-	-	-	-	-	-	-	-
Net unrealized market value gains (losses) from available-for-sale portfolio	-	-	-	-	-	830,716	-	-	-	-	830,716
Net gains on available-for-sale portfolio transferred to the income statement	-	-	-	-	-	(265,641)	-	-	-	-	(265,641)
Net gains and losses recycled to the income statement due to transfer of available-for-sale into held-to-maturity portfolio	-	-	-	-	-	48,630	-	-	-	-	48,630
Cash flow hedges, net of tax	-	-	-	-	-	-	(4,677)	-	-	-	(4,677)
Translation reserve	-	-	-	-	16,655	-	-	-	-	-	16,655
Gains on hedges of a net investment in a foreign operation, net of tax	-	-	-	-	-	-	(8,602)	-	-	-	(8,602)
Other comprehensive income (expense)	-	-	-	-	16,655	613,705	(13,279)	-	-	-	617,081
Profit for the period	-	-	-	-	-	-	-	-	2,510,236	6	2,510,242
Total comprehensive income for the period	-	-	-	-	16,655	613,705	(13,279)	-	2,510,236	**6**	3,127,323
Dividends paid	-	-	-	-	-	-	-	-	(600,000)	-	(600,000)
Effect of capital increase		-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2016	**4,000,000**	**1,529,151**	**5,529,151**	**1,709,098**	**461,310**	**(496,808)**	**(291,909)**	**(56,919)**	**24,276,804**	**125**	**31,130,852**

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 2016

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

	Notes	Unaudited 30 June 2016	Unaudited 30 June 2015
Cash flows from operating activities:			
Profit before income tax		3,126,103	1,961,544
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	17	65,016	74,049
Amortization of intangible assets	17	40,485	39,451
Provision for loan losses, write off and net of recoveries	9	261,007	(670,617)
Employment termination benefits and other short-term employee benefits		5,463	(2,736)
(Gain)/loss on derivative financial instruments		(503,191)	(639,181)
Interest accrual(*)		1,172,919	1,117,956
Other non-cash items		(40,135)	(350,470)
Taxes paid		(604,455)	(420,736)
Operating profit before changes in operating assets and liabilities		**3,523,212**	**1,109,260**
Net (increase) in reserve requirements with the Central Bank of Turkey and restricted cash		(9,330,689)	(3,413,404)
Net (increase) in loans and advances to customers		249,649	(9,303,605)
Net (increase)/decrease in trading securities		(30,244)	16,141
Net decrease/(increase) in other assets and prepayments		26,653	(725,395)
Net increase in other liabilities and accrued expenses		936,845	1,017,256
Net increase in customer deposits and interbank money market deposits		3,478,185	10,250,774
Net cash from operating activities		**(1,146,389)**	**(1,048,973)**
Cash flows from/(used in) investing activities:			
Purchase of property, plant and equipment	11	(10,126)	(25,675)
Proceeds from property, plant and equipment		6,012	2,545
Purchase of other intangible assets	11	(54,081)	(41,500)
Proceeds from other intangible assets		153,173	-
Proceeds from investment securities		13,735,707	18,410,087
Purchase of investment securities		(9,943,895)	(17,717,932)
Net cash used in investing activities		**3,886,790**	**627,525**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities in issue		3,328,567	17,248,294
Payments of borrowed funds and debt securities in issue		(7,529,995)	(10,759,432)
Dividends paid to equity holders	15	(600,000)	(569,600)
Net cash (used in)/from financing activities		**(4,801,428)**	**5,919,262**
Effect of exchange rates on cash and cash equivalents		**(15,290)**	**379,009**
Net increase/(decrease) in cash and cash equivalents		**(2,076,317)**	**5,876,823**
Cash and cash equivalents at the beginning of the period	6	**7,109,441**	**5,345,529**
Cash and cash equivalents at the end of the period	6	**5,033,124**	**11,222,352**

(*) Interest paid is amounting to TL (4,978,186) (30 June 2015: TL (3,816,051)), interest received is amounting to TL 9,226,470 (30 June 2015: TL 7,670,831).

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 at 30 June 2016, the Bank has 896 branches dispersed throughout the country and 1 branch operating outside the country (31 December 2015: 901 branches and 1 branch operating outside the country). As at 30 June 2016, the Group employed 14,302 people (31 December 2015: 14,418 people). In addition to regular banking operations, the Group also provides insurance intermediary services as an agency of Aksigorta A.Ş. and AvivaSA Emeklilik ve Hayat A.Ş. . The Group's operations are carried out substantially in one geographical segment (Turkey) and in business segments including consumer 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 at 30 June 2016, approximately 51% of the shares are publicly traded, including the ADRs (31 December 2015: 51%).

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 2016 have been approved on 10 August 2016 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 2016 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015.

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 IFRS.

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

i) The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2016 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2016. 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 2016 are as follows:

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

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

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

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

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

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

- At cost
- In accordance with IFRS 9, or
- Using the equity method defined in IAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the consolidated financial statements and did not have an impact on the financial position or performance of the Group.

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

In September 2014, amendments were issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. An entity shall apply those amendments prospectively. 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 IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

Amendments issued to IAS 1 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. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Group.

Annual Improvements to IFRSs - 2012-2014 Cycle

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

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report

IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located

IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

These amendments did not have any impact on the financial position or performance of the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) 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.

IFRS 15 Revenue from Contracts with Customers

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

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 16 Leases

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

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

(b) Consolidation

Consolidation principles for subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

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

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

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

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

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

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

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

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

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

A.R.T.S. Ltd. is a "Structured Entity" which was established in November 1999 for the purpose of supplying long term financing. Ak Receivables Corporation which was established in July 1998 for the similar purposes has been liquidated on March 1, 2016 due to the termination of financing program provided.

The list of consolidated subsidiary undertakings is set out below:

		Shareholding %	
Name of subsidiary	**Country of incorporation**	**2016**	**2015**
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	-	-

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Group companies

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

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

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

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

(d) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

(i) Cash flow and Fair value hedges

Within the scope of cash flow hedge accounting, effective part of the fair value changes of the hedging instrument are accounted in equity under "Hedging reserves" whereas the ineffective part is accounted in the income statement. At instances when cash flows relating to hedged item (interest expense) affect the income statement, profit/loss of the related hedging instrument is taken out of the equity and reflected on the income statement.

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

(ii) Net Investment Hedge

The Group hedges the net investment risk on foreign investments with the foreign currency denominated financial liabilities. The effective part of the foreign exchange differences on the foreign currency denominated financial liabilities is accounted in the "Hedge reserves" account under shareholders' equity. As of 30 June 2016, 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 2016, the net-off tax amount of TL (226,607) (31 December 2015: TL (218,005)) is accounted under hedge reserves as an investment hedge reserve.

(iii) Derivatives that do not qualify for hedge accounting

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Embedded derivatives

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

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

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

(e) Investment securities

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(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 2016, 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 statement of financial position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, therefore the related assets and liabilities are presented gross in the 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.

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

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

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

Going concern

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

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

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 2016 (31 December 2015: None).

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

	30 June 2016	**30 June 2015**
Profit attributable to equity holders of the Group	2,510,236	1,556,644
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)	**0.0063**	**0.0039**

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 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)

(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 2016					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other(*)**	**TL**	**Total**
Cash and due from banks and balances with the Central Bank of Turkey	5,506,581	26,237,803	39,617	4,508,259	5,259,756	41,552,016
Trading and investment securities	4,864,004	22,778,278	-	-	23,306,337	50,948,619
Derivative financial instruments	-	-	-	-	4,858,396	4,858,396
Loans and advances to customers	29,592,906	36,223,145	18,834	72,913	95,711,276	161,619,074
Property, plant and equipment	604	1,744	-	-	738,523	740,871
Intangible assets	868	-	-	-	224,758	225,626
Deferred tax assets	-	-	-	-	573,221	573,221
Current Tax	-	-	-	-	1,198	1,198
Other assets and pre-payments	552,590	543,413	333	-	1,863,787	2,960,123
Total assets	**40,517,553**	**85,784,383**	**58,784**	**4,581,172**	**132,537,252**	**263,479,144**
Customer deposits	25,287,924	65,514,329	1,405,119	1,609,790	84,075,320	177,892,482
Derivative financial instruments	-	-	-	-	2,933,491	2,933,491
Interbank money market deposits, funds borrowed and debt securities in issue	9,616,432	26,983,072	580	134,279	6,128,956	42,863,319
Income taxes payable	24,022	-	-	-	349,271	373,293
Other liabilities and accrued expenses	615,927	649,748	3,217	7,106	6,714,155	7,990,153
Deferred tax liability	-	-	-	-	97,185	97,185
Employment benefit obligations	68	469	-	-	197,832	198,369
Equity and non-controlling interest	-	-	-	-	31,130,852	31,130,852
Total liabilities and equity	**35,544,373**	**93,147,618**	**1,408,916**	**1,751,175**	**131,627,062**	**263,479,144**
Net balance sheet position	**4,973,180**	**(7,363,235)**	**(1,350,132)**	**2,829,997**	**910,190**	**-**
Off-balance sheet derivative instruments net notional position	**(3,753,031)**	**7,424,317**	**1,355,905**	**(2,864,307)**	**-**	**2,162,884**

(*) Under "Foreign currency – Other" column "Cash and due from banks and balances with the Central Bank of Turkey" include TL 4,433,835 and "Customer deposits" include TL 656,570 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 2016, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 2.8560 =US$ 1 (31 December 2015: TL 2.8800 = US$ 1) and TL 3.1758 =EUR 1 (31 December 2015: TL 3.1422 = EUR 1).

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

(*) Under "Foreign currency – Other" column "Cash and due from banks and balances with the Central Bank of Turkey" include TL 3,663,362 and "Customer deposits" include TL 777,277 precious metal deposit accounts.

(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 2016 and 31 December 2015. 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 2016			
	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	27,363,135	40,936	-	-	14,147,945	41,552,016
Trading and investment securities	10,168,427	9,398,489	24,814,645	6,277,177	289,881	50,948,619
Derivative financial instruments	2,937,928	1,445,286	317,351	157,831	-	4,858,396
Loans and advances to customers	63,977,870	45,990,620	42,090,871	9,140,993	418,720	161,619,074
Property, plant and equipment	-	-	-	-	740,871	740,871
Intangible assets	-	-	-	-	225,626	225,626
Deferred tax assets	-	-	-	-	573,221	573,221
Current Tax	-	-	-	-	1,198	1,198
Other assets and pre-payments	786,723	336,206	81,701	36,780	1,718,713	2,960,123
Total assets	**105,234,083**	**57,211,537**	**67,304,568**	**15,612,781**	**18,116,175**	**263,479,144**
Customer deposits	132,685,351	16,769,357	3,479,317	343,948	24,614,509	177,892,482
Interbank money market deposits, funds borrowed and debt securities in issue	27,982,479	4,714,029	7,323,709	2,843,102	-	42,863,319
Derivative financial instruments	1,408,401	1,024,522	273,427	110,279	116,862	2,933,491
Income taxes payable	-	-	-	-	373,293	373,293
Other liabilities and accrued expenses	675,306	379,050	208,689	38,645	6,688,463	7,990,153
Employment benefit obligations	-	-	-	-	198,369	198,369
Deferred tax liability	-	-	-	-	97,185	97,185
Total liabilities	**162,751,537**	**22,886,958**	**11,285,142**	**3,335,974**	**32,088,681**	**232,348,292**
Net repricing period gap	**(57,517,454)**	**34,324,579**	**56,019,426**	**12,276,807**	**(13,972,506)**	**-**
Off-balance sheet derivative instruments net notional position	**8,563,062**	**1,633,514**	**(7,523,471)**	**(445,344)**	**-**	**2,227,761**

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

(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 2016 and 31 December 2015:

	30 June 2016			31 December 2015		
Assets	**USD (%)**	**EUR (%)**	**TL (%)**	**USD (%)**	**EUR (%)**	**TL (%)**
Cash and due from banks						
Time deposits in foreign banks	0.52	-	-	0.26	-	-
Time deposits in domestic banks	0.58	0.97	12.18	0.53	0.47	10.86
Interbank money market placements	-	-	12.13	-	-	9.37
Reserve requirements with the Central Bank of Turkey	0.49	-	5.21	0.49	-	5.81
Trading securities	-	-	12.41	-	3.26	13.12
Loans and advances to customers	4.75	3.74	13.02	4.35	3.56	12.93
Investment securities						
Available-for-sale	3.75	2.53	9.75	3.80	2.46	9.68
Held-to-maturity	3.83	3.69	9.71	3.83	3.69	9.71
Liabilities						
Customer deposits and interbank and money market deposits	1.57	0.84	8.54	1.70	1.02	8.99
Funds borrowed	1.95	0.78	9.81	1.71	0.98	8.00
Debt securities in issue	3.63	1.62	11.48	3.56	2.04	10.02

(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)

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 2016						
	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	17,341,065	24,169,466	41,485	-	-	-	41,552,016
Trading and investment securities	286,158	274,606	953,798	31,454,046	17,976,088	3,923	50,948,619
Derivative financial instruments	-	558,730	1,112,806	1,467,827	1,719,033	-	4,858,396
Loans and advances to customers	358,063	45,419,456	37,200,548	56,322,659	22,173,692	144,656	161,619,074
Property and Equipment	-	-	-	-	-	740,871	740,871
Intangible assets	-	-	-	-	-	225,626	225,626
Deferred tax assets	-	-	-	573,221	-	-	573,221
Current tax	-	-	-	-	-	1,198	1,198
Other asset and pre-payments	437,767	1,144,913	258,752	297,105	400,592	420,994	2,960,123
Total Assets	**18,423,053**	**71,567,171**	**39,567,389**	**90,114,858**	**42,269,405**	**1,537,268**	**263,479,144**
Customer deposits	25,426,642	121,390,976	13,797,658	14,357,605	2,919,601	-	177,892,482
Derivative financial instruments	116,861	707,068	496,519	712,481	900,562	-	2,933,491
Interbank money market deposits, funds borrowed and debt in issue	-	10,775,571	9,823,600	15,750,132	6,514,016	-	42,863,319
Income Taxes Payable	-	-	-	373,293	-	-	373,293
Other liabilities and accrued expenses	305,650	6,713,500	704,775	33,086	233,141	-	7,990,153
Deferred Tax Liability	-	-	-	97,185	-	-	97,185
Reserve for employment termination benefits	-	-	-	198,369	-	-	198,369
Total Liabilities	**25,849,153**	**139,587,115**	**24,822,552**	**31,522,152**	**10,567,320**	**-**	**232,348,292**
Net Liquidity Gap	**(7,426,100)**	**(68,018,746)**	**14,474,837**	**58,592,706**	**31,702,085**	**1,537,268**	**31,130,852**

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NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2015						
	Demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Cash and due from banks and balances with the Central Bank of Turkey	10,319,277	23,969,423	-	-	-	-	34,288,700
Trading and investment securities	415,912	361,732	1,042,411	32,797,425	19,495,913	3,923	54,117,316
Derivative financial instruments	-	216,154	471,487	1,083,375	1,577,509	-	3,348,525
Loans and advances to customers	312,781	42,222,283	36,341,135	56,098,365	19,829,585	144,936	154,949,085
Property, plant and equipment	-	-	-	-	-	796,130	796,130
Intangible assets	-	-	-	-	-	224,105	224,105
Deferred income tax assets	-	-	-	700,791	-	-	700,791
Other assets and pre-payments	415,636	811,291	72,620	108,566	199,832	480,029	2,087,974
Total assets	11,463,606	67,580,883	37,927,653	90,788,522	41,102,839	1,649,123	250,512,626
Customer deposits	22,425,480	124,181,024	11,501,438	12,999,225	2,532,859	-	173,640,026
Derivative financial instruments	254,536	415,064	236,556	417,038	603,617	-	1,926,811
Interbank money market deposits, funds borrowed and debt securities in issue	-	8,278,988	12,067,082	12,777,078	5,544,547	-	38,667,695
Income taxes payable	-	-	379,083	-	-	-	379,083
Other liabilities and accrued expenses	313,947	5,154,225	629,180	706,462	241,310	-	7,045,124
Deferred tax liability	-	-	-	57,452	-	-	57,452
Employment benefit obligations	-	-	-	192,906	-	-	192,906
Total liabilities	22,993,963	138,029,301	24,813,339	27,150,161	8,922,333	-	221,909,097
Net gap as at 31 December 2015	(11,530,357)	(70,448,418)	13,114,314	63,638,361	32,180,506	1,649,123	28,603,529

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.

(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 2016					
Liabilities	**Up to 1 month and demand**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	125,899,830	22,700,278	14,629,025	14,774,795	3,056,866	**181,060,794**
Funds borrowed and debt securities in issue	2,519,203	6,796,528	10,540,139	17,644,095	7,053,488	**44,553,453**
Interbank money market deposits	1,702,341	-	-	-	-	**1,702,341**
Total	**130,121,374**	**29,496,806**	**25,169,164**	**32,418,890**	**10,110,354**	**227,316,588**
Letter of guarantees (*)	**1,959,167**	**4,527,641**	**9,610,000**	**3,186,697**	**15,946,235**	**35,229,740**

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

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

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NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

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

	30 June 2016					
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:	4,117,990	3,188,563	1,471,386	(8,007,744)	(269,973)	500,222
- Inflow	26,408,469	17,857,191	34,611,111	22,370,004	4,511,668	105,758,443
- Outflow	(22,290,479)	(14,668,628)	(33,139,725)	(30,377,748)	(4,781,641)	(105,258,221)
Interest rate derivatives:	2,431	(12,264)	(11,630)	50,738	54,972	84,247
- Inflow	44,143	128,699	603,105	1,681,496	750,881	3,208,324
- Outflow	(41,712)	(140,963)	(614,735)	(1,630,758)	(695,909)	(3,124,077)
Derivatives held for hedging:						
Foreign exchange derivatives:	(13,930)	1,570	(69,755)	19,407	201,457	138,749
- Inflow	4,006	1,570	8,936	1,183,205	624,377	1,822,094
- Outflow	(17,936)	-	(78,691)	(1,163,798)	(409,280)	(1,669,705)
Interest rate derivatives:	(4,267)	(23,121)	(71,413)	(262,210)	(67,175)	(428,186)
- Inflow	12,832	70,015	253,433	1,122,417	493,776	1,952,473
- Outflow	(17,099)	(93,136)	(324,846)	(1,384,627)	(560,951)	(2,380,659)
Total inflow	**26,469,450**	**18,057,475**	**35,476,585**	**26,357,122**	**6,380,702**	**112,741,334**
(Total outflow)	**(22,367,226)**	**(14,902,727)**	**(34,157,997)**	**(34,556,931)**	**(6,447,781)**	**(112,432,662)**

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

(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 2013, 2014, and 2015.

(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 2016, the Group has custody accounts amounting to TL 47,897,513 in nominal value (31 December 2015: TL 50,756,267).

(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 2016 and 31 December 2015:

	30 June 2016		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Loans and advances to customers	161,619,074	165,165,473	154,949,085	155,527,494
Held-to-maturity investments (Net)	10,749,474	11,099,495	10,688,440	10,840,922
Financial liabilities				
Customer deposits	177,892,482	178,024,740	173,640,026	173,738,867
Interbank money market deposits, funds borrowed and debt securities in issue	42,863,319	42,423,763	38,667,695	38,229,506

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:

		30 June 2016		
Assets carried at fair value:	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading securities	**71,129**	**-**	**-**	**71,129**
- Government bonds	7,926	-	-	7,926
- Eurobonds	-	-	-	-
- Government bonds denominated in foreign currency	-		-	-
- Treasury bills	-	-		
- Share certificates	20,964	-	-	20,964
- Other bonds	42,239	-	-	42,239
Trading Derivative Financial Instrument	**-**	**4,677,155**	**-**	**4,677,155**
Hedging Derivative Financial Instrument	**-**	**181,241**	**-**	**181,241**
Securities Available-for-sale	**39,854,465**	**256,792**	**-**	**40,111,257**
- Government bonds	17,676,124	-	-	17,676,124
- Eurobonds	14,864,520	-	-	14,864,520
- Treasury bills	-	-	-	-
- Government bonds denominated in foreign currency	-	-	-	-
- Mutual funds	195,122	-	-	195,122
- Listed equity securities	-	42,318	-	42,318
- Other Bonds	7,118,699	214,474	-	7,333,173
Assets for which fair values are disclosed (*)	**11,099,495**	**165,165,473**	**-**	**176,264,968**
- Loans and advances to customers	-	165,165,473	-	165,165,473
- Held-to-Maturity Investments	11,099,495	-	-	11,099,495
Total assets	**51,025,089**	**170,280,661**	**-**	**221,305,750**
Liabilities carried at fair value:				
Trading derivative financial instruments	**-**	**2,484,292**	**-**	**2,484,292**
Hedging derivative financial instruments	**-**	**449,199**	**-**	**449,199**
Liabilities for which fair values are disclosed (*)	**-**	**220,448,503**	**-**	**220,448,503**
- Customer Deposits	-	178,024,740	-	178,024,740
- Interbank money market deposits, funds borrowed and debt securities in issue	-	42,423,763	-	42,423,763
Total liabilities	**-**	**223,381,994**	**-**	**223,381,994**

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

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

(k) Capital management

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

As of 30 June 2016 Group's total capital has been calculated as 32,820,969 TL, capital adequacy ratio is %14.83. As of 31 December 2015, Group's total capital amounted to 30,410,851 TL, Capital adequacy ratio was %14.46 calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

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 2016	31 December 2015
Cash funds:		
Cash on hand (*)	1,621,984	1,440,324
Cash in transit	25,359	25,749
Purchased cheques	5	39
	1,647,348	**1,466,112**
Current accounts and demand deposits:		
Central Bank of Turkey	11,400,831	4,261,396
Foreign banks	4,291,504	4,591,004
Domestic banks	1,308	765
	15,693,643	**8,853,165**
Time deposits:		
Central Bank of Turkey	22,035,883	19,745,931
Foreign banks	343,371	802,973
Domestic banks	1,831,668	3,420,421
	24,210,922	**23,969,325**
Interbank money market placements	**103**	**98**
Total cash and due from banks and the balances with the Central Bank of Turkey	**41,552,016**	**34,288,700**

(*) Includes precious metal accounts amounting to TL 39,274 (31 December 2015: TL 56,414).

(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)

At 30 June 2016, assets pledged as off-shore cash reserve, payment accounts in connection with the issue of floating-rate notes and restricted demand and time deposits in foreign banks amount to TL 3,035,159 (31 December 2015: TL 3,146,252). The reserve requirements maintained in Central Bank of Turkey amounts to to TL 31,815,386 (31 December 2015: 23,151,681).

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 2016 and 30 June 2015 are as follows:

	30 June 2016	30 June 2015
Cash and due from banks excluding accrued interest and blocked accounts (*)	7,081,753	4,460,013
Trading and investment securities with original maturities of less than three months excluding accrued interest	27,688	885,516
	7,109,441	**5,345,529**

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 2016 and 30 June 2015 are as follows:

	30 June 2016	30 June 2015
Cash and due from banks excluding accrued interest and blocked accounts (*)	5,014,380	11,209,027
Trading and investment securities with original maturities of less than three months excluding accrued interest	18,744	13,325
	5,033,124	**11,222,352**

(*) 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 2016	31 December 2015
Government bonds	7,926	9,996
Eurobonds	-	107
Share certificates	20,964	6,532
Other	42,239	23,878
	71,129	**40,513**

Trading securities amounting to TL 8,057 (31 December 2015: TL 8,463) have been pledged as collateral to financial institutions and securities amounting to TL 1,607 pledged under repurchase agreements. (31 December 2015: TL 1,489)

(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 2016 and 31 December 2015 are set out in the following table.

	30 June 2016 Fair values		31 December 2015 Fair values	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	4,225,011	(1,952,478)	2,276,767	(1,260,511)
Options purchases and sales	255,428	(296,824)	222,214	(257,902)
Currency and interest rate futures purchases and sales	-	-	-	-
Forward currency purchases and sales	196,716	(234,990)	198,176	(249,438)
Derivatives held for hedging:				
Currency and interest rate swap purchases and sales	181,241	(449,199)	651,368	(158,960)
Total derivative assets/(liabilities)	**4,858,396**	**(2,933,491)**	**3,348,525**	**(1,926,811)**

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

The 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.

As at 30 June 2016, 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 2016			**Prior Period 31 December 2015**		
	Notional Amount	**Assets**	**Liabilities**	**Notional Amount**	**Assets**	**Liabilities**
Interest Rate and Cross Currency Swaps						
-TL	2,721,662	180,886	108,688	1,228,638	648,858	-
-FC	17,016,885	355	340,511	11,575,795	2,510	158,960
Total	**19,738,547**	**181,241**	**449,199**	**12,804,433**	**651,368**	**158,960**

1. Explanations on Net Investment Hedge:

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

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

2. Explanations on Fair Value Hedge:

Current Period - 30 June 2016

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	(335,856)	332,328	(3,528)
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	(638)	635	(2)
Cross-currency swap	Fixed interest rate FC Issued Eurobond, FC Lease Receivables	Interest rate and currency risk	373	(451)	(78)
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC borrowings	Interest rate and currency risk	97,955	(97,866)	89

Prior Period - 31 December 2015

Hedging Instrument	Hedged Item	Risk Exposure	Fair Value Difference of Hedging Instrument	Fair Value Difference of Hedged Items (*)	Ineffective Portion (**)
Interest Rate Swap	Fixed interest rate FC available-for-sale financial assets	Interest rate risk	(175,849)	170,936	(4,913)
Interest Rate Swap	Fixed interest rate Lease Receivables	Interest rate risk	88	(93)	(5)
Cross-currency swap	Fixed interest rate FC Issued Bonds, FC Lease Receivables	Interest rate and currency risk	412	(447)	(35)
Cross-currency swap	Fixed interest rate TL Mortgage Loans Portfolio, FC borrowings	Interest rate and currency risk	236,846	(233,961)	2,885
Cross-currency swap	Fixed interest rate TL available-for-sale financial assets, FC borrowings	Interest rate and currency risk	312,135	(307,153)	4,982

(*) Includes fair value differences arising from changes in foreign exchange rates for hedges against interest rate and foreign currency 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 2016, 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 discontinued transactions are given below:

- As of 30 June 2016, related to fair value hedge transactions, the remaining net amount after amortization of the fair value change of the hedged items since the beginning of hedge accounting is TL (9,103) (31 December 2015: TL 8,588).

3. Explanations on Cash Flow Hedge:

Current Period - 30 June 2016

Hedging instrument	Hedged item	Nature of risk hedged	Hedging instrument FV		Net gain/(loss) recognized in OCI during the period	Net gain(loss) reclassified to income statement during the year	Ineffective portion recognized in income statement (Net
			Assets	Liabilities			
Interest Rate Swap	Floating-rate long Term FC funds borrowed	Cash Flow risk due to changes in interest rate of funds	-	(21,743)	(28,747)	(4,260)	(100)
Interest Rate Swap	Floating-rate FC funds borrowed portfolio	Cash Flow risk due to changes in interest rate of funds	-	(375)	(362)	(81)	-

Prior Period - 31 December 2015

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

As of 30 June 2016 cash flow hedge transactions have been determined as effective.

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 discontinued transactions are given below:

- As of 30 June 2016, related to cash flow hedge transactions, the remaining before tax amount in equity after amortization of the fair value change of the hedging instruments, since the beginning of hedge accounting is TL (56,786) (31 December 2015: TL (75,471)).

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

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

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	30 June 2016	31 December 2015
Consumer loans	**29,460,443**	**28,674,271**
- Mortgage	14,020,471	13,446,919
- General purpose	15,017,898	14,687,963
- Automobile	422,074	539,389
- Other	-	-
Credit cards	**12,615,427**	**12,530,316**
- Retail	10,563,895	10,898,805
- Corporate	2,051,532	1,631,511
Corporate, commercial and small business loans	**121,982,092**	**116,049,885**
- Export financing loans	6,623,007	6,937,609
- Loans to financial institutions	4,952,466	6,348,565
- Leasing receivables	4,132,944	3,935,289
- Project finance loans	25,202,134	23,426,197
- Commercial installment loans	8,004,392	7,425,305
- Other	73,067,149	67,976,920
Performing loans	164,057,962	157,254,472
Impaired loans	3,615,097	3,487,591
Total loans and advances to customers	167,673,059	160,742,063
Provision for impairment	(6,053,985)	(5,792,978)
Net loans and advances to customers	**161,619,074**	**154,949,085**

(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 2016	31 December 2015
Gross investment in finance leases	4,985,719	4,773,456
Less: Unearned finance income	(733,864)	(723,899)
Total investment in finance leases	4,251,855	4,049,557
Provision for impairment	(104,786)	(91,106)
Net investment in finance leases	**4,147,069**	**3,958,451**

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

	30 June 2016		31 December 2015	
Period ending	**Gross investment in finance leases**	**Total investment in finance leases**	**Gross investment in finance leases**	**Total investment in finance leases**
2016	1,020,499	919,389	1,535,717	1,306,606
2017	1,178,954	951,937	1,009,706	822,731
2018	923,480	763,349	784,343	656,898
2019	667,788	562,746	892,889	794,458
2020(*)	1,194,998	1,054,434	550,801	468,864
	4,985,719	**4,251,855**	**4,773,456**	**4,049,557**

(*) 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:

2016	Commercial loans	Consumer loans and credit cards	Leasing receivables	Total
1 January 2016	**2,679,248**	**3,022,624**	**91,106**	**5,792,978**
Additions	450,418	619,590	18,527	1,088,535
Collections	(95,913)	(263,271)	(4,847)	(364,031)
Write-offs(*)	(105,019)	(358,478)	-	(463,497)
30 June 2016	**2,928,734**	**3,020,465**	**104,786**	**6,053,985**

(*) The Bank has sold non-performing loan portfolio, for which 100% provision was provided and which is worth TL 450,1 million, (in full TL amount) for an amount of TL 49,1 million (in full TL amount) to Güven Varlık Yönetimi A.Ş.

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

(*) The Parent Bank has sold non-performing loan portfolio of TL 248,5 million, for which 100% provision was provided, for an amount of TL 40,3 million to Girişim Varlık Yönetimi A,Ş, Specific provision previously allocated for this amount is, included in "Write-off" section in above table.

NOTE 10 - INVESTMENT SECURITIES

(a) Securities available-for-sale

	30 June 2016	31 December 2015
Debt securities		
- Government bonds	17,676,124	19,376,723
- Eurobonds	14,864,520	15,929,478
- Other bonds	7,333,173	7,678,818
Equity securities		
- Unlisted	59,077	132,717
- Mutual Funds	195,122	270,627
Total securities available-for-sale	**40,128,016**	**43,388,363**

(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 Bank has inflation indexed (''CPI'') linked bonds in its 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 real payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates in line with this information. The estimated inflation rate used is updated during the year when necessary. In this context, as of 30 June 2016, valuation of such assets is made according to estimated annual inflation rate of 8%. If valuation of these securities indexed to the CPI had been done by the reference index valid through 30 June 2016, the Bank's Marketable securities valuation differences would be increased by TL 37 million (in full TL amount) and net profit would be decreased by TL 51 million (in full TL amount) to TL 2,459 million (in full TL amount).

(b) Securities held-to-maturity

	30 June 2016	31 December 2015
Debt securities		
- Government bonds	9,719,125	9,654,713
- Eurobonds	-	-
- Other government debt securities	1,030,349	1,033,727
Total securities held-to-maturity	**10,749,474**	**10,688,440**

Investment securities amounting to TL 4,624,437 have been pledged as collateral to various institutions at 30 June 2016 (31 December 2015: TL 3,976,566) and securities amounting to TL 29,604,424 (31 December 2015: TL 26,114,866) 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 2016 amounts to TL 64,207 (30 June 2015: TL 67,175).

The net amount of tangible and intangible assets sold during the six months period ended 30 June 2016 amounts to TL 159,185 (30 June 2015: TL 2,545).

NOTE 12 - CUSTOMER DEPOSITS

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

	30 June 2016			31 December 2015		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	12,105,943	68,820,925	80,926,868	11,275,748	67,455,714	78,731,462
Commercial deposits	11,556,770	40,682,880	52,239,650	9,864,791	43,581,000	53,445,791
Funds deposited under repurchase agreements	-	27,068,601	27,068,601	-	24,169,208	24,169,208
Bank deposits	420,940	11,442,428	11,863,368	256,697	12,661,189	12,917,886
Other	1,342,989	4,451,006	5,793,995	1,028,244	3,347,435	4,375,679
	25,426,642	**152,465,840**	**177,892,482**	**22,425,480**	**151,214,546**	**173,640,026**

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

	30 June 2016	31 December 2015
Interbank money market deposits	**1,702,193**	**80,031**
Domestic banks		
- TL	442,871	286,556
- Foreign currency	435,163	520,324
Foreign institutions	18,138,753	19,133,648
Funds borrowed	**19,016,787**	**19,940,528**

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 2016, Akbank has three outstanding syndicated loan facilities.

The first outstanding syndicated loan facility comprising of two tranches amounting to EUR 873,1 million and USD 260,8 million with maturities of 367 days with a cost of EURIBOR/LIBOR +0,75% was signed on 13 August 2015. The second outstanding 3-year facility signed on 9 July 2015 raised USD 335 million with LIBOR+1,85%

Third outstanding facility was signed on 18 March 2016 comprising of two tranches amounting to EUR 783,5 million and USD 370,4 million with a maturity of 367 days and with a cost of LIBOR+0,85% and EURIBOR+75% respectively.

Debt securities in issue

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

The balances amounting to USD (000) 5,944,582 and EUR (000) 330,246 consist of securitization deals and other currencies TL (000) 133,936 consist of RON, CZK and HUF denominated securities issued by the Group. The repayment schedule of the total foreign currency denominated notes in issue is as follows:

	30 June 2016				
	USD (000)	TL	EUR (000)	TL	Other TL
2016	236,600	675,728	21,199	67,324	33,785
2017	1,080,236	3,085,155	63,715	202,346	3,229
2018	989,685	2,826,540	75,064	238,388	53,576
2019	499,086	1,425,390	93,307	296,324	43,346
2020	966,852	2,761,329	45,794	145,433	-
2021	433,652	1,238,510	23,053	73,212	-
2022	456,487	1,303,727	313	994	-
2023	66,062	188,673	301	956	-
2024	780,150	2,228,108	289	918	-
2025	370,974	1,059,502	278	883	-
2026	39,512	112,846	267	848	-
2027	20,524	58,617	256	813	-
2028	4,762	13,600	246	781	-
2029	-	-	6,164	19,576	-
Total	**5,944,582**	**16,977,725**	**330,246**	**1,048,796**	**133,936**

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

	31 December 2015				
	USD (000)	TL	EUR (000)	TL	Other TL
2016	620,933	1,788,288	50,520	158,747	44,573
2017	751,749	2,165,036	63,708	200,183	35,515
2018	995,023	2,865,667	63,693	200,136	52,110
2019	301,974	869,684	47,846	150,342	42,472
2020	747,277	2,152,158	332	1,043	-
2021	53,713	154,693	319	1,002	-
2022	404,224	1,164,165	307	965	-
2023	28,490	82,051	295	927	-
2024	735,720	2,118,874	283	889	-
2025	325,773	938,226	272	855	-
2026	11,000	31,680	261	820	-
2027	11,000	31,680	251	789	-
2028	-	-	241	757	-
2029	-	-	6,043	18,988	-
Total	**4,986,876**	**14,362,202**	**234,371**	**736,443**	**174,670**

As of 30 June 2016, the outstanding TL denominated bonds with the maturity of up to 3 months are TL 937,393, with the maturity of 4 months are TL 1,661,532, with the maturity of 6 months are TL 47,880, with the maturity of 2 years are TL 286,366, and with the maturity of over 5 years are TL 1,050,709.

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

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS

	30 June 2016	31 December 2015
Balance sheet obligations for:		
- Reserve for employment termination benefits	124,063	124,027
- Accrual for unused vacation	74,306	68,879
	198,369	**192,906**

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 2016.

(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.

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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

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

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

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

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

With respect to that, according to the technical balance sheet report as at 31 December 2015 prepared considering the related articles of the New Law regarding the transferrable benefit obligations for the non-transferrable social benefits and payments which are included in the articles of association, the Fund has no technical or actual deficit which requires a provision. Since the 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.

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

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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 Bank and its subsidiaries operated in Turkey are 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, dies or who retires.

The amount payable consists of one month's salary limited to a maximum of TL 4.092,53 (in full TL amount) (31 December 2015: TL 3.828,37 (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 2015: TL 4,000,000) and consists of 400,000,000,000 (31 December 2015: 400,000,000,000) authorized shares with a nominal value of Kr 1 each.

At 30 June 2016 and 31 December 2015, the issued and fully paid-in share capital held is as follows:

	30 June 2016		31 December 2015	
	Share (%)	TL	Share (%)	TL
Total Sabancı Group, affiliated companies and family	48.88	1,954,225	48.88	1,954,225
Other	51.12	2,045,775	51.12	2,045,775
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**

For the interim period ending 30 June 2016, the Parent Bank has paid dividend in cash with respect to 2015 net distributable profit after the transfer of first and legal reserves amounting to TL 600,000 (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 2016	1 January- 30 June 2015
Fee and commission income on:		
Credit cards	762,745	707,825
Retail and commercial banking operations	296,967	289,617
Mutual fund management fee	32,968	34,023
Brokerage	54,064	46,262
Non-cash loans	98,359	85,420
Insurance intermediary	110,166	103,724
Money transfers	103,047	79,765
Other	84,965	77,183
	1,543,281	**1,423,819**
Fee and commission expense on:		
Credit cards	(205,090)	(183,622)
Other	(44,172)	(38,408)
	(249,262)	**(222,030)**
Net fee and commission income	**1,294,019**	**1,201,789**

NOTE 17 - OPERATING EXPENSES

	1 January- 30 June 2016	1 January- 30 June 2015
Employee costs	873,712	841,042
Credit card and banking services	170,791	261,224
Legal expenses	70,390	65,562
Depreciation charges of property, plant and equipment	65,016	74,049
Computer maintenance and support expenses	122,795	98,372
Communication expenses	69,290	67,334
Marketing and advertisement expenses	54,927	53,639
Saving deposits insurance fund	86,377	93,252
Sundry taxes and duties	94,168	94,576
Heating, lighting and water expenses	23,455	22,510
Repair and maintenance expenses	11,413	10,878
Amortization of other intangible assets	40,485	39,451
Stationery expenses	10,180	6,287
Operating lease expenses	89,406	86,526
Other (*)	509,314	484,208
	2,291,719	**2,298,910**

(*) 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 62,669 (30 June 2015: TL 126,109).

(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 2016 and 31 December 2015 is as follows:

	30 June 2016					
	USD	EUR	GBP	Other	TL	Total
Derivatives held for trading:						
Currency forward transactions	1,723,501	3,627,589	55,881	3,089	3,049,657	8,459,717
Swap transactions	55,071,151	13,637,666	1,408,273	1,055,937	25,478,368	96,651,395
- Currency rate swaps	30,105,437	7,385,317	1,408,273	1,055,937	23,814,268	63,769,232
- Interest rate swaps	24,965,714	6,252,349	-	-	1,664,100	32,882,163
Spot transactions	2,770,171	359,782	47,819	1,363,546	627,356	5,168,674
Option transaction	28,404,232	4,147,337	93,793	20,300	5,462,243	38,127,905
Future transactions	-	-	-	-	-	-
Other derivatives instruments	5,750,145	409,719	-	34,068	132,725	6,326,657
Derivatives held for hedging						
Swap transactions	9,946,391	23,788	-	7,090	-	9,977,269
- Interest rate swaps	7,008,623	23,788	-	-	-	7,032,411
- Currency rate swaps	2,937,768	-	-	7,090	-	2,944,858
Total purchases	**103,665,591**	**22,205,881**	**1,605,766**	**2,484,030**	**34,750,349**	**164,711,617**
Derivatives held for trading:						
Currency forward transactions	3,929,798	1,507,058	57,403	1,663	3,043,290	8,539,212
Swap transactions	50,321,821	19,782,036	73,239	12,042	20,361,192	90,550,330
- Currency rate swaps	25,356,107	13,529,687	73,239	12,042	18,697,092	57,668,167
- Interest rate swaps	24,965,714	6,252,349	-	-	1,664,100	32,882,163
Spot transactions	2,280,625	539,523	23,994	47,604	2,297,146	5,188,892
Option transaction	28,350,959	3,768,979	95,225	20,299	6,092,281	38,327,743
Future transactions	-	-	-	-	-	-
Other Derivatives Instruments	4,349,448	330,324	-	5,266,729	190,120	10,136,621
Derivatives held for hedging						
Swap transactions	7,008,623	30,992	-	-	2,721,662	9,761,277
- Interest rate swaps	7,008,623	23,788	-	-	-	7,032,411
- Currency rate swaps	-	7,204	-	-	2,721,662	2,728,866
Total sales	**96,241,274**	**25,958,912**	**249,861**	**5,348,337**	**34,705,691**	**162,504,075**
Off-balance sheet net national position (Note 5)	**7,424,317**	**(3,753,031)**	**1,355,905**	**(2,864,307)**	**44,658**	**2,207,542**

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

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

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

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 2016 and 31 December 2015:

	30 June 2016			31 December 2015		
	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	1,396,059	11,353,601	12,749,660	795,856	11,067,323	11,863,179
- Foreign currency	682,815	10,228,104	10,910,919	667,487	10,020,598	10,688,085
Acceptance credits						
- Turkish lira	-	-	-	-	-	-
- Foreign currency	3,229,705	11,469	3,241,174	920,299	12,931	933,230
Letter of credit						
- Turkish lira	396	-	396	396	-	396
- Foreign currency	3,157,244	1,492,303	4,649,547	3,828,236	1,530,504	5,358,740
Other guarantees						
- Turkish lira	46,296	1,899,278	1,945,574	52,773	1,846,606	1,899,379
- Foreign currency	1,436,976	295,494	1,732,470	1,524,823	88,888	1,613,711
	9,949,491	**25,280,249**	**35,229,740**	**7,789,870**	**24,566,850**	**32,356,720**

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

NOTE 19 - MUTUAL FUNDS

As at 30 June 2016, the Group is the founder of 44 mutual funds (31 December 2015: 43 mutual funds) with an unaudited total fund value of TL 3,550,685 (31 December 2015: TL 3,283,444). 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

AS per IAS 24, the disclosures required by paragraph 18 shall be made separately for each of the following categories:

(a) the parent;
(b) entities with joint control, or significant influence over, the entity;
(c) subsidiaries;
(d) associates;
(e) joint ventures in which the entity is a joint venturer;
(f) key management personnel of the entity or its parent; and
(g) other related parties

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

Balances with related parties:

	30 June 2016	**31 December 2015**
Loans and receivables, net	3,800,196	3,421,775
Finance lease receivables	85,554	97,992
Total Assets	**3,885,750**	**3,519,767**
Customer Deposits	8,873,549	8,663,832
Total Liabilities	**8,873,549**	**8,663,832**
Credit related commitments	1,444,397	1,447,302
Commitment under derivative instruments (*)	3,437,828	3,501,482
Total Commitments and Contingent Liabilities	**4,882,225**	**4,948,784**

Transactions with related parties:

	30 June 2016	**30 June 2015**
Total interest income	160,525	103,822
Total interest expense	394,339	279,714
Trading (losses)/gains	4,677	(827)

(*) 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 2016	31 December 2015
Customer Deposits	968,197	926,599
Total due to customers	**968,197**	**926,599**

Key management personnel compensation:

For the period ended 30 June 2016, total remuneration of the senior management and Board of Directors amounted to TL 23,683 (30 June 2015: TL 21,656).

As at 30 June 2016 and 2015, 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 2016 and 31 December 2015 and the income statements for the six-month periods ended 30 June 2016 and 2015 are as follows:

	30 June 2016				
	Retail and Private Banking	Corporate Banking Commercial Banking SME Banking	Treasury	Other and Unallocated	Total Activities
Segment information regarding the balance sheet:					
Segment assets	53,928,616	125,675,131	72,070,043	4,822,605	256,496,395
Equity securities					59,077
Unallocated assets					6,923,672
Total assets					**263,479,144**
Segment liabilities	97,046,733	51,497,681	72,199,246	4,187,570	224,931,230
Unallocated liabilities					7,417,062
Equity					31,130,852
Total liabilities and equity					**263,479,144**
Segment information regarding the income statement:					
Segment revenue	1,990,524	2,515,064	432,118	477,516	5,415,223
Segment result	886,497	1,869,671	348,153	19,183	3,123,504
Dividend income				2,599	2,599
Income taxes				(615,861)	(615,861)
Profit for the year				**(594,079)**	**2,510,242**
Other segment items					
Capital expenditure	-	-	-	52,150	52,150
Depreciation and amortization	(15,491)	(11,242)	(29)	(79,969)	(106,731)
Other non-cash expenses	(279,529)	(336,267)	(192,322)	(405,965)	(1,214,083)

(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 2015				
	Retail and Private Banking	**Corporate Banking Commercial Banking SME Banking**	**Treasury**	**Other and Unallocated**	**Total Activities**
Segment information regarding the balance sheet:					
Segment assets	48,825,508	117,363,170	74,539,137	4,599,381	245,327,196
Equity securities					132,717
Unallocated assets					5,052,713
Total assets					**250,512,626**
Segment liabilities	94,088,794	53,347,056	64,179,646	3,421,422	215,036,918
Unallocated liabilities					6,872,179
Equity					28,603,529
Total liabilities and equity					**250,512,626**
Segment information regarding the income statement: (*)					
Segment revenue	1,463,708	1,350,366	720,467	835,294	4,258,190
Segment result	143,405	1,422,506	472,278	(78,909)	1,959,280
Dividend income				2,264	2,264
Income taxes				(404,896)	(404,896)
Profit for the year	**143,405**	**1,422,506**	**472,278**	**(481,541)**	**1,556,648**
Other segment items					
Capital expenditure	-	-	-	67,175	67,175
Depreciation and amortization	(20,897)	(13,998)	(282)	(79,567)	(114,744)
Other non-cash expenses	(502,261)	(248,225)	(149,064)	(432,655)	(1,332,205)

(*) 30 June 2015 amounts are used for income statement accounts.

NOTE 22 - SUBSEQUENT EVENTS

None.