Akbank AG
Frankfurt am Main

Short form report
Financial Statements and Management Report
December 31, 2010
Translation of the German Report

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ernst & Young

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Audit Opinion

We have audited the annual financial statements, comprising the balance sheet, income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Akbank AG, Frankfurt am Main, Germany, for the fiscal year from January 1, 2010 to December 31, 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Bank's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Bank's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, April 4, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

signed	signed
Binder	Stier
Wirtschaftsprüfer	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

Balance Sheet as of December 31, 2010 of Akbank AG, Frankfurt am Main

Assets

	EUR	EUR	31.12.2009 KEUR
1. Cash reserve			
a) Cash on hand	1.042,87		2
b) Balances at central banks	18.487.311,79		12.449
thereof: at Deutsche Bundesbank		18.488.354,66	12.451
EUR 18.487.311,79			
2. Loans and advances to banks			
a) Payable on demand	2.486.870,66		2.132
b) Other loans and advances	107.061.007,45		126.851
		109.547.878,11	128.983
3. Loans and advances to customers		722.619.125,36	908.618
thereof: secured by			
property charges EUR 0,00			
Municipal loans EUR 0,00			
4. Debentures and other fixed-interest securities			
Bonds and debentures			
aa) from public sector	2.181.150,68		2.181
thereof: eligible as collateral at Deutsche Bundesbank			
EUR 0,00			
ab) from other issuers	170.747.221,62		122.395
thereof: eligible as collateral at Deutsche Bundesbank		172.928.372,30	124.576
EUR 170.747.221,62			
5. Intangible assets		32.972,50	25
6. Property and equipment		141.203,88	161
7. Other assets		2.266.577,06	368
8. Prepaid expenses		317.097,08	209
9. Deferred tax assets		1.326.400,00	0
Total Assets		1.027.667.980,95	1.175.391

Liabilities & Shareholder's Equity

	EUR	EUR	EUR	31.12.2009 KEUR
1. Liabilities to banks				
a) Payable on demand		8.137.826,93		2.587
b) with an agreed term or period of notice		202.814.779,69		233.257
			210.952.606,62	235.844
2. Liabilities to customers				
a) Savings deposits				
aa) with an agreed period of notice of three months		0,00		2
b) Other liabilities				
ba) payable on demand	17.471.771,69			20838
bb) with an agreed term or period of notice	553.404.481,42	570.876.253,11		678.621
			570.876.253,11	699.461
3. Other liabilities			249.459,70	6.330
4. Deferred income			2.761.116,34	3.567
5. Provisions				
a) Tax provisions		8.836.271,00		3.333
b) Other provisions		787.877,99		498
			9.624.148,99	3.831
				0
6. Subordinated liabilities			2.110.177,78	2.110
7. Shareholder's equity				
a) Subscribed capital		50.000.000,00		50.000
b) Capital reserve		150.519.907,93		150.520
c) Profit available for distribution		30.574.310,48		23.728
			231.094.218,41	224.248
Total Liabilities and Shareholders' Equity			1.027.667.980,95	1.175.391

	EUR	EUR	EUR
1. Contingent liabilities			
Liabilities from guarantees and warranty agreements		5.724.491,41	4.813
2. Other obligations			
Irrevocable loan commitments		44.057.334,95	36.959

Income Statement for Akbank AG, Frankfurt am Main
for the Period from January 1 to December 31, 2010

	EUR	EUR	EUR	31.12.2009 KEUR
1. Interest income from				
a) Lending and money market business	30.806.342,18			30.359
b) Fixed-interest securities and government-inscribed debt	5.488.320,80			4.554
		36.294.662,98		34.913
2. Interest expenses		16.282.913,13		24.051
			20.011.749,85	10.862
3. Commission income		1.344.904,46		2.243
4. Commission expenses		293.032,51		314
			1.051.871,95	1.929
5. Net income or net expenses from financial transactions			0,00	18
6. Other operating income			9.726,43	113
7. General and administrative expenses				
a) Personnel expenses				
aa) wages and salaries	1.982.851,02			1.744
ab) social security and other pension costs	262.564,70	2.245.415,72		258
thereof: for old age pensions EUR 26.967,16 (previous year: KEUR 23)				
b) Other administrative expenses		2.189.242,39		1.601
			4.434.658,11	3.603
8. Write-downs and adjustments to intangible assets and property, plant and equipment			58.870,58	59
9. Income from write-ups on loans and advances and certain securities and from the reversal of provisions for possible loan losses			25.496.872,08	17.409
10. Result from ordinary activities			42.076.691,62	26.669,00
11. Income taxes				
a) Tax expenses		12.827.378,88		
b) Income from capitalization of deferred taxes		1.326.400,00	11.500.978,88	6.711
12. Other taxes			1.402,26	10
			11.502.381,14	6.721
13. Net result for the year			30.574.310,48	19.948
14. Transfer from revenue reserves - from other revenue reserves			0,00	3.780
15. Profit available for distribution			30.574.310,48	23.728

NOTES TO THE FINANCIAL STATEMENTS FOR THE BUSINESS YEAR FROM 1 JANUARY TO 31 DECEMBER 2010

1. General information

The sole shareholder of Akbank AG, Frankfurt on Main, is Akbank N.V., Amsterdam, Netherlands. The sole shareholder of Akbank N.V. is Akbank T.A.S., Istanbul, Turkey.

The Bank is a member of the deposit insurance fund of Bundesverband deutscher Banken e.V. Furthermore, it is a member of Bundesverband deutscher Banken e.V., Bankenverband Hessen e.V., Verband der Auslandsbanken in Deutschland e.V., Prüfungsverband deutscher Banken e.V. and Vereinigung für Bankbetriebsorganisation e.V.

The financial statements of Akbank AG were prepared according to the regulations of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), and in 2010 for the first time in compliance with the new provisions of the German Accounting Law Modernisation Act (BilMoG). Due to the fact that the effects were insignificant, the previous-year figures were not adjusted in line with the provisions of the BilMoG. The financial statements were also prepared in accordance with the Bank Accounting Directive (RechKredV).

2. Accounting, valuation and conversion methods

For the financial statements as of 31 December 2010, the general valuation regulations of Sec. 252 et seq. HGB and the supplementary regulations for credit institutions of Sec. 340 et seq. HGB have to be applied.

The cash reserve, the loans and advances to banks and the loans and advances to customers are disclosed at acquisition cost or the lower nominal value plus accrued interest.

Individual allowances, general loan loss allowances and country risk allowances on loans and advances to banks and loans and advances to customers are deducted directly from these loans and advances.

a) Individual allowances are recognised based on the occurrence of defined criteria in consideration of existing collateral.
b) General loan loss allowances are computed on the basis of historical default data.

c) Loans to borrowers domiciled in countries with lower credit ratings are subject to country risks. These include all risks from lending transactions which arise from the economic, social or political environment of a specific country. Country risks comprise country-specific economic risks, sovereign default risks, transfer risks, risks that arise from financial crises, legal risks and socio-political risks.

At the balance sheet date, the method for calculating the country risk provisions according to the draft letter from the Federal Finance Minister (IV C6 – S2174-/0) of 2009 was applied, as in the previous year. The recommendations of the Federal Central Office for Taxes (Bundeszentralamt für Steuern) were taken into consideration. Country risk allowances are always set up if a borrower is subject to a country risk and no defined collateral is in place. Transactions are allocated to a specific country risk in accordance with the risk domicile principle, i.e., the allocation is made according to the borrower's country of domicile. If the transfer risk according to the parent country principle (parent company's domicile) is more favourable than according to the country of domicile principle and if a joint liability of the parent company exists, the allocation is made to the parent country. If a risk liability or any other collateral has been provided from a third country where the transfer risk is more favourable than under the country of domicile principle, the procedure adopted follows the parent country principle.

The rates used by the Bank to account for Turkey's country risk have always been at most the lowest value of the range recommended by the Federal Central Office for Taxes in agreement with the fiscal authorities. In comparison with the previous year, the rates used for the country risk allowance are as follows:

	2009		**2010**	
	Recommendation by the Federal Central Office for Taxes %	Bank's rate %	Recommendation by the Federal Central Office for Taxes %	Bank's rate %
Turkey	20-30%	13.33%	10-20%	10%
Russia	20-30%	30%	10-20%	20%
Romania	20-30%	30%	20-30%	30%
Saudi-Arabia	0-10%	10%		

Bonds and debentures recognised under current assets are valued according to the strict lower of cost or market principle.

Bonds and debentures recognised under fixed assets are recognised at acquisition cost. The difference between higher acquisition cost and the nominal value is allocated pro rata temporis over the remaining term of the bonds.

The intangible assets and the property and equipment are valued at acquisition cost, reduced by amortisation and depreciation. In the event of permanent impairments of value, write-downs to the lower net realisable value are made. Low-value assets are written off in the acquisition year. According to Sec. 6 (2a) EStG (German Income Tax Act) all fixed asset items with acquisition costs of between EUR 150 and EUR 1,000 are posted to an annual collective item and written down over five years using the straight-line method.

The remaining assets were valued according to the strict lower of cost or market principle.

If there are differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income for commercial purposes and their tax base which are expected to reverse in subsequent business years, the resulting tax relief is recognised in the balance sheet as deferred tax assets. A resulting tax burden is recognised by the Bank in the balance sheet as deferred tax liabilities. When calculating deferred tax assets, tax loss carryforwards must be taken into account in the amount of the net loss expected in the next five years. The Bank does not have any such loss carryforwards at present.
The amounts of the resulting tax burden and tax relief are valued using the Bank-specific tax rates at the time of reducing the differences and are not discounted. The disclosed items must be reversed as soon as the tax burden or tax relief arises or ceases to be expected. The expense or income from the change in recognised deferred taxes is disclosed separately in the income statement under the item “Taxes on income.”

The liabilities are recognised at the settlement amounts plus accrued interest.

Other provisions take into account all discernible risks and uncertain obligations as well as impending losses from pending transactions and are recognised at the settlement value deemed necessary according to prudent business judgment.

Interest accruals for receivables and liabilities are allocated to the corresponding balance sheet items.

Foreign currency receivables and liabilities (including deferred interest) contained in the individual items are valued at the applicable reference rates of the European Central Bank (ECB) as of 31 December 2010.

Foreign exchange swap transactions are also valued using the reference rates of the ECB as of 31 December 2010. Unrealised gains from foreign exchange swap transactions for which special cover exists according to Sec. 340 h HGB are recognised under other assets.

The forward rates are split into spot rate and swap rate and these two elements are accounted for separately when determining results. The concluded swap amounts are released pro rata temporis. Changes in the spot rates are determined in the currency translation by comparing the forward rates with the spot rate on the balance sheet date. Positive and negative spot rate differences within the same currency are netted.

Open forward transactions are valued at market prices. Unrealised losses deriving from the difference between forward and market prices are disclosed in other liabilities.

3. Notes to the balance sheet and income statement

BALANCE SHEET

Preliminary remarks

The individual balance sheet items containing foreign currency items and receivables from and payables to affiliated companies are presented in a separate section below.

Cash reserve

At the balance sheet date, the Bank held cash reserves of EUR 18,488k (previous year: EUR 12,451k). Thereof, EUR 18,487k (previous year: EUR 12,449k) was attributable to the balance with Deutsche Bundesbank and EUR 1k (previous year: EUR 2k) to euro cash assets.

Loans and advances to banks

Loans and advances to banks, subdivided according to remaining terms, are composed as follows:

	31.12.2010 EUR k	31.12.2009 EUR k
Payable on demand	2,487	2,132
Remaining term to maturity		
- up to three months	24,540	20,734
- from three months to one year	82,521	106,117
	109,548	128,983

No country risk allowance was recognised on loans and advances to banks (previous year: EUR 2,568k).

Loans and advances to customers

Loans and advances to customers, subdivided according to remaining terms, are composed as follows:

	31.12.2010 EUR k	31.12.2009 EUR k
Payable on demand	6,535	7,549
Remaining term to maturity		
- up to three months	204,390	202,293
- from three months to one year	97,531	289,983
- from one year to five years	412,297	376,200
- more than five years	1,866	32,593
	722,619	908,618

The individual allowances at the balance sheet date are EUR 49k (previous year: EUR 74k).

In order to cover the latent default risk, a general loan loss allowance of EUR 6k (previous year: EUR 6k) is in place.

The country risk allowance on loans and advances to customers amounts to EUR 32,915k (previous year: EUR 55,829k).

For securing loans and advances to customers of EUR 15,052k (previous year: EUR 61,467k), customer deposits of EUR 16,938k (previous year: EUR 61,521k) had been pledged at the balance sheet date.

Debentures and other fixed-interest securities

All debentures and other fixed-interest securities (book value EUR 172,928k; previous year: EUR 124,576k) were listed on a stock exchange at the balance sheet date.
They were allocated in the amount of EUR 2,181k (previous year: EUR 2,181k) to the liquidity reserve and in the amount of EUR 170,747k (previous year: EUR 122,395k) to the financial investments. The development of the financial investments is presented in the “Development of fixed assets” (appendix I to the notes).

Hidden reserves exist in the amount of EUR 3,672k (previous year: EUR 4,250k), hidden charges in the amount of EUR 66k (previous year: EUR 10k). The Bank did not write down the market values since the lower market values were not due to credit-related impairment, but rather simply to normal market volatility.

In business year 2011, debentures and other fixed-interest securities of EUR 28,234k (previous year: EUR 0k) fell due.

Intangible assets

During the year under review, the portfolio included intangible assets (standard software) of EUR 33k (previous year: EUR 25k). During the 2010 business year, as in the previous year, no write-downs had to be made.

The development of intangible assets is presented in the “Development of fixed assets” (appendix I to the notes).

Property and equipment

The classification of property and equipment of EUR 141k (previous year: EUR 161k) at the balance sheet date is presented in the "Development of fixed assets." During the 2010 business year, as in the previous year, no write-downs had to be made.
The development of property and equipment is presented in the "Development of fixed assets" (appendix I to the notes).

Other assets

Other assets of EUR 2,267k (previous year: EUR 368k) relate to swap receivables of EUR 2,043k from hedging of foreign currency receivables (contained in various balance sheet items) and receivables from the fiscal authorities from input VAT refund claims of EUR 224k (previous year: EUR 368k).

Prepaid expenses

Of the prepaid expenses of EUR 317k (previous year: EUR 209k), EUR 236k (previous year: EUR 110k) was recognised for deferred up-front commissions from the loan business.

Deferred tax assets

Deferred taxes of EUR 1,326k serve to offset the additional tax burden arising from the temporary difference of EUR 4,155k between the tax base and the commercial balance sheet. The difference results from higher carrying amounts of fixed assets in the tax base compared with the commercial balance sheet of EUR 3,850k and from lower provisions in the tax base compared with the commercial balance sheet of EUR 305k.
The balance sheet item deferred tax assets was recognised for the first time in the reporting year and relates to adjustments to additional tax expenses from previous years of EUR 24k and adjustments to additional tax expenses recognised in the reporting year of EUR 1,302k.
Deferred tax assets are calculated on the basis of the tax rate applicable to the Bank as of the balance sheet date of 31.9%.

Liabilities to banks

Subdivided according to the remaining terms, the liabilities to banks are composed as follows:

	31.12.2010 EUR k	31.12.2009 EUR k
Payable on demand	8,138	2,587
Remaining term to maturity		
- up to three months	201,695	41,507
- from three months to one year	1,120	191,750
	210,953	235,844

Liabilities to customers

Liabilities to customers, subdivided according to remaining terms, are composed as follows:

	31.12.2010 EUR k	31.12.2009 EUR k
Saving deposits		
- with statutory notice period	0	2
Other liabilities		
Payable on demand	17,472	20,838
Remaining term to maturity		
- up to three months	277,652	278,482
- from three months to one year	214,566	321,066
- from one year to five years	48,500	63,851
- more than five years	12,686	15,222
	570,876	699,459
	570,876	699,461

Other liabilities

Other liabilities mainly relate to liabilities from source tax on interest including the solidarity surcharge of EUR 72k (previous year: EUR 28k), forward transactions of EUR 64k (previous year: EUR 76k), salary and church taxes of EUR 31k (previous year: EUR 27k) and accounts payable and other payables of EUR 82k (previous year: EUR 627k). The previous-year balance sheet item additionally includes swap liabilities of EUR 5,572k from the hedging of foreign currency receivables (contained in various balance sheet items).

Deferred income

The deferred income of EUR 2,761k (previous year: EUR 3,567k) was recognised exclusively for deferred up-front commissions from the loan business.

Provisions

Tax provisions of EUR 8,836k (previous year: EUR 3,333k) are for corporate income tax and trade tax.

The other provisions are composed of the following:

	31.12.2010 EUR k	31.12.2009 EUR k
Personnel costs	230	0
Audit and tax consultant costs	155	177
Chamber of Commerce and Industry	132	0
Outstanding invoices	90	95
Outstanding holiday	78	91
Off-balance sheet credit risk	75	89
Payables from rental agreements	0	20
Others	28	27
	788	499

Subordinated liabilities

At the balance sheet date, subordinated liabilities according to Sec. 10 (5a) KWG (German Banking Act) existed in the amount of EUR 2,000k (previous year: EUR 2,000k) plus deferred interest in the amount of EUR 110k (previous year: EUR 110k). The loan which matures on 5 March 2012 was raised by a domestic non-profit organisation at an interest rate of 6.70% p.a. The interest expense during the year under review was EUR 134k (previous year: EUR 134k). Neither party may cancel the loan, unless the Federal Financial Supervisory Authority (BaFin) does not recognise the funds provided under this contract as liable equity or a fiscal change occurs which would result in additional payments on the part of the borrower. A premature reacquisition or other form of repayment must be granted to the borrower irrespective of agreements to the contrary, unless the capital has been replaced by payment of other, at least equivalent liable equity or the BaFin has agreed to the premature repayment.

Subscribed capital, capital reserve and profit available for distribution

The capital stock is EUR 50,000,000 and subdivided into 50,000,000 no-par value shares. The shares are bearer shares.

The capital reserve is unchanged compared with the previous year at EUR 150,519,907.93.

The profit available for distribution of EUR 23,728,452.93 for business year 2009 was paid out in full in accordance with the shareholder resolution dated 18 May 2010.

The net result for the year 2010 is EUR 30,574,310.48.

This is subject to a distribution restriction in the amount of the deferred tax assets of EUR 1,326,400.00 pursuant to Sec. 268 (8) HGB.

The Company's Management Board proposes to carry forward the profit available for distribution of EUR 30,574,310.48 to new account.

Country risk allowances

The total country risk provisions are contained in the following balance sheet items:

	31.12.2010 EUR k	31.12.2009 EUR k
Loans and advances to banks	0	2,568
Loans and advances to customers	32,915	55,829
Other provisions	74	89
	32,989	58,486

Foreign currency assets and liabilities

The foreign currencies, converted into euro, are included the following individual balance sheet items:

	31.12.2010 EUR k	31.12.2009 EUR k
Gross loans and advances to banks	20,614	31,095
Gross loans and advances to customers	422,032	596,389
Foreign currency assets	442,646	627,484
Liabilities to banks	22,474	22,196
Liabilities to customers	16,978	62,221
Other liabilities	0	560
Deferred income	0	494
Foreign currency liabilities	39,452	85,471
Balance	403,194	542,013

The euro equivalent of the assets in foreign currency amounts to EUR 442,646k (previous year: EUR 627,484k), the euro equivalent of the liabilities amounts to EUR 39,452k (previous year: EUR 85,471k)

The foreign currency position value as at the balance sheet date of EUR 403,194k (previous year: EUR 542,013k) is hedged through foreign currency transactions of EUR 403,009k (previous year: EUR 542,274k).

Loans and advances and liabilities to affiliated companies

At the balance sheet date, the following receivables and liabilities to affiliated companies existed:

	31.12.2010 EUR k	31.12.2009 EUR k
Loans and advances to banks		
- payable on demand	20	9
- other loans and advances	0	1,116
Loans and advances to customers	5,728	4,967
Loans and advances to affiliated companies	5,748	6,092
Liabilities to banks		
- payable on demand	6,031	596
- with an agreed term or period of notice	23	15,065
Other liabilities to customers	490	680
Liabilities to affiliated companies	6,544	16,341
Balance	-796	-10,249

Contingent liabilities

Contingent liabilities comprise guarantees and documentary credits of EUR 5,724k (previous year: EUR 4,813k – exclusively guarantees), of which EUR 677k (previous year: EUR 340k) was to affiliated companies.

Irrevocable loan commitments

On the balance sheet date irrevocable loan commitments existed in the amount of EUR 44,057k (previous year: EUR 36,959k)

Restraints on disposal

The liabilities to Deutsche Bundesbank are secured by pledged assets with a book value including deferred interest of EUR 307,911k (previous year: EUR 256,992k).

INCOME STATEMENT

Interest income and interest expenses from lending and money market business as well as commission income and expenses largely result from business relations with customers and credit institutions in Germany and Turkey.

Other operating income amounts to EUR 10k (previous year: EUR 112k). It mainly resulted from the reversal of provisions by EUR 4k (previous year: EUR 75k).

The income from write-ups on loans and advances and certain securities and from the reversal of provisions for possible loan losses of EUR 25,497k (previous year: EUR 17,409k) is composed of the reversal of the country risk allowance on loans and advances of EUR 25,483k (previous year: EUR 15,664k) and the reversal of the provisions for off-balance sheet credit risk of EUR 14k. The previous-year amount also included income of EUR 1,745k from the write-up of debentures held in the liquidity reserve.

Total remuneration of the auditors of the financial statements

The total fees charged in business year 2010 by the auditors amounted to EUR 159k (previous year: EUR 158k), divided into fees for audit services of EUR 139k (previous year: EUR 153k, of which EUR 24k related to the preceding year), fees for audit-related services of EUR 15k (previous year: EUR 5k) and fees for tax services of EUR 5k (previous year: EUR 0k).

Taxes on income

Taxes on income of EUR 12,827k (previous year: EUR 6,711k) relate to corporate income tax of EUR 5,348k (previous year: EUR 2,470k) and trade tax of EUR 7,479k (previous year: EUR 4,241k).
The Bank made use of its option and recognised deferred tax assets for the first time. The total amount of EUR 1,326k relates to adjustments to additional tax expenses from previous years of EUR 24k and the adjustment of the additional tax expense posted in the reporting year of EUR 1,302k.

4. Other information

Other financial obligations

The other financial obligations essentially concern future contractually agreed upon rent payments for the Bank's office premises in Frankfurt on Main. The rent payments until 2013 will total EUR 1,275k (previous year: EUR 1,794k).

Derivatives

On the balance sheet date, there were open currency swaps in the nominal amount of EUR 400,053k (previous year: EUR 539,845k) and forward transactions of EUR 2,956k (previous year: EUR 2,429k). Both serve exclusively to cover currency risks. As of the balance sheet date, the fair value of the currency swaps was EUR 400,158k (previous year: EUR 540,126k) and the forward transactions EUR 2,956k (previous year: EUR 2,354k).

As of the balance sheet date, there was a currency swap with an affiliated company (with Akbank NV) of EUR 3,742k (previous year: EUR 0k), with a maturity of less than one year and a credit equivalent amount of EUR 75k. As in the previous year, there were no forward transactions with affiliated companies.

For the purpose of hedging the general interest rate risk, interest rate swaps in the nominal amount of EUR 99,054k (previous year: EUR 117,580k) were concluded until July 2015 at the latest, including interest swaps in USD of USD 12,231k (previous year: USD 10,764k). At 31 December 2010, there was a negative present value (excluding deferred interest) of EUR 3,754k (previous year: EUR 4,561k).

The credit equivalent amounts of interest rate swaps with Akbank T.A.S. break down according to remaining terms as follows:

	31.12.2010 EUR k	31.12.2009 EUR k
up to one year	1	6
from one year to two years	0	8
	1	14

Employees

The Bank had an average of 21 employees in 2010 (previous year: 21) (both including the Management Board).

Corporate bodies

During the past business year, the Management Board was composed of the following members:

- Mr. Karl-Friedrich Rieger, Bad Vilbel, in charge of corporate and correspondent banking, money and foreign exchange trading, and data processing (from 28 May 2010)
- Mr. Bülent Menemenci, Frankfurt am Main, responsible for risk management, lending business, payment transactions, documentary transactions, accounting, data processing (until 27 May 2010) and internal audit

The Bank is jointly represented by two board members.

The Supervisory Board consisted of three members and was composed of the following persons during the past business year:

- Mr. Bülent Adanir, Chairman; Member of the Executive Board of Akbank T.A.S., Istanbul, Turkey
- Ms. Kamile Banu Özcan, Deputy Chairwoman, Senior Executive of Akbank N.V., Amsterdam, Netherlands
- Mr. Salih Tuncer Mutlucan, Senior Executive of Akbank N.V., Amsterdam, Netherlands, until 27 May 2010
- Mr. Cem Mengi, Senior Executive of Akbank T.A.S., Istanbul, Turkey, from 15 July 2010 to 31 January 2011.

There are plans to elect Mr. Alper Yüksel as a new member of the Supervisory Board at an extraordinary shareholder meeting in April 2011.

Remuneration of corporate bodies

The Management Board received total remuneration of EUR 315k (previous year: EUR 365k) during the business year.
No compensation was paid to the Supervisory Board.

Relations with affiliated companies

Akbank N.V., Amsterdam, Netherlands, was Akbank AG's sole shareholder at the reporting date. Akbank N .V. is a wholly owned subsidiary of Akbank T.A.S., Istanbul.

As of 31 December 2010, Akbank T.A.S.'s shareholders and the percentage of their shares were: Haci Ömer Sabanci Holding A.S., Istanbul, and its subsidiaries 44.45%, the Sabanci family 6.71%, the Citibank Overseas Investment Corporation 20.00% and free float 28.84%.

Haci Ömer Sabanci Holding A.S., Istanbul, and all its subsidiaries are considered to be the company's affiliated companies.

During the reporting period business relations were maintained with various affiliated companies. All transactions were concluded on arm's length terms and conditions.

Consolidated financial statements

The financial statements of Akbank AG are included both in the consolidated financial statements of Akbank N.V., Amsterdam, Akbank T.A.S., Istanbul, and in the consolidated financial statements of Haci Ömer Sabanci Holding A.S., Istanbul. The consolidated financial statements of Akbank N.V., Amsterdam, can be viewed on the website www.akbanknv.com, the consolidated financial statements of Akbank T.A.S. on the website www.akbank.com, and the consolidated financial statements of Haci Ömer Sabanci Holding A.S. on the website www.sabanci.com.

Frankfurt am Main, 25 March 2011

The Management Board

Karl-Friedrich Rieger　　　　Bülent Menemenci

Akbank AG
Development of fixed assets in business year 2010

	At cost			
	01.01.2010 EUR	Additions EUR	Retirements EUR	31.12.2010 EUR
A. Property and equipment				
1. Leasehold improvements	83.704,93	0,00	0,00	83.704,93
2. IT equipment	138.580,39	7.153,22	42.867,70	102.865,91
3. Office furniture and equipment	410.411,29	2.858,40	52.308,33	360.961,36
Total	632.696,61	10.011,62	95.176,03	547.532,20
B. Intangible Assets				
Standard software	425.248,16	34.783,70	156.279,84	303.752,02
C. Financial Assets				
Bonds and debentures	124.999.701,45	51.031.136,64	0,00	176.030.838,09
Total amount	126.057.646,22	51.075.931,96	251.455,87	176.882.122,31

	Accumulated amortisation, depreciation and write-downs			
	01.01.2010 EUR	Additions EUR	Retirements EUR	31.12.2010 EUR
A. Property and equipment				
1. Leasehold improvements	13.436,38	8.369,80	0,00	21.806,18
2. IT equipment	130.180,41	6.228,17	42.867,70	93.540,88
3. Office furniture and equipment	328.359,32	14.930,27	52.308,33	290.981,26
Total	471.976,11	29.528,24	95.176,03	406.328,32
B. Intangible Assets				
Standard software	399.724,79	27.334,57	156.279,84	270.779,52
C. Financial Assets				
Bonds and debentures	2.604.893,20	2.678.723,27	0,00	5.283.616,47
Total amount	3.476.594,10	2.735.586,08	251.455,87	5.960.724,31

	Net book value	
	31.12.2009 EUR	31.12.2010 EUR
A. Property and equipment		
1. Leasehold improvements	70.268,55	61.898,75
2. IT equipment	8.399,98	9.325,03
3. Office furniture and equipment	82.051,97	69.980,10
Total	160.720,50	141.203,88
B. Intangible Assets		
Standard software	25.523,37	32.972,50
C. Financial Assets		
Bonds and debentures	122.394.808,25	170.747.221,62
Total amount	122.581.052,12	170.921.398,00

Management Report for Business Year 2010

PRELIMINARY REMARKS

2010 was a successful business year from the perspective of Akbank AG, even if the lending and deposit business declined slightly. Although the balance sheet total fell by almost 13% from EUR 1.2b to EUR 1.0b, this was primarily due to declining loan business at the end of 2010. By contrast, the average balance sheet total for 2010 as a whole was EUR 1.1b, up some EUR 0.1b year on year. Profit after tax increased from EUR 19.9m to EUR 30.6m.

At the same time, the Bank can report, as for previous years, that there were no loan losses in 2010.

THE OWNERS OF THE BANK

Akbank AG is wholly owned by Akbank N.V, Amsterdam, which is a 100%-owned subsidiary of Akbank T.A.S., Istanbul.
As of 31 December 2010, the latter bank was held by Haci Ömer Sabanci Holding A.S., Istanbul, and its subsidiaries (44.45%), the Sabanci family (6.71%), City Bank Overseas Investment Corporation (20%) and in free float (28.84%).

THE CORE BUSINESS

Akbank AG focuses on traditional corporate banking with reputable and international companies. The following corporate groups are among its preferred target customers:

- Turkish companies (including factoring companies) with good credit standing
- Subsidiaries of internationally active groups in Turkey
- Subsidiaries and/or branches of Turkish companies in Germany and Central Europe of a certain size
- Companies which have regular business dealings with Turkey (import/export)
- Companies and banks with unquestioned credit standing in selected countries (including emerging markets)

At the end of 2010, customers in Turkey made up around 44% (previous year: 57%) and customers in Germany around 20% (previous year: 17%) of the Bank's customer loan volume. Additional major loan commitments relate to the Netherlands, Russia, the USA and France.

THE ECOMOMIC ENVIRONMENT

Worldwide financial and economic crisis

The financial packages and economic programs introduced worldwide in 2009 helped to mitigate the recession of 2009 and laid the foundations for the upturn in 2010 in many parts of the world. Central banks are supporting the upswing with cheap and mostly short-term refinancing options for banks.

Global economic growth reached around 4% in 2010 according to the World Bank.

Economic growth in industrial nations in 2010 was mainly driven by emerging and developing countries in Asia, but also in Latin America and Africa/the Middle East. They will also be the growth drivers of the global economy in 2011. Industrial nations, however, will see much slower growth.

Global market interest rates already rose slightly in the course of 2010. They are expected to climb significantly in 2011.

Inflation will also rise tangibly in many countries in 2011 and the problems besetting the financial sectors of several industrial nations have not been permanently resolved.

According to estimations by international organisations, the world economy will grow by around 3% in 2011.

Because Akbank AG’s main activities take place in Turkey, Germany and the neighbouring regions, economic development in these regions is of particular interest.

Economic conditions in Turkey

After the end of the financial and economic crisis in 2009, the Turkish economy – as reported by the OECD – experienced an increase in its gross domestic product from a minus of 4.8% in 2009 to a plus of 8.2% in 2010. Due to the increase in exports, rising consumer demand and a greater influx of foreign investments, an increase in gross domestic product of around 5.3% is expected for 2011.

The economic upturn in the main customer countries in 2010 particularly benefited the construction of machines and vehicles and the chemical, textile and steel industries. Domestic consumer demand climbed by 6.3%.

The inflation rate is still at a high level in comparison to EU countries. As reported by the Turkish Central Bank, it was 6.4% in 2010 (previous year: 6.5%). It is expected to fall to 5.5% in 2011.

At the end of 2010, the unemployment rate was 11.0%, and thus well below the previous year's figure of 13.1%. The Turkish Government expects unemployment to rise again in 2011 to 12.0%.

In 2010, Turkish exports reached USD 114b. Compared with the previous year’s result of USD 102b, this is an increase of 11.5%. In the same period, imports rose by 31.6% to USD 185b, from USD 141b in 2009. The trade balance deficit widened from USD 39 billion in 2009 to USD 71b in 2010.

Germany, with its share of 10.1% in 2010 (previous year: 9.6%), was again Turkey’s most important export market. Among the supplier countries, Germany, with a share of 9.5% in 2010 (previous year: 10.0%), was again in 2nd place behind Russia with 11.6% (previous year: 14.0%), closely followed by China with 9.3% (previous year: 9.0%).

According to the Turkish Central Bank, the Turkish current account deficit increased to USD 49b in 2010. In the previous year, it was still at USD 14b.

The Turkish government and the OECD expect the positive trend of 2010 to continue in 2011, although at a slightly slower rate. Rising demand in the most important export markets is expected to continue stimulating the economy. In the medium and long term, the outlook for diversified, internationally competitive industries continues to be good and the mood is positive. Rating agencies improved their country ratings for Turkey in 2010 from stable to positive. At the end of 2010, the country ratings were as follows: S&P BB (positive), Moody’s Ba2 (positive) and Fitch BB+ (positive).

Economic development in Germany

The export-driven German economy performed well in 2010 with the recovery of the world economy. Price-adjusted gross domestic product rose by 3.6% year on year in 2010. This compares with a decrease of 4.7% in 2009, due to the financial and economic crisis.
The Federal Government in its annual economic report expects a slight increase in gross domestic product by 2.3% for 2011.

The international economic recovery led to a sharp rise in foreign trade for Germany in 2010. Imports went up by 13.0% (previous year: -9.4%) and exports by 14.2% (previous year: -14.3%)

Price-adjusted gross fixed asset investment increased by 5.5% in 2010 (previous year: -10.1%).

Price-adjusted private consumer demand was 0.5% higher than in the previous year (change in 2009: -0.2%).

For 2011, the Federal Government expects an increase in imports of 6.4% and in exports (particularly exports to the Asian region) of 6.5%. Gross fixed asset investment is expected to increase by just 3.8%.

Private consumption is expected to increase by 1.6%.

Despite the economic recovery in 2010, unemployment only fell slightly to 7.7%, from 8.2% in 2009. A further reduction to 7.3% is expected for 2011.

The inflation rate was very low in 2010 at 1.2%. Deutsche Bundesbank anticipates an increase to 1.7% for 2011.

Deutsche Bundesbank expects an average three-month Euribor for 2011 of 1.4%, compared with 0.8% in 2010.

Economic development in other European countries

For Akbank AG, furthermore, the development of the euro area is important, but also the economic development in Russia.

After a sharp decline of 4.1% in economic output in the euro area in 2009, 2010 saw average growth of 1.8%, according to the IMF. The development of individual countries is very heterogeneous. The IMF expects a growth rate of 1.5% in 2011.

According to the German federal government's Committee on Eastern European Economic Relations, Russia achieved growth of 4% in gross domestic product in 2010. A 4.6% increase is expected in 2011.

EARNINGS, FINANCIAL AND ASSET SITUATION OF AKBANK AG

EARNINGS

Business performance:

For the 2010 business year, the Bank generated a net result of EUR 30.574m. This is EUR 10.626m higher than the net result for 2009 of EUR 19.948m.

Earnings performance:

The <u>net interest income</u> of EUR 20.0m in 2010 almost doubled compared with the previous year (EUR 10.9m). Approximately 85% (previous year: 87%) of the interest income results from lending and money market business, while approximately 15% (previous year: 13%) is due to bond interest.

Due to the Bank's business model, <u>net commission income</u> only plays a subordinate role and amounts to EUR 1.1m (previous year: EUR 1.9m).

Development of expenses:

The <u>general and administrative expenses</u> of EUR 4.4m are EUR 0.8m over the previous year's figure of EUR 3.6m. Personnel expenses of EUR 2.2m increased by EUR 0.2m against the previous year to EUR 2.0m due to bonus payments. At the same time, other administrative expenses increased by EUR 0.6m from EUR 1.6m to EUR 2.2m. The higher expenses were primarily attributable to contributions to deposit protection (EUR 0.2m), audit fees (EUR 0.1m), IT expenses (EUR 0.1m) and contributions (EUR 0.1m).

Depreciation, amortisation and write-downs of office furniture and equipment and intangible assets amounted to less than EUR 0.1m, as in the previous year, as most of the fixed assets have already been written off.

In business year 2010, there was income from write-ups on loans and advances and certain securities and from reversals of provisions for possible loan losses in the amount of EUR 25.5m (previous year: EUR 17.4m).
This income relates entirely to the reversal of country risk allowances (previous year: EUR 15.7m). In 2009, additional income of EUR 1.7m was posted from the write-up of bonds held in the liquidity reserve.

As a result of the Bank’s unchanged conservative business policy, fortunately again no loan losses occurred during the year under review. Due to a lower country risk allowance range for Turkey and Russia, the country risk allowance had to be reduced. There were also reductions in the country risk allowance in particular for Romania and Kazakhstan, whereas the allowance for Jordan increased. When determining the country risk allowance, the Bank always follows the ranges set annually by the Federal Central Office for Taxes determined according to a draft letter from the Federal Finance Minister. In view of the parent company’s proximity to the Turkish market, the lowest value in the range is chosen as an upper limit for loans to Turkey.

FINANCIAL SITUATION

During the year under review, Akbank AG's solvency was ensured at all times. The minimum reserve obligations vis-à-vis the Deutsche Bundesbank were also maintained as well as the principles of liquidity in accordance with the German Liquidity Regulation (LiqV).

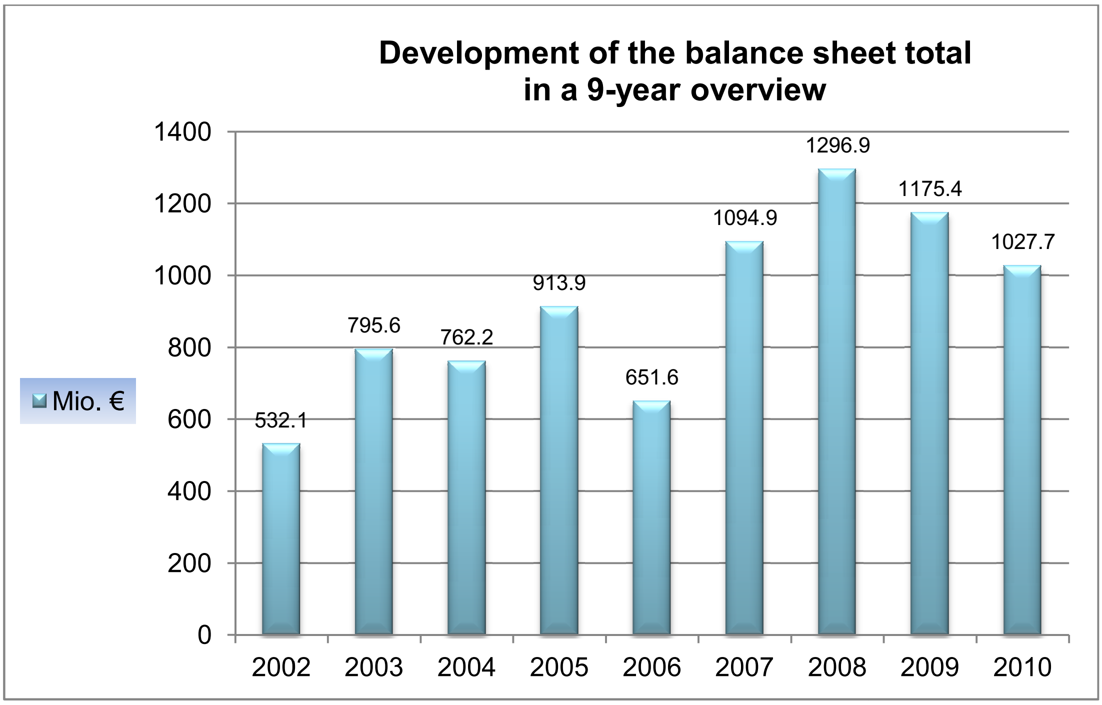
Akbank AG is a member of the deposit insurance fund of Bundesverband Deutscher Banken e.V., Cologne, through which liabilities to non-banks are secured up to a deposit amount of 30% of the liable equity according to § 6 of the statutes of the deposit insurance fund. This membership, which guarantees customers high security for their investment, has always enabled the Bank to increase the portfolio of customer deposits in the short term and to adjust liquidity to the respective refinancing requirements without delay.

The average regulatory liquidity ratio according to the Liquidity Regulation was 1.29 (previous year: 1.59) and thus well above the regulatory minimum of 1.

ASSETS

As of 31 December 2010, the balance sheet total amounted to EUR 1.028b, which is around EUR 147m lower than in the previous year (EUR 1.175b). This was due to the slight decline in loans and advances to customers as of 31 December 2010.

The development of the balance sheet total for the years 2002 to 2010 can be presented as follows:



[2002-2005 AKBANK T.A.S. Branch in Germany; from 2006 AKBANK AG]

Cash reserve and loans and advances to banks decreased from EUR 141.4m in 2009 to EUR 128.0m in 2010. This amount includes receivables from Deutsche Bundesbank of EUR 18.5m (previous year: EUR 22.4m).

The loans and advances to customers decreased during the same period from EUR 908.6m to EUR 722.6m. They account for 70.3% of the balance sheet total (previous year: 77.3%).

From the portfolio of debentures and other fixed-interest securities of EUR 172.9m (previous year: EUR 124.6m), EUR 2.2m (previous year: EUR 2.2m) are part of the Bank's liquidity reserve and EUR 170.7m (previous year: EUR 122.4m) are part of the investment portfolio, which is pledged for refinancing purposes to the Deutsche Bundesbank.

The intangible assets and property and equipment were largely reduced due to amortisation and depreciation from EUR 186.2k in 2009 to EUR 174.2k in the year under review.

Other assets of EUR 2.3m include receivables from foreign exchange hedging transactions of EUR 2.1m and tax receivables of EUR 0.2m. The previous-year figure only included tax receivables of EUR 0.4m.

The Bank recognised deferred tax assets for the first time. The amount recognised of EUR 1.3m largely offsets the additional tax expense of the current year arising from the difference between the tax base and the commercial balance sheet.

At the balance sheet date, liabilities to banks were EUR 211.0m (previous year: EUR 235.8m) or 20.5% (previous year: 20.1%) of the balance sheet total. This amount contains EUR 180.0m (previous year: EUR 190.0m) in refinancing amounts from Deutsche Bundesbank.

Liabilities to customers amount to EUR 507.9m (previous year: EUR 699.5m). This corresponds to 55.6% (previous year: 59.6%) of the balance sheet total. The Bank's main customers are municipalities, social insurance carriers, public authorities and companies.

Other liabilities, deferred income and provisions fell by EUR 1.1m from EUR 13.7m in 2009 to EUR 12.6m in 2010. The decrease was primarily caused by the EUR 5.6m reduction in foreign exchange hedging transactions and the EUR 0.8m reversal of deferred income. At the same time, tax provisions increased by EUR 5.5m due to the increased net income for 2010.

Subordinated liabilities of EUR 2.1m are unchanged compared with the previous year.

The shareholder's equity was increased at the balance sheet date by the net income for 2010 of EUR 30.6m and reduced by the dividend paid for 2010 of EUR 23.7m, bringing the total from EUR 224.2m in 2009 to EUR 231.1m at the balance sheet date 2010.

The capital stock is held 100% by AKBANK N.V., Amsterdam, which in turn is a wholly owned subsidiary of Akbank T.A.S., Istanbul.

The contingent liabilities amount to EUR 5.7m (previous year: EUR 4.8m) and result from guarantees, warranty agreements and documentary credits.

The amount of irrevocable loan commitments during the year under review increased from EUR 37.0m to EUR 44.1m.

KEY FINANCIAL RATIOS

When determining the key financial ratios, profit after tax is calculated excluding the effect from the reversal of the country risk allowance.

Ratios	**2010**	**2009**
Average shareholder's equity ratio	19.02%	23.06%
Profit after tax as a percentage of average shareholder's equity (ROAE)	6.06%	4.14%
Profit after tax as a percentage of the average total assets (ROAA)	1.15%	0.95%
Cost-income ratio - CIR	21.32%	28.34%

The solvency ratio, which describes the ratio of the liable equity (according to Sec. 10 (2) KWG (German Banking Act)) of the Bank to its risk-weighted assets, may not fall below 8%.
The Bank comfortably exceeded this minimum at all times during the year under review. The average overall ratio according to Sec. 2 (6) SolvV (German Solvency Regulation) was 18.80% (previous year: 23.85%).

OVERALL ASSESSMENT OF THE EARNINGS, FINANCIAL AND ASSET SITUATION

The Bank's earnings situation developed positively and, thanks to the conservative risk policy, is unburdened by loan losses, as in previous years.
The Bank always has sufficient liquidity reserves. The degree of maturity transformation and the associated risks are comparatively low. The financial and liquidity situation meets all regulatory and company requirements in full.
The Bank's high shareholder's equity ratio is suitable for offsetting potential risks and is a stable basis for further asset growth.

SUBSEQUENT EVENTS

After the balance sheet date, no major events and developments of special significance occurred that have not already been mentioned in this management report.

RISKS

The overall bank management of Akbank AG focuses on achieving growth and value enhancement with risks that are controlled at all times. All strategic and operative measures are subject to careful evaluation in terms of opportunities and risks. At regular intervals, these are re-evaluated, taking into consideration the current market and corporate development, as well as regulatory conditions. Targets set by shareholders and the requirements and regulations of the banking supervisory authorities and the deposit insurance fund are also taken into consideration here.

Risk-bearing capacity, risk limits and risk parameters

Akbank AG's business model, the main content of which is the financing of major corporate customers, essentially poses the risk of loan losses, which could have negative effects on the Bank's assets, earnings and liquidity position. This type of potential loss must be constantly covered by sufficient capital resources.

The overall risk of the Bank results from the sum of individual decisions and transactions subject to risk. Therefore, from an economic as well as regulatory point of view based on the overall risk profile, the Bank must ensure that the principal risks are constantly covered by the risk coverage potential.

The overall risk profile and the risk inventory are shown in the risk manual. The risk-bearing capacity is determined and monitored under the ICAAP (Internal Capital Adequacy Assessment Process).

Based on the risk-bearing capacity, the different types of risks are assigned limits. These serve to mitigate risks to prevent them from exceeding the volume of the existing risk coverage capital. At the same time, the sum of all risks may not exceed the risk coverage in relation to the sum of all limits.

The relevant limits and parameters for monitoring and managing the risks as well as the control mechanisms in respect of their compliance are defined in the risk strategy.

Counterparty default risks

The counterparty default risks of Akbank AG mainly relate to the individual borrower risks, the country risk and the industry risk.

For the purpose of assessing **individual borrower risks**, the focus is first and foremost on those risks that could negatively impact on the income statement due to receivables or parts of receivables becoming uncollectible as a result of solvency deterioration.

Another key control feature for borrower risks is the focus on the potential risk of a lack of diversification in the portfolio structure (cluster risk) and in terms of size classes.

Country and industry risks are controlled in line with the diversification and limitation criteria for individual borrower risks.

Measures for avoiding counterparty default risks

Counterparty default risks are handled in accordance with the principles of diversification, limitation and maturity. Credit lines are established for each borrower or borrower group under an analysis and approval process. Akbank AG’s borrowers are categorised into different risk groups by means of an internal rating system taking into account the analysis results. Loan default scenarios are evaluated for both individual and aggregate risks using internal analyses and measuring instruments.

Limits based on default probabilities, borrower group concentrations, industries and credit terms are applied as further quantitative control elements.

Diversification and, if necessary, an appropriate collateralisation of the loan commitments are additional qualitative instruments for risk limitation.

The Bank uses suitable computer-aided control systems for administering, monitoring and verifying credit risks.

When reviewing and monitoring risks and for reporting (e.g., reports on the classification of borrowers in accordance with different criteria such as rating, country or industry), external sources of information are also used.

Functional segregation of corporate client marketing (front office) and credit risk management (back office), including risk control is in place at all levels right through to the Management Board.

In evaluating counterparty default risks, country limits are also established using risk analyses and are monitored.

The need for general loan loss allowances for latent credit risks is determined once yearly, taking into account fiscal authority specifications and on the basis of the loan loss history; however, based on low losses in the past, these allowances are low in terms of their amount.

The Bank has addressed risks from loans to borrowers in countries with comparatively high country risk (e.g., in Turkey or Russia) by recognising general country risk allowances.

In 2010, the loan volume to these countries shrank by EUR 90.7m overall compared to the previous year. In addition, the bad debt allowance rate accepted for tax purposes for Turkey declined from 13.33% in 2009 to 10% in 2010 and for Russia from 30% to 20% in the same period. Hence the volume of country risk allowances fell from EUR 58.4m overall in the previous year to EUR 32.9m. The country risk allowance volume for Turkey decreased to EUR 23.3m as of the balance sheet date (previous year: EUR 39.5m).

For Turkey's country risk, the Bank uses at most the lowest value of the range approved for tax purposes to assess the country risk allowance rate for Turkey, since Akbank AG, as an indirect subsidiary of Akbank T.A.S., Istanbul, one of the leading banks in Turkey, is in a position to recognise developments in the Turkish market and looming crises early, and, if necessary, can take timely countermeasures.

In its risk inventory, the Bank has identified further risk types and sub-risks as material or of relevance. These risks and the measures for avoiding and managing them are presented below.

Market price risks

Market price risks are the two sub-risks: currency risks and write-down risks arising from interest rate changes.

Due to the large proportion of total loans accounted for by loan receivables in foreign currency, **currency risks** are promptly hedged and are thus limited to a small number of open positions (primarily interest receivables in foreign currencies) resulting from foreign currency loans. These loans are hedged using currency swaps against the euro, such that open positions remain within the scope of currency positions intended for non-trading-book institutions. Other than minor interest receivables in foreign currencies, no open positions are held with regard to foreign currencies.

By means of this procedure, the market risks are limited to an amount which is insignificant in proportion to the Company's capital. A residual risk results exclusively from the fact that it may not be possible to find suitable hedging partners for small transactions. Nevertheless – for the purpose of exploiting market opportunities – there is the option of entering into market price risks to a limited extent and within the framework of predefined parameters.

Write-down risks arising from interest rate changes play a subordinate role, since Akbank AG's securities portfolio is largely maintained for investment purposes and is consequently allocated to fixed assets.

Interest rate fluctuation risks (interest rate spread risks)

Interest rate risks in relation to loan assets and the securities portfolio can be avoided or limited mainly through refinancing with mostly matching maturities on the liabilities side or interest rate hedging instruments. The remaining interest rate risk is monitored continuously and may not exceed certain internal risk parameters stipulated by the Management Board and Supervisory Board.

Interest rate risk in the banking book is tested by an internal model (stress test) against spontaneous changes of plus/minus 200 bps (interest rate shocks). Even in the event of an interest rate shock stress case such as this, the market value of shareholder's equity must not change by more than plus/minus 3%. In addition, the daily difference between the average interest terms of assets and liabilities is limited to 90 days. To ensure this, open interest positions are hedged regularly.

Concentration risks

In addition to the Banking Act rules limiting large exposures and loans to affiliated companies (Secs. 13-15, 19 (2) KWG) as well as the requirements of the Solvency Regulation, which specifies limits for various types of borrowers, criteria and, through limitation and parameterisation, significance limits for risk concentration in terms of industry and country risks are set under the ICAAP and models and procedures (Herfindahl index) for the assessment of concentration risk are defined in terms of the risk-bearing capacity.

Liquidity risks

Liquidity risks are the sub-risks: short-term liquidity risks, refinancing risks and market liquidity risks

Akbank AG monitors liquidity risks and conformity with the liquidity ratio according to the Liquidity Regulation on a daily basis.

Liquidity management is primarily the responsibility of the treasury department. Daily liquidity management and monitoring of compliance with external and internal parameters is based on specially developed tools (such as the “Daily Financial Dealing Position” or the “Liquidity Position Report”).

The Bank is in a position to acquire high-volume customer deposits in the short term by using the services of various brokers who, in turn, negotiate cash investments on behalf of potential investors. This ensures adequate liquidity at all times.

Short-term liquidity requirements can also be covered via associated correspondent banks that have approved credit limits in favour of the Bank.

The part of the Bank’s loan and securities portfolio which meets the lending requirements of Deutsche Bundesbank and the ECB is used for the daily utilisation of funds of Deutsche Bundesbank or to participate in Deutsche Bundesbank’s open market transactions.

In an individual case, the portfolio of securities can also be used for covering short-term or unscheduled liquidity requirements through repo transactions with associated banks.

Additionally, there is the option of selling part of the securities portfolio, as well as of selling selected (as a rule syndicated) loans on the secondary market in order to cover any cash shortages.

As a precautionary measure, the Bank has prepared a contingency plan for cash shortages and monitors liquidity in part through the following parameters:

- The LiqV liquidity ratio may not fall below 1
- Net cash inflow/outflow ratio within six months should not be below 80%
- The ratio of cash reserves to total assets should not fall below 5%
- The daily difference between the average terms of assets and liabilities is limited to 180 days.

Based on the current business model the liquidity measurement and management process is deemed to be appropriate. Maturity transformation is used only to a limited extent.

Operational risks

Organisational and technical measures serve to avoid losses and/or to limit losses from all operational risks. For instance, organisational instructions, employee training, quality management as well as contingency plans that are documented in various internal guidelines and regularly updated, are part of efficient risk limitation.
The principle of dual control and the related separation of entry and release functions in IT systems is another important factor for the avoidance of operational risks.

In order to limit **operating risks**, backup systems for important hardware and software are in place. So that backups can be guaranteed in the event of software failures, Akbank AG has entered into suitable maintenance agreements with external IT support providers as well as with providers belonging to the Akbank Group. If needed, the Bank may request immediate assistance.

The Bank worked with the core banking system Flexcube by I-Flex in the year under review. The system operates on the servers of Akbank T.A.S., Istanbul, which provides support and maintenance for the core banking system.

Apart from the physical infrastructure (especially the hardware), the system architecture (e.g., multi-tier server structure, software) is of special significance to Akbank AG. As a rule, both have a redundant and/or modular structure in order to always ensure a high availability of all necessary systems and/or components. Within the scope of contingency planning for the IT segment, external service providers (e.g., Bank Verlag) and their services in an emergency are taken into consideration.
The availability of major IT systems, especially the core banking system Flexcube, was 99% on average during the period under review and during the previous year. In the event of total system failure and/or the premises of the Bank no longer being accessible, a service level agreement (SLA) has been made with a third company, which offers the use of their facilities and IT systems in an emergency.

The Management Board is responsible for ensuring that enough, sufficiently qualified staff are employed, such that during vacation times and in the event that several employees are unexpectedly absent, the Bank's business can be carried on without interruption.

With regard to personnel risks, the management looks for suitable professionals on the job market as needed and is in favour of hiring employees with several years of experience in banking.

The following table clearly indicates that nearly half of the employees have been working for the Bank for over five years, and thus key competencies are being maintained over an extended period.

Average length of service of our employees	**31.12.2010 Number of employees**	**31.12.2009 Number of employees**
0 to 2 years	7	4
2 to 5 years	7	6
5 to 8 years	2	2
Longer than 8 years	7	7
Total	**23**	**19**

To avoid or minimise **legal risks**, all legal transactions of the Bank must be concluded on the basis of unequivocal and properly documented agreements. If possible, the Bank uses standard form contracts for the banking industry (e.g., forms which are tested and recommended by Bank Verlag in Cologne). The Bank Verlag forms are continuously updated in accordance with the legal requirements and are available via web-based online systems. In the event that the use of externally acquired document templates is not appropriate, agreements of significant legal importance are reviewed by external attorneys. The responsible department head determines to what extent this is required (together with the Management Board if necessary).

Shortcomings, errors or other events occurring during business operations that could cause losses of any kind for the Bank are recorded in a loss database and notified to the Management Board on a regular basis.

The management of the abovementioned risks is continuously monitored by internal auditors. The risk management system is adjusted if required.

The following monitoring measures and safeguards are in place:

- Audits by internal audit (outsourced)
- Contingency planning and emergency office
- System and process documentation (e.g., loan policy)
- Backup systems in IT
- Job descriptions/deputy arrangements
- Loss database

Business risks

Business risks encompass the risks from unexpected losses through a variation of income or expense figures from the target figures.

On the basis of target figures (budget), the actual business performance of the Bank is monitored in monthly target-performance comparisons. Earnings and productivity management is the direct responsibility of the Management Board.

Continuous monitoring and control is also performed by means of daily balance sheets and daily income statements, as well as numerous other daily reports and evaluations, which are prepared by controlling and other respective operating departments and are submitted regularly to the Management Board of the Bank and, in individual cases, also to the Supervisory Board.

Strategic risks

Strategic risks are defined as risks which are related to previous and future decisions regarding the business model (business risks). Emphasis is put on aspects of the company planning, the competitive situation and the positioning of Akbank AG within the Akbank Group. Decisions regarding the business model are made by the Management Board with the approval of the Supervisory Board on the basis of appropriate analyses. The processing and preparation of such decisions is performed, depending on the nature of the decision, in the responsible departments, and if necessary also with the support of external consultants.

Stress tests

The Bank carries out the following stress tests for counterparty default risks, interest rate risks, concentration risks and liquidity risks:

- Default by the borrower group with the largest loan volume (credit and concentration risk)
- Lowering the risk classification of all countries by two levels (country and concentration risk)
- Lowering the risk classification of all borrower groups by two levels (credit and concentration risk)
- Change in the present value of the overall portfolio with a parallel shift in the term structure of interest rates by plus/minus 200 base points
- LCP (liquidity contingency plan) stress tests (liquidity risk): consideration of nine different scenarios with three levels of intensity (high, medium, low)
- Worst case stress test (liquidity risk): consideration of a scenario whereby all deposits are withdrawn upon maturity

The stress tests for liquidity risks are not taken into account in the risk-bearing capacity concept, as they cannot be reasonably limited by the risk coverage potential owing to their particular nature (AT 4.1 No. 4 MaRisk (Minimum Requirements for Risk Management)). With this in mind, the Bank considers the stress tests for liquidity risks from the perspective of liquidity contingency planning.

Risk assessment

Based on a conservative business policy and due to conscientious implementation of our lending principles, stringent compliance with internal risk parameters, proactive and prudent risk management and the stable economic situation in our main market of Turkey, we did not record any loan losses in 2010, as in previous years. The same applies for credit risks as well as other risks relevant to our business model. Overall, it can be said that there were no risks that could have put the continued existence of Akbank AG at risk in the reporting year.

FORECAST

Broad-based economic growth in Turkey is the fastest in Europe, as well as in the OECD countries. The Bank expects to be able to participate in this positive trend and anticipates increased demand for loans from many of its customers as a result. Nevertheless, it will continue to place a top priority on maintaining liquidity.
Since the loan portfolio for Turkish companies can only grow within the scope of the upper limits under the deposit insurance rules, it is not currently possible to give a binding forecast with regard to the composition of our loan portfolio. However, the Bank expects its application for an increase in the Turkish limit to be approved and therefore anticipates an increase in the Turkish loan portfolio of around 10% compared with the previous year, although the ratio of non-Turkish to Turkish loans will hardly change.

The Bank expects the general interest level to rise in the course of 2011. At the same time, it does not expect any significant change in the loan business margin.
Nevertheless, the Bank will continue under risk/reward aspects to focus on lending to customers with a credit rating of at least investment grade.

Furthermore, the portfolio of central bank eligible corporate bonds or promissory notes is to further increase so that they can be used in measures to secure and optimise liquidity (repo transactions).

At the start of the 2011 business year, the Bank took on another two employees in the loan department to boost its resources.

For the year 2011, Akbank AG expects the result from ordinary activities before country risk allowances and taxes to remain more or less on a par with the 2010 level.

For the year 2012, the Bank expects the business volume to increase by around 5% to 7% compared with 2011, with interest rates continuing to rise. From today's perspective, the operating result is unlikely to change significantly from 2011.

RELATIONSHIPS WITH AFFILIATED COMPANIES

According to Sec. 312 AktG (German Stock Corporation Act), the Management Board has prepared a report regarding the relationships with affiliated companies, which contains the following concluding statement:

"We hereby confirm that the Company, according to the circumstances known to us at the time legal transactions were performed or measures were taken or not taken, received a reasonable consideration for each legal transaction and was not disadvantaged by the measure that was or was not taken."

ACKNOWLEDGEMENT

The Management Board would like to take this opportunity to thank all employees for their extraordinary contribution. We are very proud of their technical and social skills, without which the Bank's success would not be possible.
We also would like to thank our Supervisory Board, who always supported and worked with us constructively during the year.

Frankfurt am Main, 25 March 2011

The Management Board

Engagement Terms, liability and conditions of use

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of these financial statements on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB ["Handelsgesetzbuch": German Commercial Code]) for statutory audits, the audit opinion is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the audit opinion is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement letter for the audit of these financial statements, the Special Engagement Terms for Assurance and Advisory Business of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (dated July 1, 2007) and the General Engagement Terms for "Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften" [German Public Auditors and Public Audit Firms] as issued by the Institute of Public Auditors in Germany ["Institut der Wirtschaftsprüfer": IDW] on January 1, 2002.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the audit opinion to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in the audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

[Translator's notes are in square brackets]

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – expecially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2)["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence.

The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgernent of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client

b) examination of tax assessments in relation to the taxes mentioned in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)

e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax

b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and

c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisities nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for ten years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.