Akbank AG
Frankfurt am Main

Short form report
Financial Statements and Management Report
December 31, 2011
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, 2011 to December 31, 2011. 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 18, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Balance Sheet as of December 31, 2011
of Akbank AG, Frankfurt am Main

ASSETS

		EUR	31.12.2011 EUR	31.12.2010 KEUR
1. Cash Reserve				
a) Cash on hand		1,852.23		1
b) Balances at central banks		16,534,497.08		18,488
thereof: at Deutsche Bundesbank			16,536,349.31	18,489
	EUR 16,534,497.08			
2. Loans and advances to banks				
a) Payable on demand		2,944,461.57		2,487
b) Other loans and advances		26,131,102.78		107,061
			29,075,564.35	109,548
3. Loans and advances to customers			985,898,579.46	722,619
thereof: secured by				
property charges	EUR 0.00			
Municipal loans	EUR 0.00			
4. Debentures and other fixed-interest securities				
Bonds and debentures				
a) from public sector		0.00		2,181
thereof: eligible as collateral at Deutsche Bundesbank				
	EUR 0.00			
b) from other issuers		314,098,120.50		170,747
thereof: eligible as collateral at Deutsche Bundesbank			314,098,120.50	172,928
	EUR 273,738,559.21			
5. Intangible assets			55,972.82	33
6. Property and equipment			227,184.35	141
7. Other assets			1,566,851.24	2,267
8. Prepaid expenses			258,022.31	317
9. Deferred taxes			79,900.00	1,326
		Total Assets	**1,347,796,544.34**	**1,027,668**

Balance Sheet as of December 31, 2011
of Akbank AG, Frankfurt am Main

LIABILITIES

	EUR	31.12.2011 EUR	31.12.2010 KEUR
1. Liabilities to banks			
a) Payable on demand	2,180,092.35		8,138
b) with an agreed term or period of notice	329,772,140.62		202,815
		331,952,232.97	210,953
2. Liabilities to customers			
Other liabilities			
a) Payable on demand	52,297,672.12		17,472
b) with an agreed term or period of notice	693,781,615.29		553,404
		746,079,287.41	570,876
3. Other liabilities		20,738,993.20	250
4. Deferred income		2,414,753.73	2,761
5. Provisions			
a) Tax provisions	277,246.40		8,836
b) Other provisions	1,034,230.24		788
		1,311,476.64	9,624
6. Subordinated liabilities		2,109,433.33	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) Revenue reserves			
Other revenue reserve	30,574,310.48		0
d) Profit available for distribution	12,096,148.65		30,574
		243,190,367.06	231,094
Total Liabilities and Shareholders' Equity		**1,347,796,544.34**	**1,027,668**

	EUR	KEUR
1. Contingent liabilities		
Liabilities from guarantees and warranty agreements	8,290,281.34	5,725
2. Other obligations		
Irrevocable loan commitments	54,402,595.09	44,057

Income Statement as of December 31, 2011
of Akbank AG, Frankfurt am Main

	EUR	EUR	31.12.2011 EUR	31.12.2010 KEUR
1. Interest income from				
a) Lending and money market business	32,456,950.53			30,807
b) Fixed-interest securities and government-inscribed debt	7,791,102.61			5,488
		40,248,053.14		36,295
2. Interest expenses		19,159,425.27		16,283
			21,088,627.87	20,012
3. Commission income		1,414,767.14		1,345
4. Commission expenses		414,724.37		293
			1,000,042.77	1,052
5. Other operating income			299,367.01	10
6. General and administrative expenses				
a) Personnel expenses				
aa) wages and salaries	2,217,890.46			1,983
ab) social security and other pension costs thereof: for old age pensions EUR 33.056,17 (previous year: KEUR 27)	318,353.00	2,536,243.46		263
b) Other administrative expenses		1,887,486.68		2,189
			4,423,730.14	4,435
7. Write-downs and adjustments to intangible assets and property, plant and equipment			42,347.23	59
8. Write-downs and allowances on loans and advances and certain securities and allocations to provisions for possible loan losses			2,001,228.86	0
9. Income from write-ups on loans and advances and certain securities and from the reversal of provisions for possible loan losses			0.00	25,497
10. Result from ordinary activities			15,920,731.42	42,077
11. Income taxes				
a) Tax expenses		2,577,252.77		12,827
b) Expenses from reversal of deferred taxes		1,246,500.00		0
c) Income from capitalization of deferred taxes		0.00	3,823,752.77	1,326
12. Other taxes			830.00	2
			3,824,582.77	11,503
13. Net result for the year			12,096,148.65	30,574
14. Profit carried forward			30,574,310.48	0
15. Transfer to reserves to other revenue reserve			30,574,310.48	0
16. Profit available for distribution			12,096,148.65	30,574

NOTES TO THE FINANCIAL STATEMENTS FOR THE BUSINESS YEAR FROM 1 JANUARY TO 31 DECEMBER 2011

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 since 2010 in compliance with the new regulations of the German Accounting Law Modernisation Act (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 2011, 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 lower 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 lower than under the country of domicile principle, the procedure adopted follows the parent country principle.

Receivables with an original maturity of less than one year are not taken into account as a parameter for the country risk allowances.

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:

	2011		**2010**	
	Recommendation by the Federal Central Office for Taxes %	Bank's rate %	Recommendation by the Federal Central Office for Taxes %	Bank's rate %
Turkey	10-20%	10%	10-20%	10%
Russia	20-30%	30%	10-20%	20%
Romania			20-30%	30%
United Arab Emirates	0-10%	10%		

Bonds and debentures recognised under fixed assets are recognised on the basis of the modified lower of cost or market principle. 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 expected loss of-setting 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 2011.

Foreign exchange swap transactions are also valued using the reference rates of the ECB as of 31 December 2011. Unrealised losses from foreign exchange swap transactions for which special cover exists according to Sec. 340 h HGB are recognised under other liabilities.

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.

The Bank manages the general interest rate risk in the banking book centrally as part of asset/liability management. For the purpose of valuation at net realisable value for interest rate risks in the banking book, it determines whether the overall value of the payment obligations, including future administrative expenses, is matched by sufficiently high claims to consideration, taking into account an adequate risk provision. If the total interest position in the banking book results in a net obligation, the principle of prudence under German commercial law is applied by recognising a provision in accordance with Sec. 249 (1) Sentence 1 No. 2 HGB (provision for potential losses). There was no need to recognise a provision for potential losses as of the balance sheet date.

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 reserves

At the balance sheet date, the Bank held cash reserves of EUR 16,536k (previous year: EUR 18,488k). Thereof, EUR 16,534k (previous year: EUR 18,487k) was attributable to the balance with Deutsche Bundesbank and EUR 2k (previous year: EUR 1k) to euro cash assets from petty cash.

Loans and advances to banks

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

	31.12.2011 EUR k	31.12.2010 EUR k
Payable on demand	2,945	2,487
Remaining term to maturity		
- up to three months	8,221	24,540
- from three months to one year	12,500	82,521
- from one year to five years	5,410	0
	29,076	109,548

The country risk allowance on loans and advances to customers amounts to EUR 2,318k (previous year: EUR 0k).

Loans and advances to customers

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

	31.12.2011 EUR k	31.12.2010 EUR k
Payable on demand	3,312	6,535
Remaining term to maturity		
- up to three months	260,815	204,390
- from three months to one year	465,082	97,531
- from one year to five years	256,690	412,297
- more than five years	0	1,866
	985,899	722,619

The individual allowances at the balance sheet date are EUR 49k (previous year: EUR 49k).
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 32,363k (previous year: EUR 32,915k).

For securing loans and advances to customers of EUR 61,230k (previous year: EUR 15,052k), customer deposits of EUR 61,364k (previous year: EUR 16,938k) had been pledged at the balance sheet date.

Debentures and other fixed-interest securities

All debentures and other fixed-interest securities (book value EUR 314,098k; previous year: EUR 172,928k) were listed on a stock exchange at the balance sheet date.
They were allocated in full to the fixed assets (previous year: EUR 170,747k). In 2010, an additional amount of EUR 2,181k was allocated to the liquidity reserve. 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 1,746k (previous year: EUR 3,672k), hidden charges in the amount of EUR 4,020k (previous year: EUR 66k). In view of the fact that the debentures were allocated to the fixed assets and the lower market values were not due to credit-related impairment, but rather simply to normal market volatility, the Bank did not write down the market values.

In business year 2012, debentures and other fixed-interest securities of EUR 48,623k (previous year: EUR 28,234k) fell due.

Intangible assets

During the year under review, the portfolio included intangible assets (standard software) of EUR 56k (previous year: EUR 33k). During the 2011 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 227k (previous year: EUR 141k) at the balance sheet date is presented in the “Development of fixed assets.” During the 2011 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 1,567k (previous year: EUR 2,267k) mainly relate to receivables from the fiscal authorities from corporate income tax, input VAT and interest refund claims of EUR 1,558k (previous year: EUR 224k). The previous-year amount additionally includes swap receivables of EUR 2,043k from the hedging of foreign currency receivables (contained in various balance sheet items).

Prepaid expenses

Of the prepaid expenses of EUR 258k (previous year: EUR 317k), EUR 169k (previous year: EUR 236k) was recognised for deferred up-front commissions from the loan business.

Deferred tax assets

Deferred taxes of EUR 80k (previous year: EUR 1,326k) serve to offset the additional tax burden arising from the temporary difference of EUR 249k (previous year: EUR 4,155k) between the tax base and the commercial balance sheet. The difference results from lower carrying amounts of fixed assets in the tax base compared with the commercial balance sheet of EUR 300k (previous year: higher carrying amounts of EUR 3,850k) and from lower provisions in the tax base compared with the commercial balance sheet of EUR 549k (previous year: EUR 305k).
The year-on-year decrease in the balance sheet item deferred tax assets of EUR 1,246k (previous year: increase of EUR 1,326k) relates in full to increases in the reduced tax expense recognised in the reporting year (previous year: increase of EUR 1,302k to reduce the additional tax expense recognised in 2010). In addition, in the previous year, adjustments to additional tax expenses of EUR 24k resulted in relation to the years up to and including 2009.
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:

	31.12.2011 EUR k	31.12.2010 EUR k
Payable on demand	2,180	8,138
Remaining term to maturity		
- up to three months	328,363	201,695
- from three months to one year	1,409	1,120
	331,952	210,953

Liabilities to customers

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

	31.12.2011 EUR k	31.12.2010 EUR k
Other liabilities		
Payable on demand	52,298	17,472
Remaining term to maturity		
- up to three months	321,633	277,652
- from three months to one year	323,624	214,566
- from one year to five years	40,000	48,500
- more than five years	8,524	12,686
	746,079	570,876

Other liabilities

Other liabilities mainly relate to swap liabilities of EUR 20,313k (previous year: EUR 0k) from the hedging of foreign currency receivables contained in various balance sheet items, liabilities from forward transactions of EUR 189k (previous year: EUR 64k), interest from tax liabilities of EUR 121k (previous year: EUR 25k), source tax on interest including the solidarity surcharge of EUR 51k (previous year: EUR 72k), salary and church taxes of EUR 32k (previous year: EUR 31k) and accounts payable and other payables of EUR 33k (previous year: EUR 57k).

Deferred income

The deferred income of EUR 2,415k (previous year: EUR 2,761k) was recognised exclusively for deferred up-front commissions from the loan business.

Provisions

Tax provisions at the balance sheet date of EUR 277k relate entirely to trade tax. The previous-year value of EUR 8,836k related to corporate income tax and trade tax.

The other provisions are composed of the following:

	31.12.2011 EUR k	31.12.2010 EUR k
Off-balance sheet credit risk (country risks)	309	75
Personnel costs	240	230
Audit and tax consultant costs	156	155
Outstanding invoices	150	90
Chamber of Commerce and Industry	97	132
Outstanding holiday	68	78
Other	14	28
	1,034	788

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 109k (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.

In accordance with the shareholder resolution dated 6 May 2011, the net retained profit for business year 2010 of EUR 30,574,310.48 was allocated in full to the other revenue reserves.

The net result for the year 2011 is EUR 12,096,148.65.

This is subject to a distribution restriction in the amount of the deferred tax assets of EUR 79,900.00 pursuant to Sec. 268 (8) HGB.

The Company’s Management Board proposes to allocate the profit available for distribution of EUR 12,096,148.65 to the other revenue reserve.

Country risk allowances

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

	31.12.2011 EUR k	31.12.2010 EUR k
Loans and advances to banks	2,318	0
Loans and advances to customers	32,363	32,915
Other provisions	309	75
	34,990	32,990

Foreign currency assets and liabilities

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

	31.12.2011 EUR k	31.12.2010 EUR k
Gross loans and advances to banks	8,440	20,614
Gross loans and advances to customers	558,929	422,032
Debt securities	16,596	0
Foreign currency assets	583,965	442,646
Liabilities to banks	112,508	22,474
Liabilities to customers	61,821	16,978
Foreign currency liabilities	174,329	39,452
Balance	409,636	403,194

The euro equivalent of the assets in foreign currency amounts to EUR 583,965k (previous year: EUR 442,646k), the euro equivalent of the liabilities amounts to EUR 174,329k (previous year: EUR 39,452k)

The foreign currency position value as at the balance sheet date of EUR 409,636k (previous year: EUR 403,194k) is hedged through foreign currency transactions of EUR 409,583k (previous year: EUR 403,009k).

Loans and advances and liabilities to affiliated companies

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

	31.12.2011 EUR k	31.12.2010 EUR k
Loans and advances to banks		
- payable on demand	30	20
Loans and advances to customers	34,440	5,728
Loans and advances to affiliated companies	34,470	5,748
Liabilities to banks		
- payable on demand	115	6,031
- with an agreed term or period of notice	79,328	23
Liabilities to customers	244	490
Other liabilities	8	0
Other provisions	87	0
Liabilities to affiliated companies	79,782	6,544
Balance	-45,312	-796

Contingent liabilities

Contingent liabilities comprise guarantees of EUR 8,290k (previous year: EUR 5,724k – guarantees and letters of credit), of which EUR 654k (previous year: EUR 677k) was to affiliated companies.

<u>Irrevocable loan commitments</u>

On the balance sheet date irrevocable loan commitments existed in the amount of EUR 54,403k (previous year: EUR 44,057k)

<u>Restraints on disposal</u>

The liabilities to Deutsche Bundesbank are secured by pledged assets with a book value including deferred interest of EUR 403,249k (previous year: EUR 307,911k).

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 299k (previous year: EUR 10k). It mainly resulted from the reversal of provisions by EUR 230k (previous year: EUR 4k).
Write-downs and allowances on receivables and certain securities as well as allocations to provisions for possible loan losses of EUR 2,001k comprise the allocation to the country risk allowance on loans and advances of EUR 1,766k and the allocation to the provision for off-balance sheet credit risk of EUR 235k.

The previous-year item 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 was composed of the reversal of the country risk allowance on loans and advances of EUR 25,483k and the reversal of the provisions for off-balance sheet credit risk of EUR 14k.

Total remuneration of the auditors of the financial statements

The total fees charged in business year 2011 by the auditors amounted to EUR 148k (previous year: EUR 151k), divided into fees for audit services of EUR 140k (previous year: EUR 132k) and fees for audit-related services of EUR 8k (previous year: EUR 14k). The previous-year figure also included fees for tax services of EUR 5k.

Taxes on income

Taxes on income of EUR 2,577k (previous year: EUR 12,827k) relate to corporate income tax of EUR 537k (previous year: EUR 5,348k) and trade tax of EUR 2,040k (previous year: EUR 7,479k).

The total amount of expenses from the reversal of deferred tax assets of EUR 1,246k relates to the adjustment of the reduced tax expenses recognised in the business year.
In the previous year, income from the recognition of deferred tax assets of EUR 1,326k was recognised, of which EUR 24k related to the adjustment of additional tax expense for previous years and EUR 1,302k to the adjustment of additional tax expense recognised in the reporting year.

4. Other disclosures

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 867k (previous year: EUR 1,275k).

Derivatives

At the balance sheet date, there were open currency swaps in the nominal amount of EUR 405,187k (previous year: EUR 400,053k) and forward transactions of EUR 4,396k (previous year: EUR 2,956k). Both serve exclusively to cover currency risks. At the balance sheet date, the fair value of the currency swaps was EUR 403,557k (previous year: EUR 400,158k) and the forward transactions EUR 4,385k (previous year: EUR 2,956k).

At the balance sheet date, there were no currency swaps with affiliated companies (previous year: EUR 3,742k). In the previous year, the maturity was less than one year and the credit equivalent amounted to EUR 75k.
At the balance sheet date, there was a forward transaction of EUR 246k (previous year: EUR 0k), with a maturity of less than one year and a credit equivalent of EUR 4k.

For the purpose of hedging the general interest rate risk, interest rate swaps in the nominal amount EUR 178,500k (previous year: EUR 99,054k) were concluded until July 2016 at the latest. The previous-year figure includes interest rate swaps in USD of USD 12,231k. At 31 December 2011, there was a negative present value (excluding deferred interest) of EUR 4,853k (previous year: EUR 3,754k).

At the balance sheet date, there were no interest rate swaps with affiliated companies. In the previous year, there was an interest rate swap with an affiliated company with a maturity of less than one year and a credit equivalent of EUR 1k.

<u>Employees</u>

The Bank had an average of 25 employees including the Management Board in 2011 (previous year: 21).

<u>Corporate bodies</u>

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 (until 21 March 2012)
- Mr. Bülent Menemenci, Frankfurt am Main, responsible for risk management, lending business, payment transactions, documentary transactions, accounting and internal audit

On 10 April 2012 the Supervisory Board appointed Ms. Kamile Banu Özcan as CEO of the Board of Directors.

The Bank is jointly represented by two board members.

According to the resolution of the shareholder meeting on 3 April 2012, the provisions concerning how the Bank is managed and the power of representation were amended as follows:

The Management Board comprises one or more members.

The Bank is jointly represented by two board members. If only one member of the Management Board is appointed, he or she represents the Company on his or her own.

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, until 31 December 2011
- Ms. Kamile Banu Özcan, Deputy Chairwoman, Senior Executive of Akbank N.V., Amsterdam, Netherlands, until 22 March 2012
- Mr. Cem Mengi; Member of the Executive Board of Akbank T.A.S., Istanbul, Turkey, until 31 January 2011
- Mr. Alper Hakan Yüksel; Member of the Executive Board of Akbank T.A.S., Istanbul, Turkey, from 18 April 2011

Since 1 January 2012, the Supervisory Board has consisted of six members, with the following new members joining:

- Mr. Ziya Akkurt, Chairman; Member of the Executive Board of Akbank T.A.S., Istanbul, Turkey, from 1 to 5 January 2012
- Mr. Hakan Binbaşgil, Chairman; Member of the Executive Board of Akbank T.A.S., Istanbul, Turkey, from 6 January 2012
- Mr. Eyüp Engin; Member of the Executive Board of Akbank T.A.S., Istanbul, Turkey, from 1 January 2012
- Mr. Atil Özus; Member of the Executive Board of Akbank T.A.S., Istanbul, Turkey, from 1 January 2012
- Mr. Kerim Rota; Member of the Executive Board of Akbank T.A.S., Istanbul, Turkey, from 1 January 2012

Remuneration of corporate bodies

The Management Board received total remuneration of EUR 332k (previous year: EUR 315k) 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 2011, 49% of Akbank T.A.S. belonged to Haci Ömer Sabanci Holding A.S., Istanbul, its subsidiaries and members of the Sabanci family, 20% was held by Citibank Overseas Investment Corporation and 31% was in free float.

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.

<u>Consolidated financial statements</u>

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.akbank.nl, 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, 10 April 2012

The Management Board

Kamile Banu Özcan   Bülent Menemenci

Akbank AG
Development of fixed assets in business year 2011

At cost

	01/01/2011 EUR	Additions EUR	Retirements EUR	31/12/2011 EUR
A. Property and equipment				
1. Leasehold improvements	83,704.93	0.00	0.00	83,704.93
2. IT equipment	102,865.91	117,621.27	70,648.73	149,838.45
3. Office furniture and equipment	360,961.36	0.00	0.00	360,961.36
Total	547,532.20	117,621.27	70,648.73	594,504.74
B. Intangible Assets				
Standard software	303,752.02	33,706.75	0.00	337,458.77
C. Financial Assets				
Bonds and debentures	176,030,838.09	173,553,310.59	27,261,643.83	322,322,504.85
Total amount	176,882,122.31	173,704,638.61	27,332,292.56	323,254,468.36

Accumulated amortisation, depreciation and write-downs

	01/01/2011 EUR	Additions EUR	Retirements EUR	31/12/2011 EUR
A. Property and equipment				
1. Leasehold improvements	21,806.18	8,369.80	0.00	30,175.98
2. IT equipment	93,540.88	8,821.24	70,648.73	31,713.39
3. Office furniture and equipment	290,981.26	14,449.76	0.00	305,431.02
Total	406,328.32	31,640.80	70,648.73	367,320.39
B. Intangible Assets				
Standard software	270,779.52	10,706.43	0.00	281,485.95
C. Financial Assets				
Bonds and debentures	5,283,616.47	4,353,267.88	1,412,500.00	8,224,384.35
Total amount	5,960,724.31	4,395,615.11	1,483,148.73	8,873,190.69

Net book value

	01/01/2011 EUR	31/12/2011 EUR
A. Property and equipment		
1. Leasehold improvements	61,898.75	53,528.95
2. IT equipment	9,325.03	118,125.06
3. Office furniture and equipment	69,980.10	55,530.34
Total	141,203.88	227,184.35
B. Intangible Assets		
Standard software	32,972.50	55,972.82
C. Financial Assets		
Bonds and debentures	170,747,221.62	314,098,120.50
Total amount	170,921,398.00	314,381,277.67

Management Report for Business Year 2011

PRELIMINARY REMARKS

2011 was a successful business year from the perspective of Akbank AG, in which the lending and deposit business was expanded. The balance sheet total rose by some 31% against the previous year, from EUR 1.0b to EUR 1.3b, although the low previous-year level was attributable to declining loan business at the end of 2010. The average balance sheet total for 2011 as a whole was EUR 1.2b, up some EUR 0.1b year on year. Profit after tax fell from EUR 30.6m to EUR 12.1m, although net income for 2010 was positively impacted to a considerable degree by the reversal of country risk allowances.

The Bank can report, as for previous years, that there were no loan losses in 2011.

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 2011, 49% of Akbank T.A.S. belonged to Haci Ömer Sabanci Holding A.S., Istanbul, its subsidiaries and the Sabanci family, 20% was held by Citibank Overseas Investment Corporation and 31% was in free float.

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 with good credit ratings
- Turkish subsidiaries of internationally active groups
- 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 2011, customers in Turkey made up around 50% (previous year: 44%) and customers in Germany around 16% (previous year: 20%) of the Bank's customer loan volume. Additional major loan commitments relate to the Netherlands, the USA, France and the UK.

THE ECONOMIC ENVIRONMENT

Worldwide financial and economic crisis

The recovery of the global economy in 2011 was not uniform and was primarily driven by the emerging economies. Many central banks are supporting economic activity by providing cheap and mostly short-term refinancing options for banks. However, the uptrend was restrained by the euro crisis and its wider implications for the global economy. Nevertheless, according to the International Monetary Fund (IMF), the global economy grew by around 3.8% in 2011.

According to estimates by international organisations, global economic growth will fall off slightly in 2012 to around just 3%. Emerging and developing countries in Asia, as well as Latin America and Africa/the Middle East, also expect growth to slow against 2011. Nevertheless, they will remain the growth drivers of the global economy. Industrialised nations, however, will see much weaker growth due to the euro crisis. The euro zone is even expected to enter a mild recession.

In 2011, the change in global market interest rates was not consistent compared with the previous year. While USD Libor rates largely remained stable at a low level, Euribor rates increased moderately. For 2012, the IMF anticipates a moderate increase in USD Libor rates and a modest decline in Euribor rates.

According to the IMF's statistics, the rate of inflation in industrial nations averaged at 2.7% in 2011 (previous year: 1.6%). In 2012, it is expected to fall to an average of 1.6%. In emerging and developing countries, prices increased by an average of 7.2% in 2011 (previous year: 6.1%). For these countries, the IMF expects an average decline of 6.2%.

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

The Turkish economy grew twice as fast as the global economy in 2011, mainly due to private consumption, which increased by 7.3% year on year, and high investments. In addition, the economic strength in the main export countries led to higher exports, especially in the construction of machines and vehicles and the chemical, textile and steel industries.
Gross domestic product (GDP), which rose by 9% in 2010 and by 7.4% in 2011, is expected to grow by just 4% in 2012 due to more restrictive lending policies and changed global conditions.

The inflation rate remained at a high level in comparison to EU countries in 2011 and, as reported by the Turkish Central Bank, stood at 10.45%, compared with 6.4% in the previous year. For 2012, the Turkish Central Bank expects the inflation rate to drop significantly to 5%, due to various government measures to curb private demand.

The unemployment rate fell further, reaching 9.8% at the end of 2011, which was slightly down on the previous-year level of 11.0%.

In 2011, Turkish exports reached USD 135b, up 18.5% on the previous year's result of USD 114b. In the same period, imports rose by 29.8% to almost USD 241b, from USD 185b in 2010. The trade balance deficit widened from USD 72b in 2010 to USD 106b in 2011.

Germany, with its share of 10.3% in 2011 (previous year: 10.1%), was again Turkey's most important export country. Among the supplier countries, Germany, with a share of 9.5% (USD 23b) in 2011 was again in 2nd place behind Russia with 9.9% (previous year: 11.6%), closely followed by China with 9.0% (previous year: 9.3%).

According to the Turkish Central Bank, the Turkish current account deficit increased to USD 77.1b in 2011. In the previous year, it stood at just USD 46.6b.

The economic growth of 4% expected by the Turkish government for 2012 will again be based on rising domestic demand.
In the medium and long term, the outlook for diversified, internationally competitive industries continues to be good and the mood is positive.
Rating agencies continue to give Turkey a positive rating. In detail, the country ratings are as follows: S&P BB (positive), Moody's Ba1 (positive) and Fitch BB+ (stable).

Economic development in Germany

After the economic upturn in 2010, the German economy continued to grow strongly in 2011. Price-adjusted gross domestic product rose by 3.0% in 2011 (previous year: 3.7%). In its annual economic report for 2012, the Federal Government expects weaker growth of 0.7%. The Federal Government sees an intensification of the crisis in Europe as the main risk for economic development in 2012.

Germany saw another sharp rise in foreign trade in 2011. Year on year, exports went up by 11.4% (previous year: 13.7%) and imports by 13.2% (previous year: 11.7%). For 2012, the Federal Government expects an increase in imports of 3.0% and in exports (particularly exports to countries outside of the EU) of 2.0%.

Price-adjusted gross fixed asset investment increased by 6.5% in 2011 (previous year: 5.5%). The Federal Government estimates a 1.5% increase in gross fixed asset investment.

In 2011, price-adjusted private consumer demand was 1.5% higher than in the previous year (change in 2010: 0.6%). For 2012, an increase of 1.2% is expected.

In Germany, the job market situation continued to improve in 2011. Unemployment fell to 7.1% in 2011 compared with 7.7% in 2010. The Federal Government is forecasting a further decline to 6.8% in 2012.

The inflation rate in Germany stood at 2.3% in 2011. Deutsche Bundesbank anticipates a somewhat lower rate of 1.8% for 2012.

Deutsche Bundesbank expects average three-month Euribor for 2012 to fall slightly to 1.2%, compared with 1.4% in 2011.

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 the recovery of 1.9% in economic output in the euro area in 2010, 2011 saw average growth of 1.6%, according to the IMF. The development of individual countries is very heterogeneous. The IMF expects economic output in the euro zone to decline by 0.5% in 2012.

According to the World Bank, Russia recorded growth of 4.1% in gross domestic product in 2011. In 2012, economic growth of 3.3% is forecast.

EARNINGS, FINANCIAL AND ASSET SITUATION OF AKBANK AG

EARNINGS

Business performance:

For the 2011 business year, the Bank generated a net result of EUR 12.096m. This is EUR 18.478m below the net result for 2010 of EUR 30.574m, which was boosted by a high net reversal of provisions for country risks.

Earnings performance:

The net interest income of EUR 21.1m in 2011 increased by 5% compared with the previous-year figure of EUR 20.0m. Approximately 81% (previous year: 85%) of the interest income results from lending and money market business, while approximately 19% (previous year: 15%) is due to bond interest.

Due to the Bank's business model, net commission income only plays a subordinate role and amounts to EUR 1.0m (previous year: EUR 1.1m).

Development of expenses:

At EUR 4.4m, general and administrative expenses remained unchanged against the previous year. Personnel expenses of EUR 2.5m were EUR 0.3m up on the previous year figure of EUR 2.2m due to the increased number of employees. At the same time, other administrative expenses fell by EUR 0.3m from EUR 2.2m to EUR 1.9m. The lower expenses were primarily attributable to contributions to deposit protection (EUR 0.1m), audit fees (EUR 0.1m) and other 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 2011, there were write-downs and allowances on loans and advances and certain securities and allocations to provisions for possible loan losses of EUR 2.0m. These expenses relate entirely to allocations to the country risk allowances.
In the previous year, by contrast, there was income from write-ups on loans and advances and certain securities and from the reversal of provisions for possible loan losses in the amount of EUR 25.5m. This income resulted entirely from the reversal of country risk allowances.

As a result of the Bank's unchanged conservative business policy, fortunately again no loan losses occurred during the year under review. There were reductions in the country risk allowances for Russia, Romania, Kazakhstan and Jordan, whereas the allowances for Turkey and the United Arab Emirates increased. When recognising the country risk allowance, the Bank always follows the ranges set annually by the Federal Central Office for Taxes in the 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).

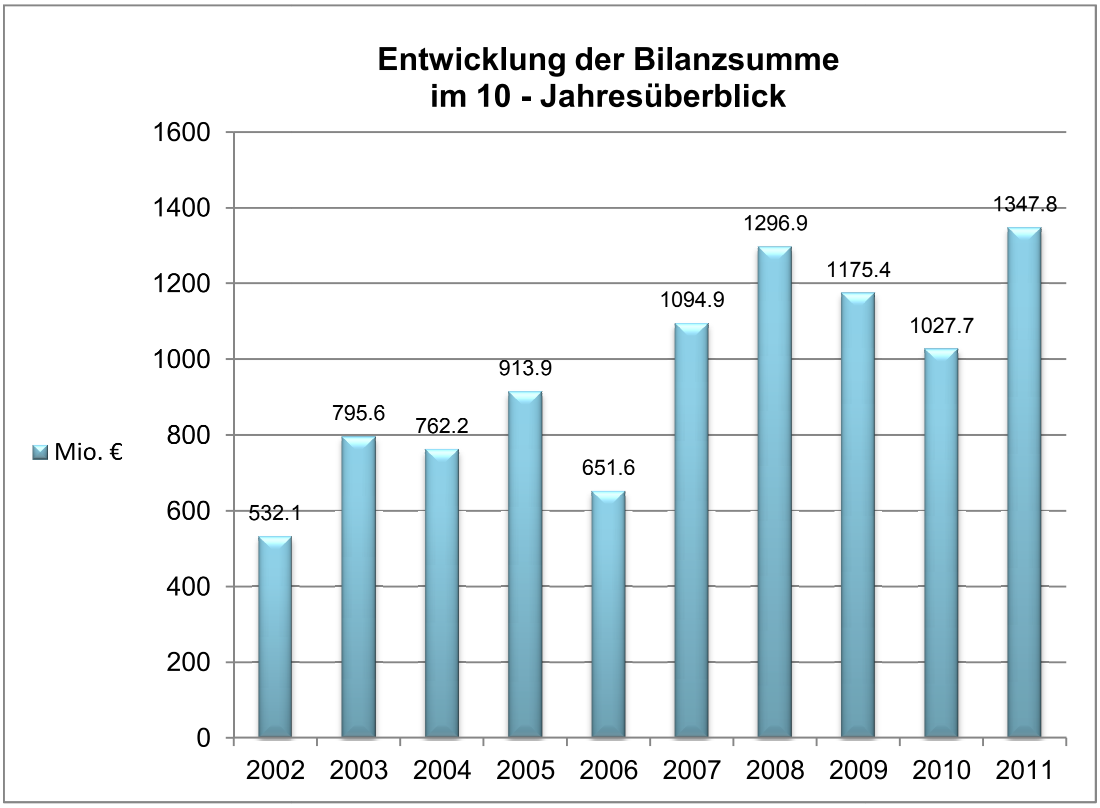
Akbank AG is a member of the deposit insurance fund of Bundesverband Deutscher Banken e.V., Cologne, through which liabilities to non-banks are secured up to a deposit amount of 30% of liable equity according to § 6 of the statutes of the deposit insurance fund. This membership, which guarantees customers 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 (LiqV) was 1.21 (previous year: 1.29) and thus well above the regulatory minimum of 1.

ASSETS

As of 31 December 2011, the balance sheet total amounted to EUR 1.348b, which is around EUR 320m higher than in the previous year (EUR 1.028b). This was mainly due to the sharp increase in loans and advances to customers and debentures, especially in the second half of 2011. As a result, the losses in assets sustained in 2009 and 2010 since the financial crisis hit in 2008 were recovered, with assets slightly exceeding the 2008 year-end level.

The development of the balance sheet total for the years 2002 to 2011 can be presented as follows:



LEGEND: Development of the balance sheet total
in a 10-year overview

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

Cash reserve and loans and advances to banks decreased from EUR 128.0m in 2010 to EUR 45.6m in 2011. This amount includes receivables from Deutsche Bundesbank of EUR 16.5m (previous year: EUR 18.5m).

The loans and advances to customers increased during the same period from EUR 722.6m to EUR 985.9m. They account for 73.1% of the balance sheet total (previous year: 70.3%).

All debentures and other fixed-interest securities of EUR 314.1m (previous year: EUR 172.9m) are part of the Bank's investment portfolio (previous year: EUR 170.7m). In the previous year, another EUR 2.2m was part of the liquidity reserve.

The intangible assets and property and equipment increased from EUR 174.2k in 2010 to EUR 283.2k in the business year due to additions to the IT area.

Other assets of EUR 1.6m are mainly tax receivables. The previous-year figure of EUR 2.3m included receivables from foreign exchange hedging transactions of EUR 2.1m and tax receivables of EUR 0.2m.

The Bank recognises deferred tax assets. The amount recognised of EUR 0.1m (previous year: EUR 1.3m) offsets the additional tax expense arising from the difference between the tax base and the commercial balance sheet.

At the balance sheet date, liabilities to banks were EUR 332.0m (previous year: EUR 211.0m) or 24.6% (previous year: 20.5%) of the balance sheet total. This amount contains EUR 219.6m (previous year: EUR 180.0m) in refinancing amounts from Deutsche Bundesbank.

Liabilities to customers amount to EUR 746.1m (previous year: EUR 570.9m). This corresponds to 55.4% (previous year: 55.6%) 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 increased by EUR 11.9m from EUR 12.6m in 2010 to EUR 24.5m in 2011. The increase was primarily caused by the EUR 20.4m rise in foreign exchange hedging transactions and the EUR 0.3m reversal of deferred income, as well as the reduction in tax provisions by EUR 8.6m due to the decreased net income for 2011.

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 2011 of EUR 12.1m, bringing the total from EUR 231.1m in 2010 to EUR 243.2m at the balance sheet date 2011.

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 8.3m (previous year: EUR 5.7m) and primarily result from guarantees and warranty agreements.

The amount of irrevocable loan commitments during the year under review increased from EUR 44.1m to EUR 54.4m.

KEY FINANCIAL RATIOS

When determining the key financial ratios, profit after tax is calculated excluding the effects from the recognition/reversal of the country risk allowances.

Ratios	**2011**	**2010**
Average shareholder's equity ratio	19.88%	19.02%
Profit after tax as a percentage of average shareholder's equity (ROAE)	5.68%	6.06%
Profit after tax as a percentage of the total assets (ROAA)	1.13%	1.15%
Cost-income ratio - CIR	19.95%	21.32%

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 20.37% (previous year: 18.80%).

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.

Organisation of risk management

Akbank AG considers a clearly defined scope of functions and responsibilities, documented in written policies and procedures, to be an essential requirement for successful risk management and effective risk control. The risks associated with transactions entered into are controlled by the overall Management Board. In order to support entrepreneurial decision-making, the Management Board discusses the current issues relating to the business and risk situation in various internal committees. To this end, various committees were established – the Audit and Risk Committee (ARC), Asset and Liability Committee (ALCO) and Risk Committee (RC) – which prepare and discuss the relevant information.

Functional segregation of front and back office is ensured from an organisational perspective, including at Management Board level. Risk control is performed by the Risk Management and Credit departments, which are independent of the front office and, like Accounting & Reporting and Operations, report directly to the Management Board member responsible for the back office.

The Supervisory Board monitors and advises the Management Board within the scope of the legal requirements and the Articles of Incorporation and Bylaws, as well as with the help of the ARC, which was chaired by the deputy chairman of the Supervisory Board in 2011, and thus ensures that Akbank AG is managed in compliance with the business and risk strategy as well as with regulatory requirements.

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 in order to ensure the Bank's ability to continue as a going concern.

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. Risk-bearing capacity is analysed at least once a month by the Risk Management department and the analysis is presented to the Management Board.

Based on risk-bearing capacity, the different types of risk 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 risk-reducing effects of correlations between various risk types are not currently taken into account in risk quantification.

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 to analyse and quantify those risks that could result in loan losses as a result of credit rating deterioration and thus negatively impact on the income statement.

Another key control feature for borrower risks are the provisions on mitigating potential risks arising from the limited granularity of the loan portfolio (cluster risks) and in terms of size classes.

In addition, **country and industry risks** are mitigated using the diversification and limitation criteria set down in the risk strategy.

Risk control measures – 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 as the result of a prudent 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 borrower risks and loan portfolio risks using internal analyses and measuring instruments.

Limits based on default probabilities, concentrations of borrower groups, countries, industries and credit terms are applied as quantitative control elements.

If necessary, an appropriate collateralisation of the loan commitment is another instrument 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, rate of loan losses, country or industry), external sources of information are also used.

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

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 using tax options.

In 2011, the loan volume to these countries increased by EUR 26.8m overall compared to the previous year. The bad debt allowance rate for Russia increased from 20% to 30%, while loan volumes shrank. The United Arab Emirates were re-included in the risk group, with a bad debt allowance rate of 10%. Thus the volume of country risk allowances increased from a total of EUR 32.9m in 2010 to EUR 34.7m in 2011. The largest individual item in this overall amount is the country risk allowance for Turkey of EUR 27.2m (previous year: EUR 23.3m).

For Turkey's country risk, the Bank uses at most the lowest value of the range permitted 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, is one of the leading banks in Turkey in a position to recognise developments in the Turkish market and looming crises early, and, if necessary, can take timely control measures.

In its risk inventory, the Bank has identified further risk types and sub-risks and analysed them in terms of their relevance for the Bank's assets, earnings and liquidity position. These risks and the related measures for avoiding and managing them are presented below.

Market price risks

Relevant market price risks are the two sub-risks currency risks and security 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). 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 price risks arising from exchange rate fluctuations are limited to an amount which is insignificant in proportion to the Company's capital. A residual risk results primarily from the fact that it may not be possible to find suitable hedging partners for small-volume 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.

Security write-down risks arising from interest rate changes play a subordinate role, since Akbank AG's securities portfolio is exclusively 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 a simulated interest rate shock stress scenario 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, the treasury department regularly hedges open interest positions.

Concentration risks

Akbank AG manages concentration risks by setting down various criteria within the risk-bearing capacity concept in addition to the Banking Act rules limiting large exposures (Secs. 13-15, 19 (2) KWG) as well as the requirements of the Solvency Regulation, which specifies limits for various types of borrowers. Through limitation and parameterisation, these criteria are assigned significance limits for risk concentration, e.g., in terms of industry and country risks. For this, recognised procedures and models (Herfindahl index) are used for the assessment of concentration risks in terms of 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 specifically developed tools.

Helped by its membership in the deposit insurance fund of Bundesverband Deutscher Banken, the Bank is in a position to acquire high-volume customer deposits in the short term by using the services of various brokers who negotiate cash investments on behalf of potential investors. In the past, this ensured 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 hedging 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 to external investors or related parties (e.g., Akbank T.A.S.) 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.
Compliance with the principle of dual control and, in this context, the related separation of entry and release functions in the Bank's IT systems are other important measures 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 works with the core banking system Flexcube (Version 6.4.) by Oracle. Under outsourcing agreements, the system hardware is operated and managed by Akbank T.A.S., Istanbul, and the system software is operated and managed by Akbank N.V. in Amsterdam.

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 again very high in the business year at 99.9% on average. 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 that enables the use of the latter's leased facilities and IT systems in an emergency.

After regularly consulting with the Supervisory Board, 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 a certain amount 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	31.12.2011 Number of employees	31.12.2010 Number of employees
0 to 2 years	8	7
2 to 5 years	5	7
5 to 8 years	3	2
Longer than 8 years	8	7
Total	**24**	**23**

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 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. In addition, in the business year, the Bank started to provide employees in the Credit department with various important documents as interactive PDF documents for secure use.

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 following monitoring measures and safeguards, among others, 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 defined as part of the budgeting process.

On the basis of target figures, 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 other reports produced on a daily basis 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.

Other risks

Under other risks, the Bank includes strategic risks, which are related to previous and future decisions regarding the business model, and reputational risks, which could result from a potential loss of reputation for the Bank as the result of negative public perception. As part of managing these 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 conducts stress tests based on both (macro) scenarios and on sensitivities of risk factors, taking into account all relevant risk types, whereby risks relating to Turkey play an important role in keeping with the focus of Akbank AG’s business activities. The stress tests analyse the effects of exceptional but plausible events on the Bank’s asset, financial and earnings situation in order to estimate the risk potential of such changes for the Bank’s risk-bearing capacity and, if necessary, its ability to take timely control measures. For the stress tests conducted in 2011, the Bank’s risk-bearing capacity was ensured in all simulated cases on a going concern basis.

In addition, inverse stress tests were carried out to determine risk scenarios based on the current positioning that could force the Bank to give up its business model. However, the probability of these combinations of changes in risk factors occurring are deemed by the Bank to be extremely low.

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)). The Bank therefore 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 principles for lending business, stringent compliance with internal risk parameters, proactive and prudent risk management and the stable economic situation in our main market of Turkey, Akbank AG did not record any loan losses in 2011, as in previous years. The same applies to 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

The direct and indirect sole shareholder, Akbank T.A.S., Istanbul, plans to merge Akbank N.V. into Akbank AG with effect from 29 May 2012. Under the agreement, the acquiring company, i.e. Akbank AG, is to acquire all assets and liabilities of the transferring company, i.e. Akbank N.V., including all the rights and obligations they entail, by way of universal succession, which will dissolve the transferring bank without winding it up, by means of a cross-border merger.
Since all shares in Akbank AG are held by Akbank N.V., the merger does not result in an increase in the capital stock of Akbank AG. All shares in Akbank AG held by Akbank N.V. will be transferred to Akbank T.A.S.

The date of the merger is to be set retroactively at 1 January 2012. From this date, all actions and legal transactions of Akbank N.V. are deemed to be for the account of and at the risk of Akbank AG.
The assets and liabilities of Akbank N.V. are also to be transferred to Akbank AG under commercial law, with economic effect from 00:00 hours CET on 1 January 2012.
The merger will become legally effective upon entry in the commercial register of Akbank AG.

The Essen branch of Akbank N.V. was already relocated to the premises of Akbank AG in Frankfurt am Main on 1 March 2012, but will remain a branch of Akbank N.V. until 29 May 2012. It is planned to relocate the business operations of Akbank N.V. Amsterdam to Frankfurt am Main on 29 May 2012.
Under the merger, Akbank AG's business volumes will increase by around 50%. Akbank AG is assuming loans and advances to customers and fixed-interest securities in this volume from Akbank N.V. as well as the deposit business with private customers of the Essen branch of Akbank N.V.

In addition, the business volume is to be increased through organic growth.

The Bank expects the general interest level to fall slightly in the course of 2012. At the same time, it anticipates a small increase in lending business margins. Broad-based economic growth in Turkey is the fastest in Europe, as well as in the OECD countries. The Bank also expects to continue to be able to participate in this positive trend and anticipates increased demand for loans from many of its customers as a result. The loan portfolio of Akbank AG for Turkish companies is being built up within the scope of the upper limits agreed under the deposit insurance rules. Due to the merger, the Bank's application for an increased limit for Turkey was granted. Akbank AG expects the ratio of non-Turkish to Turkish loans to hardly change.

Nevertheless, the Bank will continue under risk/reward aspects to focus on lending to customers with credit ratings in the lower investment grade category or above.

Furthermore, in particular under the merger, 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 (lending transactions).

The Bank intends to increase the number of employees to 34 in business year 2012, due to the merger and the targeted growth.

For the year 2012, Akbank AG expects the result from ordinary activities before country risk allowances and taxes but after special effects from the merger to be around 50% higher than the 2011 level.

For the year 2013, the Bank plans to increase the business volume by around 10% compared with 2012, with interest rates rising slightly. From today's perspective, the operating result is unlikely to change significantly from 2012.

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, 10 April 2012

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 Wirtschafts-prüfer": 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.