ANNUAL REPORT 2014

AKBANK AG

AKBANK AG IN BRIEF

Akbank AG is the successor institution of the German branch of Akbank T.A.Ş. which received its full banking license on 5 April 1998 from the German Federal Financial Supervisory Authority (BaFin) and started providing retail and corporate banking services in Germany.

On 23 November 2005, the branch was converted into an Aktiengesellschaft (AG) and registered with the commercial register of Frankfurt am Main. In May 2007, Akbank AG's shares were transferred to Akbank N.V., a wholly-owned subsidiary of Akbank T.A.Ş. established in 2001 as a Dutch bank under the banking law and regulations of the Netherlands.

As a result of the strategic decision to reorganize the European operations of Akbank Group, in particular in order to use capital and other resources in a more efficient way, Akbank N.V. was merged into Akbank AG, with the discontinuation of Akbank N.V.'s activities effective from 15 June 2012.

Upon this merger, Akbank T.A.Ş. has become the sole shareholder of Akbank AG. The merger between Akbank AG and Akbank N.V. resulted in a substantial increase in Akbank AG's lending and deposit business, triggering a continuous positive trend in 2013 and in 2014.

Akbank AG is headquartered in Frankfurt am Main, Germany and its' core business areas include corporate banking, trade finance and retail banking.

The Bank is a voluntary member of the Deposit Protection Fund of the Association of German Banks, Einlagensicherungsfond des Bundesverband deutscher Banken and offers full protection to both corporate and retail deposit holders up to a level of 20% of its shareholders' equity on an individual basis.

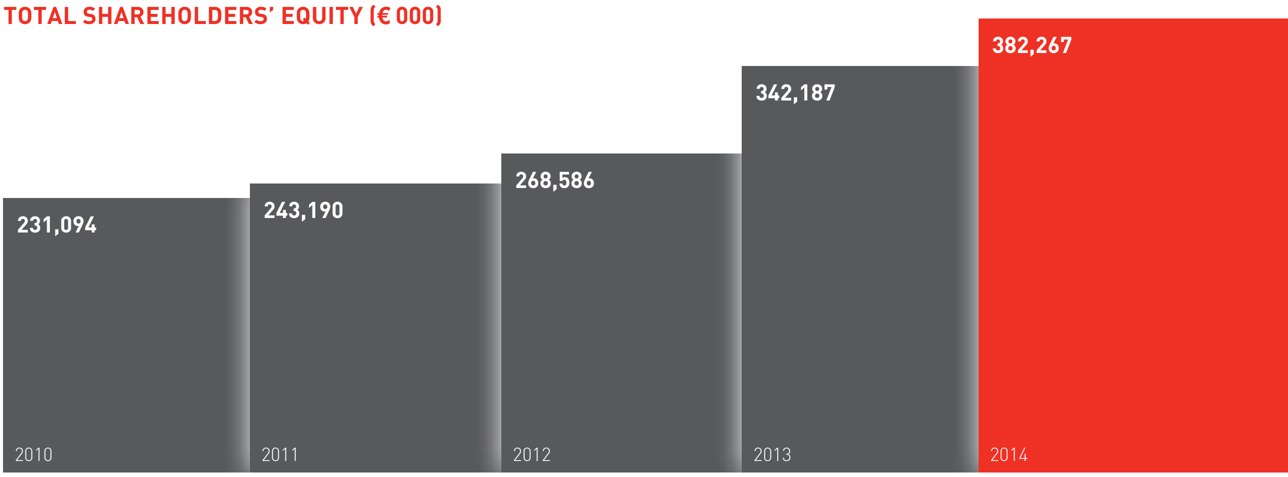
CONTENTS

Creating sustainable value for its stakeholders, Akbank AG once again achieved an outstanding customer-focused profit and balance sheet growth in 2014.

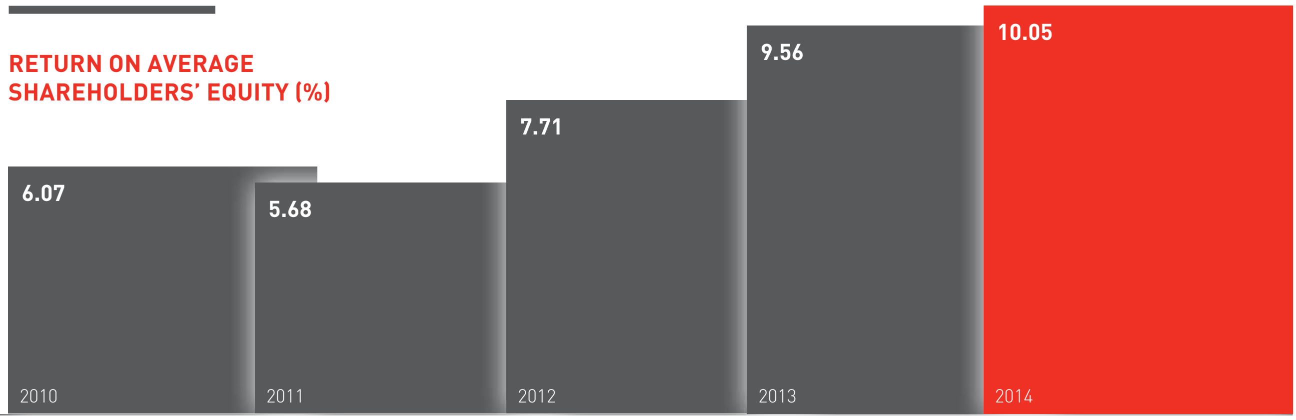
FINANCIAL HIGHLIGHTS

Key Figures (€ 000)	2014	2013	2012	2011	2010
Net Profit	40,080	23,601	17,663	12,096	30,574
Profit Before Tax	58,941	34,596	25,943	15,921	42,077
Profit Before Tax (w/o Country Provision)	60,466	45,592	28,974	17,687	16,594
Total Assets	4,360,288	3,238,627	2,713,243	1,347,797	1,027,668
Paid-in Capital	100,000	100,000	50,000	50,000	50,000
Total Shareholders' Equity	382,267	342,187	268,586	243,190	231,094
Interest-Bearing Assets	4,357,021	3,209,001	2,700,660	1,345,609	1,023,584
Interest-Bearing Liabilities	3,879,148	2,890,652	2,433,365	1,080,141	783,939

TOTAL SHAREHOLDERS' EQUITY (€ 000)

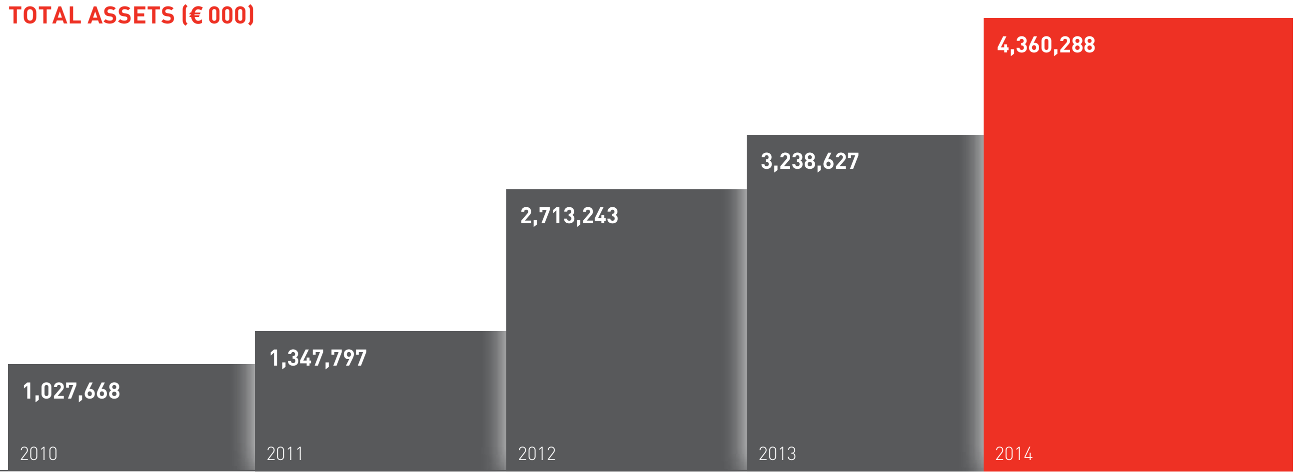


RETURN ON AVERAGE SHAREHOLDERS' EQUITY (%)



Key Ratios (%)	2014	2013	2012	2011	2010
Solvency Ratio	12.29	16.49	12.96	19.96	20.56
Return on Average Shareholders' Equity	10.05	9.56	7.71	5.68	6.07
Leverage	11.41	9.46	10.10	5.54	4.45
Cost-to-Income Ratio	11.98	13.90	17.61	19.95	21.32
Commission Income/Operating Expenses	40.78	37.81	19.34	31.68	29.93
Number of Employees	38	32	31	24	23
Non-Performing Loans	-	-	-	-	-
Loans/Deposits	110.25	106.22	109.00	123.05	128.21

TOTAL ASSETS (€ 000)



Sabancı Group companies are market leaders in their respective sectors including financial services, energy, cement, retail and industrials.

SABANCI GROUP IN BRIEF

Sabancı Holding is the parent company of the Sabancı Group, Turkey's leading industrial and financial conglomerate. Sabancı Group companies are market leaders in their respective sectors including financial services, energy, cement, retail and industrials. Listed on Borsa Istanbul (BIST), Sabancı Holding has controlling interest in twelve companies that are also listed on the BIST.

Sabancı Group companies operate in 16 countries and market their products in regions across Europe, the Middle East, Asia, North Africa and North and South America. Having generated significant value and know-how in Turkey, Sabancı Holding has experienced remarkable growth in its core businesses.

The Holding's reputation, brand image and strong joint ventures helped further extend its operations into the global market. Sabancı Holding's multinational business partners include such prominent companies such as Ageas, Aviva, Bridgestone, Carrefour, Heidelberg Cement, Philip Morris and E.ON.

In addition to coordination of finance, strategy, business development and human resource functions, Sabancı Holding determines the Group's vision and strategies.

In 2014, the consolidated revenue of Sabancı Holding was TL 27.4 billion (US$ 12.5 billion) with EBITDA of TL 5.1 billion (US$ 2.3 billion).

As of year-end 2014, Sabancı Holding had consolidated assets of TL 230.5 billion.

The Sabancı Family is collectively Sabancı Holding's major shareholder with 57.7% of the share capital. Sabancı Holding shares are traded on the BIST (Borsa Istanbul) with a free float of 40.1%, the highest free float share among holding companies in Turkey. Depository receipts are quoted on the SEAQ International and Portal.

12
Number of Sabancı Group companies listed on the BIST

TL 27.4 BILLION
Consolidated revenue of Sabancı Holding in 2014

With a strong and extensive domestic distribution network of nearly 1,000 branches and 16,505 employees, Akbank operates from its Head Office in Istanbul and 23 regional directorates across Turkey.

AKBANK T.A.Ş. IN BRIEF

Akbank was founded as a privately-owned commercial bank in Adana on 30 January 1948. Established originally with the core objective to provide funding to local cotton growers, the Bank opened its first branch in the Sirkeci district of Istanbul on 14 July 1950. In 1954, after relocating its Head Office to Istanbul, the Bank rapidly expanded its branch network and had automated all banking operations by 1963. Floated to the public in 1990, Akbank shares began trading on international markets and as an American Depository Receipt (ADR) after its secondary public offering in 1998.

Akbank's core business is banking activities, consisting of consumer banking, commercial banking, SME banking, corporate banking, private banking, foreign currency exchange, money markets and securities trading (treasury transactions), and international banking services. In addition to traditional banking activities, the Bank also carries out insurance agency operations through its branches on behalf of Ak Insurance and AvivaSA Pensions and Life Insurance.

With a strong and extensive domestic distribution network of nearly 1,000 branches and 16,505 employees, Akbank operates from its Head Office in Istanbul and 23 regional directorates across Turkey. In addition to offering services through branches, the Bank's traditional delivery channel, Akbank also serves customers through its Consumer and Corporate Internet Branches, the Telephone Banking Centre, 4,300 ATMs and more than 360,000 POS terminals as well as other high-tech channels.

A digital banking pioneer in Turkey, Akbank gathered all its efforts in this burgeoning area under the Akbank Direct umbrella. This allows the Bank to better meet the financial solutions needs of its customers, provide services in the most convenient manner possible and deliver an excellent client experience. In today's world, where technology advances at lightning speed and customers are ever more demanding, Akbank Direkt strives to satisfy client needs without time or physical location limitations while pioneering technological innovations in both the sector and in Turkey.

Widely known for anticipating changes in trends and customer dynamics to develop new products and channels for meeting the individual financial needs of clients, Akbank has introduced many innovations to the Turkish banking industry. In addition to launching a significant number of new services in Turkey, including the "Big Red House" mortgage loan-only branches and the iPad Banking Branch, Akbank has also broken new ground globally. The Bank is the originator of such pioneering products and services as Loan Machine and Mobile Loan innovations, which allow customers to obtain loans without having to visit a bank branch.

The Akbank Banking Center, which is the highest transaction capacity operations centre in Turkey, commenced service in 2010. Equipped with state-of-the-art technology, this complex is positively contributing to Akbank's productivity.

Akbank conducts overseas operations through its subsidiaries in Germany (Akbank AG) and Dubai (Akbank Dubai Limited) as well as a branch in Malta.

The Bank's other subsidiaries, Ak Investment, AKAssetManagement and AKLease, provide non-banking financial services alongside capital markets and investment services.

Equipped with state-of-the-art IT systems and a staff of experienced professionals, Akbank provides top quality services to an extensive portfolio of consumer and corporate banking customers.

Akbank continued to grow on a healthy and profitable trajectory in 2014 thanks to its solid capital base, effective risk management and high asset quality.

Harvard University Kennedy School of Government (HKS) has turned Akbank's transformation story and growth strategy in the aftermath of the 2001 crisis into a case study. The Bank adopted the "New Horizons Restructuring Program" in response to the Turkish economic crisis of 2001, when the country's economy and banking industry were struggling to deal with the impact of the crisis. The management, change and growth strategy that the Bank implemented not only positioned Akbank to grow during the crisis years but also turned the Bank's Program into a lecture topic and a reference success story on how to manage and achieve growth during a sharp economic downturn.

With its robust capital base, reliable deposit structure, ability to raise foreign financing on favourable terms and solid asset quality, Akbank maintains its leading position in the Turkish banking sector. As of the end of 2014, Akbank reported consolidated net profit of TL 3,379 million (approximately US$ 1,452 million) and total consolidated assets of approximately TL 218.7 billion (approx. US$ 94 billion). The Bank's consolidated capital adequacy ratio of 14.9% calculated in accordance with Basel III standards is among the highest in the sector.

Total loans of Akbank, which continues to conduct its operations to create value for the Turkish economy, jumped by 15.4% to reach TL 136 billion. Akbank's non-performing loan ratio of 1.7%, attained thanks to the Bank's effective risk management policies, is significantly below the sector average of 2.8%.

With an assessed brand value of over US$ 2.5 billion, Akbank was named "Most Valuable Banking Brand in Turkey," for four years in a row, by Brand Finance report of "Brand Finance Banking 500."

In addition, Akbank was named the "Best Bank in Turkey" in 2014 by, Euromoney, World Finance, Global Banking and EMEA Finance publications.

Prestigious honors and distinctions, such as the "CRM Excellence" award by Gartner and the "World's Best Smartphone App" prize presented to Akbank Direkt Mobile at the Global Mobile Awards (GSMA), also demonstrate Akbank's customeroriented practices and superior technology systems infrastructure.

Further, Akbank Private Banking received the "Best Private Banking Services Overall in Turkey" distinction from Euromoney and The Banker magazines.

As one of the most committed supporters of contemporary art in Turkey and with the aim of widening in all branches of art, Akbank's arts and culture initiatives span a wide range of fields. In addition to providing banking services, Akbank's expansive vision includes investments ranging from arts events geared toward social progress such as jazz, theatre and contemporary arts to environmental protection practices such as the Carbon Disclosure Project.

The first Turkish bank to be a signatory to the United Nations Global Compact in 2007, Akbank shares its sustainability performance with its stakeholders via the Akbank Sustainability Report, published in accordance with the Global Reporting Initiative (GRI) standards every year since 2009.

As of 31 March 2015, 51.1% of Akbank's shares are listed on Borsa Istanbul. The Bank's Level 1 ADRs are traded on the OTC in the United States. Akbank's market capitalization stood at US$ 14.9 billion as of 31 December 2014.

TL

218.7

BILLION

Akbank reported total consolidated assets

VISION

Sustainable Leadership among Turkish Banks in Europe

MISSION

Provide innovative, high quality, tailored banking products and continuously add value to our stakeholders with excellent service

STRATEGIES

Sustainable and profitable growth
Optimize profitability while maintaining the highest asset quality
Maintain prudent risk management practices
Achieve the highest level of customer satisfaction
Focus on technological development and continuous innovation
Support the development of our team through motivation and job satisfaction

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

To Our Clients,

Underscored by our objective to create significant and sustainable value for our stakeholders, Akbank AG once again achieved an excellent customer-focused profit and balance sheet growth in 2014. The Bank's total assets grew 35% and reached € 4.4 billion, whereas the net profit of € 40.1 million indicated a return on average shareholders' equity of 10.1%, the highest since its inception. The Bank continued to diversify its product and service portfolio while remaining committed to a risk-oriented approach during the year.

35%
Asset Growth in 2014

The asset growth was healthy without triggering an increase in risk as the Bank continued its prudent credit policy and successfully sustained its non-performing loan ratio at nil. Akbank AG's liquidity remained robust and its capital position strong.

In 2015, our vision will continue to be long-term sustainable value creation for our stakeholders in all our business areas while preserving our outstanding asset quality. We will continue to provide excellent service to our clients while ensuring operational efficiency. Our commitment to operate as a highly productive and efficient franchise will be the principal driver behind our success as going forward.

Akbank AG is proud to be the European flagship of Akbank, recognised as the 'Best Bank in Turkey' by Euromoney, Global Finance, World Finance and EMEA Finance in 2014 and as the 'Most Valuable Banking Brand in Turkey' by Brand Finance in 2015 for the fourth consecutive year.

On behalf of the Supervisory Board, I would like to thank our valuable team members for their continued dedication and strong performance, our clients for their ongoing confidence in us, and all our stakeholders for their support.

Yours sincerely,

Hakan Binbaşgil
Chairman of the Supervisory Board

MESSAGE FROM THE CEO

To Our Clients,

I am proud to announce that in 2014 Akbank AG once again demonstrated a stellar financial performance both in term of growth and profitability.

As of the end of December 2014, total assets of € 4,360.3 million indicate a significant growth of 35% compared to the end of the previous year. We delivered a net profit of € 40.1 million, the highest in nominal terms and in terms of return on average shareholders' equity since our inception. Our net profit - excluding the effect of country risk provision – points to an average return on shareholders' equity of 10.1% versus 9.6% in the past year.

Our strong 2014 profitability is marked by two major highlights. The first and most important element is our net interest margin performance. Driven by our effective asset and liability management, our net interest margin increased to 2.13% compared to 1.97% in the previous year. The second most important driving force of our delivery is our efficient business model and lean organizational structure combined with the revenue growth that helped deliver an all-time low cost-to-income ratio of 11.98%.

In the current year, we successfully continued to maintain a non-performing loan ratio of nil. Across all business segments, our asset quality has remained sound and strong, in line with our track record since our establishment.

With our solvency ratio standing at 12.29% as of December 2014, the Bank's overall capital position continued to be robust.

In May 2014, Fitch Ratings assigned a credit rating of BBB- to Akbank AG, equivalent to the rating of our parent bank. With our club loan facility signed in July 2014, we successfully secured US$ 150 million funding with the participation of 13 banks.

Another highlight of the year was the move to our new, state-of-the-art head office premises in Frankfurt am Main in September 2014.

Return on Average Shareholders' Equity

10.1%

In 2015, we will continue to focus on excellent client service quality, prudent risk management, sound margins and effective cost management to sustain our profitability and further strengthen and grow our business. With our robust balance sheet and strong equity position, we will continue to support our customers and build long-term trust to ensure sustainable value creation for our shareholders.

I would like to take this opportunity to extend my sincere appreciation to our shareholders, stakeholders, clients, team members and our Supervisory Board for all their contributions and support. I am fully confident that, with the same support, our success will continue in 2015 and beyond.

Yours sincerely,

K. Banu Özcan
Chief Executive Officer & Chairman of the Managing Board

REPORT OF THE SUPERVISORY BOARD

GENERAL

Acting in the interest of all stakeholders, the Supervisory Board closely monitors the general conduct of the Bank's business dealings. In this capacity, the Board performs regular evaluations to review risk management, strategy, internal control and compliance systems while continuously monitoring the Bank's financial reporting. The Supervisory Board also advises the Managing Board on all major decisions.

The Supervisory Board has set up two committees to assist it to perform its supervisory duties: the Audit and Risk Committees.

Composition of the Supervisory Board

The current members of the Supervisory Board and their appointment terms are:

Name	Position	Appointment	End of Term
Hakan Binbaşgil	Chairman	06.01.2012	31.12.2019
Eyüp Engin	Member	01.01.2012	31.12.2016
K. Atıl Özus	Member	01.01.2012	31.12.2016
Alper Hakan Yüksel	Member	06.05.2011	31.12.2019
Kerim Rota	Member	01.01.2012	31.12.2016
Ahmet Fuat Ayla	Member	19.04.2012	31.12.2016

All members of the Supervisory Board have a profound knowledge and experience in various fields of the banking business.

A profile for the members of the Supervisory Board has been prepared. A self-assessment of each member of the Supervisory Boards is also being prepared.

MEETINGS AND COMMITTEES

Meetings

In 2014, the Supervisory Board held six formal meetings. At these meetings, the Managing Board reported to the Supervisory Board on the Bank's performance, risk management and other key issues while the Board provided extensive consultation on all material issues concerning the Bank.

Audit Committee (Supervisory Board Level)

The Committee has been assigned the task of providing assistance and advice to the Supervisory Board on specific issues such as financial reporting, the internal control environment, external and internal audit, corporate governance and compliance issues. As of December 2014, the Committee is composed of two members from the Supervisory Board, Eyüp Engin (Chairman) and Kemal Atıl Özus (member).

Risk Committee (Supervisory Board Level)

The Risk Committee was established in April 2012 as a subcommittee of the Supervisory Board to oversee all risk related issues of the Bank. The Committee is composed of Ahmet Fuat Ayla (Chairman), Kemal Atıl Özus (member) and Kerim Rota (member).

Adoption of Annual Accounts and Dividend

The Managing Board prepared the Bank's financial statements for the year ended on 31 December 2014. Those financial statements were audited by Ernst & Young. Germany; the auditors' report on the financial statements of Akbank A.G. is attached to the annual accounts of the Bank.

The Supervisory Board has reviewed the 2014 annual accounts and will propose its review during the Annual General Meeting of Shareholders. The Board has also agreed on the Managing Board's proposal to transfer the net profit to general reserves. The matter will be resolved at the Annual General Meeting of Shareholders.

Our People

As members of the Supervisory Board, we would like to take this opportunity to express our deep gratitude to the Managing Board for their excellent work during 2014. Additionally, this year's success could not have been achieved without the significant contribution and extreme dedication of all Bank employees.

We also want to extend our appreciation to our esteemed clients and business partners for their continuous trust and cooperation.

We are continuing to rely on our well-proven track record of the management skills of the Managing Board and on the devotion of the members of our team to achieve the Bank's future goals.

With our sincere gratitude,

The Supervisory Board

SUPERVISORY BOARD

Hakan Binbaşgil

Chairman

Hakan Binbaşgil joined Akbank as the Executive Vice President in charge of Change Management in October 2002. He initiated the Bank's "Restructuring Programme" which has transformed Akbank into one of Turkey's most customer-focused, modern and innovative financial institutions. Hakan Binbaşgil was appointed Executive Vice President in charge of Retail Banking in November 2003, Deputy CEO in May 2008, and since January 2012 as Board Member and Chief Executive Officer of the Bank. Prior to joining Akbank, Binbaşgil worked as a Management Consultant in the London and Istanbul offices of Accenture, and as Executive Vice President in a different private sector bank. Binbaşgil also served on the boards of directors of numerous companies domestically and abroad. Currently, in addition to his position as CEO at Akbank, Binbaşgil is also the Chairman of AkInvestment, Aklease, Akbank AG and Akbank (Dubai) Ltd. After graduating from Robert College, Hakan Binbaşgil graduated from Bosphorus University, Faculty of Mechanical Engineering. Binbaşgil also holds MBA and MS degrees in Finance from Louisiana State University-Baton Rouge, USA.

Eyüp Engin

Member

Eyüp Engin joined Akbank in 1978 as an Assistant Internal Auditor. Following his auditing assignment, Eyüp Engin served as Department Head in Treasury, International Banking and Overseas Financial Institutions. He was appointed as the Executive Vice President in charge of International Banking in 1996. Subsequently, Engin served as Executive Vice President in charge of International Banking and Overseas Financial Institutions Marketing. Eyüp Engin was appointed to his current position of Head of Internal Audit in July 2007. He is a graduate of Middle East Technical University, Faculty of Economics and Business Administration.

K. Atıl Özus

Member

Atıl Özus joined Akbank in November 2000 as Vice President of Financial Control and Risk Management, and later became Senior Vice President. In December 2007, he was appointed as Executive Vice President (CFO) in charge of Financial Coordination. Before joining Akbank, Atıl Özus served as an Audit Manager at Ernst&Young. A graduate of Boğaziçi University, Department of Business Administration, Atıl Özus is a Board Member on all of Akbank's subsidiaries.

Alper Hakan Yüksel

Member

Alper Hakan Yüksel joined Akbank in March 2011 as Executive Vice President in charge of Corporate Banking. Prior to joining Akbank, Yüksel held various senior management positions at different financial institutions locally and abroad. Alper Hakan Yüksel holds a B.S. in Industrial Engineering from Middle East Technical University.

Kerim Rota

Member

Kerim Rota joined Akbank in November 2010 as Executive Vice President in charge of Treasury. Kerim Rota is also the Chairman of the Board of Directors at AKAssetManagement. Before joining Akbank, Kerim Rota served as Executive Vice President at various different private sector banks. Kerim Rota is a graduate of Gazi University, Faculty of Engineering. Rota also holds a Master's degree in Business Administration from Bilgi University.

Ahmet Fuat Ayla

Member

Ahmet Fuat Ayla joined Akbank as Corporate Branch Manager in 2002, became the Senior Vice President in charge of Corporate and Commercial Credits Approval Unit in 2005 and was appointed as Executive Vice President in charge of Corporate and Commercial Credits Approval in 2007. Ahmet Fuat Ayla currently serves as Executive Vice President in charge of the Monitoring and Approval of Consumer, Corporate, Commercial and SME Loans. Before joining Akbank, Ahmet Fuat Ayla held various senior management positions at different private sector banks. Ahmet Fuat Ayla is a graduate of Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration.

REPORT OF THE AUDIT COMMITTEE

Akbank AG's Audit Committee assists and advises the Supervisory Board in monitoring the establishment and maintenance of an effective internal control environment with respect to financial reporting, internal and external auditing, compliance and overall risk management. The Committee is comprised of two Supervisory Board members: Eyüp Engin (Chairman) and K. Atıl Özus (member).

The Audit Committee performs its duties within the scope stipulated in the Charter. The Committee undertakes several main responsibilities comprising:

- Overseeing the adequacy and reliability of information and financial reporting systems within the framework of relevant legislation
- Overseeing the Bank's internal control systems and procedures to promote compliance with applicable standards, laws and regulations
- Informing the Supervisory Board about major compliance breaches and/or circumstances that may adversely impact the continuity of the Bank's operations
- Ensuring adequate and efficient internal control, internal audit and external audit processes
- Monitoring the functioning principles and activities of Akbank AG

As a general practice, Committee meetings are held prior to Supervisory Board meetings and the proceedings of each meeting are reported to the Supervisory Board.

Eyüp Engin
Chairman of the
Audit Committee

Kemal Atıl Özus
Member of the
Audit Committee

AUDITORS REPORT

Translation from the German language

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 1 January 2014 to 31 December 2014. 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 Germany] (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, 25 March 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

signed
Hultsch
Wirtschaftsprüfer
[German public auditor]

signed
Stier
Wirtschaftsprüfer
[German public auditor]

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2014

PRELIMINARY REMARKS

The sole shareholder of Akbank AG in business year 2014 was Akbank T.A.Ş., Istanbul.

Following on from the previous year, 2014 was another very successful business year. Total assets increased by 35% compared with the previous-year balance sheet date from € 3.24 billion to € 4.36 billion. At € 3.7 billion, average total assets for 2014 were 28% higher than in the previous year (€ 2.9 billion).

The Bank's subscribed capital amounts to € 100 million. The previous year's profit available for distribution was allocated in full to the revenue reserves. Profit after tax increased from € 23.6 million to € 40.1 million in the business year. Equity increased from € 342.2 million to € 382.3 million.

The Bank can again report, as in the previous 10 years, that there were no loan losses in 2014.

THE OWNERS OF THE BANK

As of 31 December 2014, 48.9% of the sole shareholder of Akbank AG, Akbank T.A.Ş., Istanbul, belonged to Haci Ömer Sabanci Holding A.S., Istanbul, its subsidiaries and the Sabancı family; 9.9% was held by Citibank Overseas Investment Corporation; and 41.2% was in free float.

THE BANK'S RATING

In June 2014, the rating agency Fitch assigned Akbank AG a stable rating of BBB-, which is an "investment grade" rating.

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 that 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 2014, customers in Turkey made up around 70% (previous year: 71%) and customers in Germany around 10% (previous year: 11%) of Akbank AG's customer loan volume. Additional major loan commitments relate to the UK, Malta, the Netherlands and Italy.

THE ECONOMIC ENVIRONMENT

Worldwide

The financial markets in 2014 were in the middle of a balancing act between sluggish economic growth in some of Europe's core economies to a real pick-up in growth in countries such as the US and the UK. EU economies continued to deal with the side effects of the global financial crisis, ranging from debt overhangs to high unemployment. Potential growth rates are being revised downward, and in turn are affecting today's confidence, demand, and growth. Geographical tension in the Middle East and in Ukraine grew rather than subsided, the situation in Ukraine remains complex and inconclusive, much like the ongoing conflict in Syria, which has resulted in the displacement of millions of that country's citizens.

The last quarter of the year was characterised by a sharp drop in oil prices from US$ 100 per barrel levels to nearly US$ 50 per barrel. This decline in oil prices, together with sanctions on selected Russian corporations and individuals, has preyed upon major weaknesses in the Russian economy, leaving the Russian ruble devalued by more than 100% against most of the major hard currencies. During this time, the Russian central bank increased the ruble interest rate by 7.5% to 17.5% to slow down the ruble's depreciation, but with limited success.

Looking ahead, the world economic outlook and world growth forecasts are modest. The evolution of the global economy has become less predictable as the factors that affect countries and markets become more varied and diverse.

Among advanced economies, the US and the UK in particular are leaving the crisis behind and achieving decent growth, whereas Japan is growing, but high public debt inherited from the past and very low potential growth are creating major macroeconomic and fiscal challenges. However, growth virtually stalled earlier this year in the euro zone countries, even in core euro areas. The European Central Bank (ECB) has introduced a strategy for growth, competitiveness and economic recovery. ECB president, Mr. Mario Draghi, has pledged a sustained period of lower and longer refinancing options and new asset purchase programs until economic growth picks up and structural reforms are set up in Europe, although this may prove to be a weighty task.

In emerging market economies, lower potential growth is the dominating factor. Once again, heterogeneity is the rule in emerging economies. China is sustaining high growth of around 7%, but it is expected that this growth rate will decline slightly in the future. India has recovered from its relative slump, due in part to effective policies and a renewal of confidence. In contrast, uncertain investment prospects in Russia had resulted in lowered growth even before the Ukraine crisis, which has further worsened growth. Uncertain prospects and low investment are also affecting growth in Brazil. Meanwhile Turkey, after holding both local elections and a presidential election within nine months in 2014, has also been somewhat affected by lower growth in the world economy, moderating its growth targets to 3% from 4% in 2014.

The downside risk in emerging economies is clear. First, the long period of low interest rates has led to some search for yield, and financial markets may be too complacent about the future. These risks should not be overstated, but policymakers clearly must be alert so as not to underestimate them. Sound macroeconomic tools are the right instruments to mitigate these risks; whether or not they are up to the task, however, is still an open question.

Second, geopolitical risk has become more relevant. At this time, the effects of the Ukraine crisis have not spread beyond the affected countries and their immediate neighbours. As well, the turmoil in the Middle East has had a minimal effect on the level and volatility of energy prices. Nevertheless, this could change in the future, with major implications for the world economy. Given these increased risks, raising actual and potential growth will remain of primary importance.

In advanced economies, this will require continued support from monetary policy and fiscal adjustment aligned in velocity and composition to supporting both recovery and long-term growth. In emerging markets, the latitude for macroeconomic policies to support growth varies across countries and regions, but for countries with external vulnerabilities, the scope becomes more limited. Moreover, there is a wide-ranging, immediate need for structural reforms that can support and build up sustainable growth.

Despite these setbacks, a sporadic global recovery continues. Largely due to weaker-than-expected global activity in the first half of 2014, growth for the world economy was projected at 3.3% for the year; global growth projections for 2015 have been lowered to 3.5%.

The Euro Area and Germany

Growth is still weak in the euro zone, with continuing risk of an extended period of low growth and low inflation. Growth is finally picking up, from -0.5% in 2013 to 0.8% in 2014 and to 1.2% in 2015. However, housing market risks are emerging in certain advanced economies. In the euro zone, the priority is to strengthen recovery, raise inflation, lift medium-term growth, strengthen bank/corporate balance sheets, complete the banking union and implement structural reforms. The euro area consumer price index inflation projection is 0.5% and 0.9% for 2014 and 2015, respectively. Output and investment remain well below pre-crisis levels. Growth is weak and uneven across countries. Low inflation across countries reflects persistent loose policies.

The ECB has tried everything short of quantitative easing to gradually try to stop the continent's slow slide toward a Japanese-style lost decade, including an asset purchase program promising a € 1.3 trillion asset purchase over a one-and-a-half year period. Prepared to take bold action in the face of still-rising unemployment and still-falling inflation, the ECB disclosed new measures at its June meeting. Lowering the main refinancing rate, together with applying a negative rate for deposit facilities, have indicated that the ECB is willing to take action to address the direction of the crises. In July and September 2014 the ECB brought down the main refinancing rate from 0.25% to 0.05% and, more important, brought down the deposit facility rate from 0.00% to -0.20% for the first time in ECB history.

Conversely, Germany, a leading euro zone country, has shown results above euro zone averages. Economic growth is expected to accelerate, powered by domestic demand. Favourable financing conditions are expected to support a continued gradual recovery after disappointing outcomes in 2012 and early 2013, while low interest rates and a robust labour market with the second lowest unemployment rate (5.1%) after Austria, should further support private consumption and housing investment. In 2014, growth in Germany is expected to be 1.5% lower than previous forecasts, though higher than the 0.5% growth in 2013. Growth projection stands at 1.3% for 2015, revised downward from 2%.

Private consumption is supported by low interest rates and consumer price inflation that is expected to be lower than projected. Consumer price index inflation, which stood at 1.43% in 2013, was projected to be 1.04% in 2014 and presumably lower in 2015. Robust labour market developments support households' high tendency to spend. The unemployment rate is set to drop slightly as demand for labour outpaces the growth in the labour force, which is largely the result of high net migration.

Turkey

Turkey held two elections in 2014. These were the local municipality elections on 30 March 2014, and the country's first-ever public Presidential election on 10 August 2014. In Turkey, 2014 was naturally divided by these elections, with decreased economic activity preceding the elections in each part of the year. But while the Turkish market has undergone considerable volatility, both elections ran successfully.

Meanwhile, the economic outlook and forecast were revised after growth decelerated in response to earlier tightening measures. While a mid-year slowdown was anticipated, it was expected to develop closer to the third quarter of the year rather than the second. At this time, the full-year growth forecast has been revised to 3.1% from 4.0%. Estimated growth is expected to be 3.3% in 2015 due to lower oil prices. Inflation remains close to double digits and a moderate deceleration is likely, with the year ending at around 8.2% versus 7.4% in 2013, and expectations of 6.9% in 2015. The current account deficit is on track to narrow to 5.5% of GDP this year from 7.9% in 2013 with declining exports to Iraq and Russia. It is projected to be 5.0% in 2015.

The Central Bank of Turkey (CBT) maintained that the window for cutting rates would be a relatively narrow one once markets began to focus on the prospect of a first rate hike by the Fed. Many of the US market economists believe that the Fed will most likely hike rates towards the middle end of 2015. The CBT cut its repo rate by another 50 basis points, to 8.25% in July 2014 and 7.75% in January 2015. Once US rates begin to adjust, the CBT will likely need to tighten domestic liquidity conditions to support the Turkish lira and prevent a further acceleration in inflation.

While the external deficit is narrowing, it continues to be financed by relatively shorter-term flows, leading the Turkish economy to be susceptible to tighter global liquidity conditions. Inflation is still relatively high and the current account deficit is wide: however, Turkey has a robust economy that reinforces its standalone competence to withstand crisis even amidst turbulence in the region.

In 2014, Fitch confirmed Turkey's long term foreign currency rating as BBB- with a stable outlook, contrary to the market's expectations of a modified outlook to negative. Turkey also has a Baa3 rating with a negative outlook from Moody's and a BB+ rating with a negative outlook from S&P for its long-term foreign currency ratings.

EARNINGS, FINANCIAL AND ASSET SITUATION OF AKBANK AG

EARNINGS

Business performance:

For the 2014 business year, the Bank generated net income of € 40.080 million. This is € 16.479 million higher than the net income for 2013 of € 23.601 million.

Earnings performance:

The net interest income of € 60.1 million in 2014 increased by 32% compared with the previous-year figure of € 46.0 million. This was due to the much higher volume of business compared with the previous year. Approximately 94% (previous year: 93%) of interest income was generated through lending and money market business, while approximately 6% (previous year: 7%) was attributable to bond interest.

Under the Bank's business model to date, net commission income has only played a subordinate role, but increased by 42% year on year from € 1.7 million to € 2.5 million.

Development of expenses:

General and administrative expenses amounted to € 8.1 million (previous year: € 7.2 million).

The personnel expenses contained therein of € 3.9 million were € 0.5 million up on the previous year's figure of € 3.4 million, due in particular to the higher number of employees.

The other administrative expenses increased by € 0.4 million from € 3.8 million to € 4.2 million, mainly due to the year-on-year increase in contributions to deposit protection due to the increased business volume (up € 0.4 million).

As in the previous year, depreciation, amortisation and write-downs of office furniture and equipment and intangible assets amounted to € 0.2 million. No special depreciation was charged. During the 2014 business year, as in the previous year, only a small volume of write-downs were required.

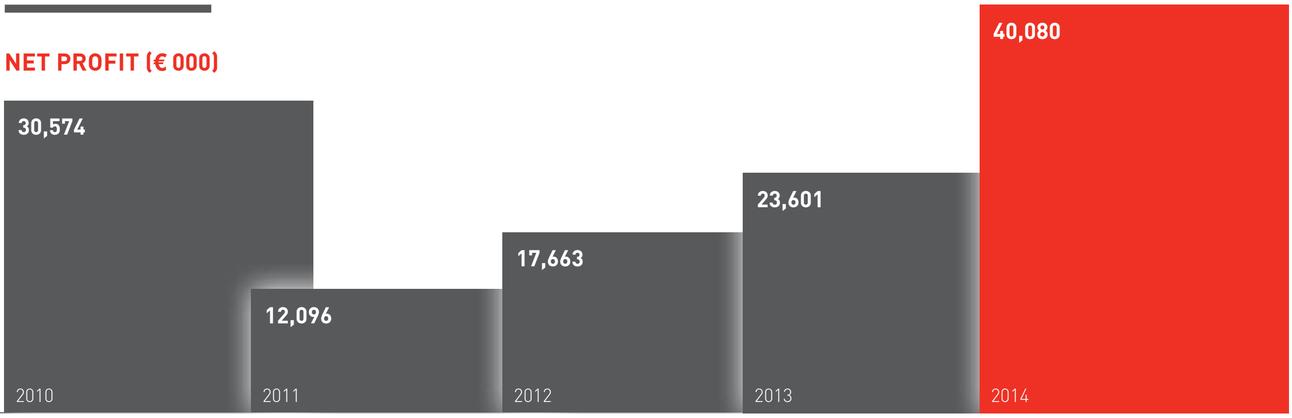
In business year 2014, there were write-downs and allowances on loans and advances and certain securities and allocations to provisions for possible loan losses of € 1.5 million (previous year: € 10.7 million). These expenses relate to the net additions to country risk allowances of € 1.5 million (previous year: € 11 million). In the previous year, income from the reversal of the provision for off-balance sheet credit risk of € 0.3 million was also recognised.

As a result of the Bank's unchanged conservative business policy, again no loan losses occurred during the year under review.

The country risk allowances for Russia and Macedonia were reduced and allocations were made to the allowances for Turkey, Bahrain, Bulgaria and the British Virgin Islands. As in the previous year, when recognising the country risk allowance in its assessment of country risks, the Bank remained well below the ranges set by the German Federal Central Tax Office. Since the Federal Central Tax Office did not, for the first time ever, issue any recommendations in 2014, the Bank used the ranges set for 2013 as the maximum values for the country risk allowances.

The Bank reduced the credit risk allowance for Turkish risks to 3% from 4% in the year under review. This was due to the positive credit ratings given to Turkey by the rating agencies in view of its political stability and the expected positive, medium-term macroeconomic development.

NET PROFIT (€ 000)



In 2014, the Bank posted income from write-ups of equity investments, shares in affiliated companies and securities classified as fixed assets of € 5.0 million (previous year: € 5.0 million). The income largely resulted from the sale of bonds of companies for which the Bank's risk assessment has changed.

FINANCIAL SITUATION

During the year under review, Akbank AG's solvency was ensured at all times. The minimum reserve obligations vis-à-vis 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% (20% starting 1 January 2015) of the Bank's 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 LiqV was 1.43 (previous year: 1.70) and thus well above the regulatory minimum of 1.

ASSETS

As of 31 December 2014, total assets amounted to € 4.360 billion, which was 35% higher than in the previous year (€ 3.239 billion). This was attributable to the sharp increase in loans and advances to customers (€ 730.2 million).

The development of total assets for the years 2005 to 2014 can be presented as follows:

Cash reserve and loans and advances to banks increased from € 283.6 million in 2013 to € 613.4 million in 2014. This amount includes receivables from Deutsche Bundesbank in the amount of € 80.4 million (previous year: € 138.5 million).

The loans and advances to customers increased during the same period from € 2,590.9 million to € 3,321.1 million. They account for 76.2% of total assets (previous year: 80.0%).

All debentures and other fixed-interest securities of € 422.4 million (previous year: € 334.4 million) are allocated to the Bank's investment portfolio.

The intangible assets and property and equipment of € 0.4 million were virtually unchanged year on year.

Other assets of € 1.7 million (previous year: € 28.0 million) mainly relate to net receivables of € 0.8 million (previous year: € 5.2 million) from the Dutch Central Bank (DCB), which acts as administrator of the Dutch bank DSB Bank N.V., which became insolvent on 2009, and tax receivables from corporation income tax and input VAT refund claims of € 0.8 million (previous year: € 1.2 million). In the previous year, this item also included swap receivables and receivables from forward transactions of € 21.6 million from the hedging of foreign currency receivables. In the business year, the hedges gave rise to liabilities which are reported under other liabilities.

Prepaid expenses of € 1.1 million (previous year: € 0.5 million) include expense prepayments of € 0.8 million (previous year: € 0.3 million) and prepaid up-front commissions from the lending business of € 0.3 million (previous year: € 0.2 million).

At the balance sheet date, liabilities to banks were € 693.4 million (previous year: € 296.5 million) or 16% (previous year: 9.2%) of total assets. This amount contains € 184.7 million (previous year: € 90.0 million) in refinancing amounts from Deutsche Bundesbank.

Liabilities to customers amount to € 3,185.5 million (previous year: € 2,594.2 million). This corresponds to 73.1% (previous year: 80.1%) of total assets. € 536.9 million (previous year: € 551.8 million) of liabilities to customers relates to the deposit business with private customers and € 2,648.6 million (previous year: € 2,042.4 million) relates to the deposit business with institutional customers. They mainly comprise municipalities, social insurance carriers, public authorities and companies.

Other liabilities, deferred income and provisions increased from € 5.9 million in 2013 to € 97.1 million in 2014. The increase was largely due to the increase in swap liabilities and liabilities from forward transactions from the hedging of foreign currency receivables of € 91.1 million. Deferred income decreased by € 1.2 million. Tax provisions increased by € 1.6 million and other provisions increased by € 0.4 million.

In business year 2014, deferred tax liabilities of € 1.7 million were recognised (previous year: deferred tax assets of € 0.7 million).

The shareholder's equity increased by the net income for business year 2014 of € 40.1 million, bringing the total from € 342.2 million in 2013 to € 382.3 million at the 2014 balance sheet date.

100% of the capital stock is held by Akbank T.A.Ş., Istanbul.

The contingent liabilities amount to € 19.0 million (previous year: € 18.0 million) and primarily result from guarantees and warranty agreements.

The amount of irrevocable loan commitments during the reporting year decreased from € 34.9 million to € 24.5 million.

KEY FINANCIAL RATIOS

The key financial ratios are presented in a three-year comparison below:

Ratios	2014	2013	2012 [8]
Average shareholder's equity ratio (excl. cash-secured loans) [1]	13.62%	13.24%	16.62%
Total capital ratio [2]	12.29%	16.49%	12.96%
Profit after tax as a percentage of average shareholder's equity (ROAE) [3]	11.12%	10.84%	7.71%
Profit after tax after elimination of the effects from the recognition/reversal of country risk allowances as a percentage of the average total assets (ROAA) (excl. cash-secured loans) [4]	1.45%	1.34%	1.20%
Interest margin (excl. cash-secured loans) [5]	2.13%	1.97%	1.94%
Cost-income ratio – CIR [6]	11.98%	13.90%	17.61%
Loan loss ratio [7]	0.00%	0.00%	0.00%

[1] The average shareholder's equity ratio is calculated as the average end-of-the-month shareholder's equity for 2014 divided by the average end-of-the-month total assets less the cash-secured loans.

[2] The regulatory total capital ratio, which represents the ratio of the Bank's own funds (in accordance with Article 92 of Regulation (EU) No. 575/2013) to its weighted risk assets, may not fall below 8%.

The Bank comfortably exceeded this minimum at all times during the reporting year. The average total capital ratio was 13.31% (previous year: overall ratio in accordance with Sec. 2 (6) SolvV (German Solvency Ordinance) of 13.93%).

[3] Profit after tax as a percentage of average shareholder's equity (ROAE) is calculated as the profit under German commercial law for 2014 after tax divided by the average shareholder's equity of the 2014 month-ends.

[4] Profit after tax after elimination of the effects from the recognition/reversal of country risk allowances and the interest effect of the cash-secured loans as a percentage of the average total assets excluding the cash-secured loans is calculated from the profit for 2014 plus the net effect from the allocation to the country risk allowances after tax and less the net interest from the cash-secured loans after tax divided by the average month-end total assets less the cash-secured loans for 2014.

[5] The interest margin is calculated as the net interest income for 2014 excluding the net interest from the cash-secured loans divided by the average month-end total assets less the cash-secured loans for 2014.

[6] The cost-income ratio (CIR) is calculated as operating expenses divided by operating income. In detail, these are total administrative costs and amortisation, depreciation and write-downs divided by total net interest income, net commission income, other net income and income from write-ups of securities classified as fixed assets.

[7] The loan loss rate is calculated as provisioned loans and advances to banks and customers divided by total loans and advances to banks and customers. Akbank AG has not suffered any loan losses for over 10 years.

[8] In 2012, Akbank AG's former parent company, Akbank N.V., Amsterdam, was merged into the Institution. The slight special effects from this merger were taken into account in calculating the key financial ratios for 2012.

OVERALL ASSESSMENT OF THE EARNINGS, FINANCIAL AND ASSET SITUATION

Akbank AG's earnings situation developed positively and, thanks to its 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 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.

RISK REPORT

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, there are various committees at supervisory board level – the Audit Committee (AC), the Risk Committee (RC), the Credit Committee (CC) and the HR Committee (HRC) – as well as at management level – the Asset and Liability Committee (ALCO), the internal Credit Committee (iCC) and the internal Risk Committee (iRC) – which prepare and discuss the relevant information.

Functional segregation of front and back office is ensured from an organisational perspective. Risk control is performed by the Risk Management, Credit, Financial Coordination and Operations departments, which are independent of the front 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 AC and the RC, 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, 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 its 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.

For adherence to the 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 currently not 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 risk

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 the income statement.

Another key control feature for borrower risks are the provisions on mitigating potential risks taking into account the 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 out 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 and industries 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, private customers and treasury) and the back office (credit risk management, risk control and payments) is in place at all levels.

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

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

In its own estimation of the country risks for Turkey and Russia, the Bank lies well below the range recommended by the Federal Central Tax Office in the business year. However, country risk allowances increased by € 1.5 million to € 50.3 million in the business year (previous year: € 48.7 million). The largest individual item in this overall amount is the country risk allowance for Turkey of € 44.2 million (previous year: € 42.2 million).

In calculating the country risk for Turkey, Akbank AG, as a subsidiary of Akbank T.A.Ş., is one of the leading banks in Turkey and in a position to recognise developments in the Turkish market and looming crises early, and can, if necessary, 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 defined in the risk strategy, which is significantly below the limit 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.

In addition to the requirements of the BaFin circular 11/2011, interest rate risk in the banking book is tested daily by an internal model (stress test) against spontaneous changes in the term structure of interest rates of plus 200 bps for hard and plus 600 bps for soft currencies (interest rate shocks) and a change in the spreads for transactions that depend on Turkey of plus 200 bps (spread shocks). Even in a simulated stress scenario such as this, the market value of shareholder's equity must not change by more than plus/minus 20%.

In addition, as part of the stress test, interest rate risk in the banking book is also tested once a quarter using this internal model against the following changes in the term structure of interest rates:

Scenario	Shock for hard currencies	Shock for soft currencies
Parallel shift	+/-200 bps	+/-500 bps
Parallel shift	+400 bps -300 bps	+700 bps -600 bps
Steepening	from +200 bps to +400 bps	from +300 bps to +700 bps
Flattening	from -200 bps to -400 bps	from -300 bps to -700 bps

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, those exceeding 1.5 million euros or more and loans to managers (Secs. 13-15, 19 (2) KWG), the provisions of the German Regulation Governing Large Exposures and Loans of 1.5 Million Euros and More (GroMiKV) as well as the requirements of the CRR (Articles 387 to 403), which specify 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 comprise 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 (LiqV) 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.

In the framework of 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.Ş.) in order to cover any cash shortages.

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

- The LiqV liquidity ratio
- Internal stress test of cash inflows/outflows taking untimely payment, refinancing, call and credit risks into account
- The ratio of cash reserves to total assets
- The ratio of time deposit accounts to total customer deposits
- LCR and NSFR under Basel III
- The ratio of reserves, free lines at Deutsche Bundesbank and free limits at Akbank T.A.Ş. to total deposits (excluding cash collateral and liabilities to Akbank T.A.Ş.)

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 policies and regularly updated, are part of efficient risk limitation.

Compliance with the principle of four eyes principle and, in this context, the related separation of entry and authorization 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 of by Oracle. Under outsourcing agreements, Akbank T.A.Ş., Istanbul, is responsible for operating and maintaining the system hardware.

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 concluded with a third company that enables the use of the facilities and IT systems leased by the latter 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, management seeks suitable professionals on the job market as needed and gives priority to hiring employees with a certain amount of experience in banking.

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 case of particularly important documents, the Bank provides employees in the Credit department with 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
- Contingency planning and emergency office
- System and process documentation (e.g., loan policy)
- IT backup systems
- Job descriptions/deputy arrangements
- Loss database

Business risks

Business risks encompass the risks from unexpected losses due to income or expense figures deviating 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 financial control 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

The Bank's other risks include 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 due to negative public perception. As part of managing these risks, emphasis is put on aspects of the business 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 2014, risk-bearing capacity was tested on a going concern basis.

In addition, reverse 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 is 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, strict 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 2014, as in previous years. 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

In 2014, Akbank AG's business volumes increased by 35%. The Bank plans to record a moderate growth in 2015.

The Bank expects the general interest level to remain at a low level in 2015. At the same time, it anticipates a small increase in lending business margins. The continued broad-based medium term economic growth in Turkey is one of 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.

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, the portfolio of central bank eligible corporate bonds/corporate bonds eligible for repurchase 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 47 in business year 2015.

For the year 2015, Akbank AG expects the result from ordinary activities before country risk allowances and taxes to increase moderately against the 2014 level.

RELATIONSHIPS WITH AFFILIATED COMPANIES

Pursuant to Sec. 312 AktG (German Stock Corporation Act), the Management Board has prepared a report on 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 at the time of any act or omission, received a reasonable consideration for each legal transaction and was not disadvantaged by any act or omission."

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, as well as the employees of Akbank T.A.Ş., particularly those in the head office and branches, who have significantly contributed to our success.

Frankfurt am Main, 25 March 2015

The Management Board

REGULATORY ENVIRONMENT

Supervisory authorities

German banks are supervised by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – "BaFin") and by the German Federal Bank (Deutsche Bundesbank – "Bundesbank"). BaFin is responsible for taking any supervisory measures, such as granting licenses or issuing other administrative decisions, whereas Bundesbank is responsible for receiving and analysing data submitted by the banks. As well as supervising the banking sector, BaFin is responsible for the supervision of the capital markets. BaFin's immediate superior authority is the German Federal Ministry of Finance.

Currently, the system of regulatory authorities in Europe is likely to become subject to fundamental changes. These amendments aim at centralizing the administrative standards of banking supervision in the European Union by means of a single supervisory mechanism ("SSM") under the responsibility of the ECB.

Regarding the responsibilities, ECB is entitled to supervise the system's relevant Banks whereas the national supervisory authorities continue to supervise remaining institutions according to an EU-wide regulatory framework determined by ECB. The SSM system was implemented in November 2014.

Key Legislation

The key provisions of German bank supervisory law are specified in the German Banking Act (Kreditwesengesetz –"KWG"). The aim of this Act is to safeguard the viability of the financial sector, which is particularly sensitive to fluctuations in confidence, through creditor protection. It sets out certain organisational duties regarding – amongst others – the institution's governance and its internal control systems.

The Payment Services Supervision Act (Zahlungsdiensteaufsichtsgesetz – "ZAG") covers the supervision of payment services and implements the European Payment Services Directive into German law.

The Investment Act (Investmentgesetz – "InvG") covers the provision of investment services and implements the European UCITS Directive.

The provision of services relating to securities and financial instruments is subject to the Securities Trading Act (Wertpapierhandelsgesetz – "WpHG"), which – amongst others – implements the MifID.

German "Pfandbriefe" (a particular type of covered bonds) are subject to the Pfandbrief Act (Pfandbriefgesetz – "PfandBG").

Ancillary regulations to German Banking Act

As a Member State of the EU, Germany is subject to the Capital Requirements Directive "CRD" and the Capital Requirements Regulation "CRR", under which it was required to implement the Basel III framework into German law. Basel III was implemented and has been in force since January 2014.

Details on capital requirements are set out in the Solvability Regulation (Solvabilitätsverordnung – "SolvVO"). The capital requirements provide that banks, bank groups and financial holding companies must have adequate funds in order to meet their obligations towards their creditors, and in particular to safeguard the assets entrusted to them.

Detailed provisions on large-scale exposures and "Millionenkredite" (loans totalling € 1.5 million or more) are set out in the Regulation on Large Scale Exposures and Millionenkredite (Großkredit- und Millionenkreditverordnung – "GroMiKV"). GroMiKV limits the amount of exposure that an institution may incur towards a single client or group of connected clients.

Details on liquidity requirements in the Liquidity Regulation (Liquiditätsverordnung – "LiqV"). The Liquidity Regulation stipulates that an institution's liquidity is adequate if the expected callable liabilities do not exceed its available liquid assets within the calendar month following the reporting date. As well as meeting these requirements, additional observation ratios must be calculated that are used to reveal the expected liquidity flows in periods of over one month and up to one year. The Capital Requirements Regulation (CRR), transposes the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), which are set forth in the Basel III Framework, into law directly applicable to credit institutions. The "LCR" provides for the maintenance of a minimum liquidity buffer over a 30-day horizon to cover any net cash outflows occurring in the event of market-wide, idiosyncratic stress scenarios, whereas the "NSFR" requires a minimum of stable funding for non-current liabilities.

Risk management and other functions

According to Section 25a KWG, all credit and financial services institutions must establish a proper business organisation, which includes appropriate and effective risk management. BaFin has laid out what it considers to be the "Minimum Requirements for Risk Management by Institutions" in a detailed circular (BaFin Circular 10/2012, Mindestanforderungen an das Risikomanagement "MaRisk"). The MaRisk – amongst others – requires all institutions to establish functions for risk control, for compliance and internal audit. The risk control must be separated from those functions within the institutions that are responsible for initiating and concluding business.

Recovery and Resolution Plans

The EU Recovery and Resolution Directive has been adopted by a BaFin circular setting out the requirements for recovery and resolution planning (Mindestanforderungen an die Ausgestaltung von Sanierungsplänen – "MaSan"). MaSan obliges systemically relevant credit institutions in Germany to set up recovery plans in order to be prepared for any future threats to their existence.

Bank governance
The management of a credit institution and – with certain exceptions – of any other institution must consist of at least two managing director. Depending on the size and complexity of the business, BaFin may also request that additional directors are appointed. The directors must be reliable and have the practical and theoretical skills necessary to head the institution. In particular, it will henceforth have to be ensured that each member of the Managing Board and the Supervisory Board will invest sufficient time into their respective responsibilities. This will further limit the possibility of a person assuming multiple offices in different companies. In addition, depending on the size and risk of an institution's business activities, the supervisory board will have to establish a risk committee, an audit committee, a committee responsible for nominating and evaluating managing directors, and a committee responsible for monitoring the institution's remuneration systems.

Remuneration system
The German legislator has implemented the FSB Principles for Sound Compensation Practices in the Regulation on Supervisory Requirements for Institutions' Remuneration Systems (Institutsvergütungsverordnung – "InstitutsvergV"). As a basic principle, all institutions have to ensure that their compensation systems do not incentivise the employees and directors to assume inadequate risks. In addition, all institutions must disclose the structure of their remuneration systems to the public.

Shareholder control mechanisms
In accordance with the requirements of the Qualifying Holding Directive (2007/44/EC), German law further requires any person intending to acquire a direct or indirect participation of 10% or more in an institution to notify BaFin of its intention. After receipt of the full notification, BaFin has a period of 60 business days to decide whether to prohibit the acquisition. The period can be extended to up to 90 business days. Together with the notification, the interested acquirer must provide a substantial package of information to BaFin regarding not only itself, but also other entities of its group of companies.

Deposit protection scheme
German law provides for a statutory deposit protection scheme which is laid down in the Deposit Guarantee and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz – "EAEG"). Currently, customers are provided with a statutory claim to compensation of up to € 100,000 of their deposits. On a European level, a further protection of customers is under discussion.

Apart from the statutory protection scheme, deposits of customers are also protected by voluntary deposit protection schemes. Most private banks in Germany participate in the Deposit Protection Fund of the Association of German Banks ("DPF"). The DPF is a voluntary scheme aimed at protecting the deposits of banks' customers beyond the protection level provided under the statutory deposit protection scheme. The DPF is held and administered by the Association of German Banks (Bundesverband deutscher Banken – "BdB") and is financed by contributions from all participating banks.

In 2014, Akbank AG successfully renewed its one-year Dual Currency Club Loan with US$ 150 million and the participation of 13 banks.

CORPORATE BANKING & FINANCIAL INSTITUTIONS

The Corporate Banking & Financial Institutions Department, provides financial solutions and banking services to large-scale and medium-sized corporate and commercial customers. The products offered include working capital loans, medium-term financing for investments, foreign trade financing and deposit management services.

The main products offered under trade services are letters of guarantee, letters of credit, counter guarantees, forfaiting, promissory notes, foreign trade documentary collections and post-financing. The Bank also provides syndicated loans to corporate and financial services industry clients both in primary and secondary markets.

In addition, the Bank delivers tailored cash management services based on customers' requirements, which include collection and payment services. The Bank's corporate banking unit has the advantage of being part of the Akbank Group as a full service group and benefits from the support of the Bank's parent company. This brings the Bank into a position to market its products to a broad corporate customer base.

An increase in foreign investments in Turkey, together with taking advantage of the cooperation with the parent's corporate banking unit, have enabled the Bank's corporate banking and financial institutions unit to develop international commercial relationships with large multinational companies over the last few years in order to diversify its portfolio and enter into new markets.

In the corporate and financial institutions unit, the Bank also manages its institutional fundraising activities as well as correspondent banking relationships. The Bank's institutional fundraising activities are focused on obtaining long-term and short-term funding at competitive rates by using various borrowing instruments and diversifying sources of funding by reaching new investors.

Strategic Focus

- Expanding its lending business with Turkish and European corporates by providing a prompt and efficient handling process together with a convenient and reliable experience,
- Representing the Akbank Group in German and International loan syndication and fixed income markets,
- Deepening relationships with customers,
- Diversifying the credit portfolio and funding base,
- Continuing its prudent lending approach,
- Maintaining its close collaboration with the Akbank Group and widening its correspondents network,
- Becoming customers' first bank choice among Turkish Banks operating in Europe.

Highlights in 2014

- In 2014, loans and advances to customers and to banks increased by 42% over 2013 and amounted to € 3.779 million, representing 86% of the total assets.
- The asset quality of Corporate Banking remained outstanding in 2014 with a nil non-performing loans ratio
- Trade finance volume and income exceeded expectations in 2014.
- Akbank AG also decided to review and to increase factoring transaction volume in 2014 and reached a notable amount in a short time.
- In 2014, Akbank AG successfully renewed its one-year Dual Currency Club Loan closing with total US$ 150 million and 13 banks' participation. The amount increased by 20% compared to 2013.
- In 2015, Corporate Banking will continue to implement its strategies focused on expanding and diversifying its assets and optimising its profitability.

The Treasury Department primarily manages the Akbank AG's securities investment portfolio, oversees asset liability management activities as well as overall liquidity and offers treasury services to the Bank's corporate customers.

TREASURY

The Treasury Department primarily manages the Bank's securities investment portfolio, oversees asset liability management activities as well as overall liquidity and offers treasury services to the Bank's corporate customers.

The activities include particularly the management of the balance sheet and off-balance sheet interest rate exposure of the Bank in line with the medium-term market view of the Bank as determined by the Asset and Liability Committee, the Risk Management Committee and other limits as defined by the Management Board.

Moreover, in the Treasury Department, the Bank prices and markets treasury products and financial solutions to corporate and commercial customers such as foreign exchange spots and deposits. The customer-related derivatives business of the Department includes foreign currency forwards, interest rate swaps and currency swaps. The unit also analyses corporate and commercial customers' needs and creates products for corporate risk management.

The Treasury Department manages the liquidity of the Bank and engages in borrowings and placements through domestic and international money markets. Foreign currency swaps are another product that the Department actively uses for liquidity purposes.

Furthermore, the Treasury Department's activities include the management of the Bank's reserve requirement obligations in accordance with the liquidity policy.

In accordance with the limits set by the Managing Board, the Treasury Department manages the fixed income portfolio of the Bank. The unit also engages in transactions executed via the OTC markets, brokers and electronic trading channels.

CREDITS

Akbank AG traditionally follows a prudent, conservative and highly selective credit granting culture.

The Supervisory Board determines the Bank's broad credit policies and holds the Managing Board responsible for achieving the targets it sets based on the strategies it has identified.

The technical aspects of implementing these targets have been devised and proposed by the Credit Department and approved by the Credit Committee.

In its capacity outlined above, the Credit Department manages credit risk at Akbank AG.

The Department utilizes the structural approach to assess counterparty risk and default probabilities to arrive at the necessary collateral strength. The Credit Department's main functions are analysing creditworthiness, granting and disbursement of loans including preparation of loan agreements, monitoring and reporting of the existing portfolio.

The Department follows up on all risk, complies with credit policy and procedures and abides by internal risk set by the Supervisory Board, the Managing Board, the Credit Committee and the Assets and Liabilities Committee (ALCO). The Bank's prudent credit policy and processes are proof of its ability to maintain a zero non-performing loan level since it was established.

The Corporate Banking, Financial Institutions and Treasury Departments are responsible for marketing activities of Akbank AG.

The Credit Department reviews proposals received from these departments to perform customers' credit analyses and investigations and reports its opinion to the Credit Committee, which in turn takes its decision on the credit proposal. Therefore the Credit Department plays a deciding role in defining the fundamental outline of credit relations with customers.

In line with the policy to retain its role as a niche bank, Akbank AG will continue to work with medium to large size corporates, selected reputable trading companies and financial institutions throughout 2015.

In September, Akbank AG was awarded by the "Best Financial Investment Bank-2014" prize among 79 banks with the German Deposit Protection Fund.

RETAIL BANKING

In 2014 the Bank continued to offer deposit accounts services to retail customers through internet banking and call center. The purpose of the direct banking model is to operate through a cost efficient business model and to offer fast and reliable services. The Bank offers two major types of deposit products: saving accounts and time deposit accounts. Retail deposits continued to contribute to a great extent to the diversification of the Bank's funding profile.

The year 2014 was characterized by a continued low interest rate environment which was also reflected in the retail deposit market. The Retail division managed throughout the year to be both a cheap and solid source of funding for the Bank, as well as to offer retail customers a quality-focused service approach with a highly dedicated team.

The Bank's retail banking strategy primarily comprises the following elements: (i) growth in its high value customer base; (ii) improving customer loyalty; and (iii) increasing efficiency through the use of innovative technology. The Retail Banking unit continuously invests in building its core capabilities with these perspectives and driving improvements in the customer base.

As the Bank operates with a direct banking model, its operational costs are lower compared to branch operations. Within direct banking channels, given the lower operational costs in internet banking operations, the Bank offers slightly higher interest rates compared to deposits gathered through call centres.

In the last two years, the Bank successfully obtained the following awards for its retail banking operations:

In 2013:

- "Interest rate award 2013" ("Zinsaward 2013"), awarded by FMH-Finanzberatung, n-tv and Deutsches Institut für Servicequalität (German Institute for Service Quality):
  - "Best Savings Account: Category: Existing Customers, German Deposit Protection Fund" ("Bestes Tagesgeld/ Bestandskunden Deutsche Einlagensicherung")
  - "Best Time Deposit: Category: 12-Month Term Deposits, German Deposit Protection Fund" ("Bestes Festgeld/12 Monate Deutsche Einlagensicherung")
  - "Best Savings Bond: Category: Savings Bonds with Three-Year Terms, German Deposit Protection Fund" ("Bester Sparbrief/3 Jahre Deutsche Einlagensicherung")
- "Best Savings Bank, Test 11/2013: Comparison of 60 Banks with German Deposit Protection Fund" ("Beste Tagesgeldbank 2013", Test 11/2013, Im Vergleich: 60 Banken Deutsche Einlagensicherung"), awarded by n-tv "Beste Tagesgeldbank"

In 2014:

- "Best Financial Investment Bank 2014, Test 09/2014: Comparison of 79 Banks with German Deposit Protection Fund" ("Beste Geldanlagebank 2014. Beste Geldanlagebank (Test 09/2014, Im Vergleich: 79 Banken Deutsche Einlagensicherung"), awarded by n-tv
- "Product Online Savings Account, Grade: 2.4: Good" ("Finanztest 08/2014, Produkt Online Tagesgeld – Testnote 2,4: gut"), awarded by Stiftung Warentest

OPERATIONS & INFORMATION TECHNOLOGY

Operations

In 2014, the Operations Department focused on improving current processes and products to optimize efficiency and offer excellent customer service.

The Akbank AG Operations team successfully processes all kinds of complex banking transactions including trade finance, treasury, loans and payments in all major currencies. As a direct member of the European payment system, TARGET2, the Operations Department is able to process payments in the euro zone with extended cut-off times.

The Operations Department can produce fast tailor-made services, which are its most important competitive advantage.

In 2014, Akbank AG has significantly increased the factoring refinancing business. The Operations Department successfully managed the operational activities of the Factoring Refinancing.

Information Technology

The Information Technology (IT) Department plays an important role in keeping Akbank AG's competitive and sustainable position by staying ahead of the technological curve in the highly demanding banking industry. IT enables Akbank AG to effectively cater to the needs of customers with flexible and competitive financial products supported by strengthened internal control systems.

The Bank introduced new and improved process flows to streamline requests from various business lines, enabling rapid and effective analysis and rollout of products and solutions. On the monitoring and compliance front, Akbank AG continued to invest heavily in automating AML compliance controls and introduced several advanced tools to enable the Bank to be more proactive in complying with internal control and regulatory measures.

In 2015, the IT Department will continue to focus on operational improvements and delivering high quality services to internal and external users.

RISK MANAGEMENT GOVERNANCE

RISK MANAGEMENT

Akbank AG utilizes robust risk management practices, policies and procedures regularly overseen by internal and external auditors and regulatory bodies to fulfil its regulatory risk management requirements.

The business strategy of Akbank AG serves as the basis for the risk management system. The risk strategy is derived from the business strategy of the Bank and defines the parameterization and limitation of identified risks with regard to risk inventory.

The risk management system has the purpose to timely identify and communicate risks, which impose a potential threat to the existence of the entity, in order to take countermeasures if and to the extent required. Prerequisites for this are the identification, analysis, assessment and communication of all risks in all Departments of the Bank. Risks that are threatening the existence of the entity due to effects of interaction with other risks have to be considered as well.

The risk strategy of Akbank AG is derived from its business strategy. The Bank's management is aiming for growth in both size and market value while controlling risks at all times. All strategic and operative measures are subject to a careful assessment of business opportunities and risks. These are being re-evaluated regularly under consideration of the respectively prevailing market and corporate development, as well as the regulatory framework. Within this process, also, the shareholder's objectives and the expectations of the banking authority, as well as the requirements of the German Deposit Protection Fund (Einlagensicherungsfond) are taken into consideration.

The basis for maintenance of an adequate capital endowment – related to Pillar 1 as well as Pillar 2 perspective of CRD and CRR – is an integrated part of the "Internal Capital Adequacy Assessment Process" of the Bank. This process aims to stipulate processes and procedures for identifying and monitoring the risks (in business as usual, as well as stress situations) and their coverage with existing capital.

All risks identified within risk inventory are assessed with respect to their materiality and all risks considered as being material are quantified. If a method for assessing and quantifying of a certain risk type, which need to be included in the risk-bearing capacity, is not available, a reasonable risk amount is determined. Material risks, which due to their characteristics cannot be included in the risk bearing ability concept in a meaningful manner (e.g. liquidation risks), are considered diligently in processes of risk management and risk controlling.

The Supervisory Board is ultimately responsible for setting the broad guidelines of risk governance and the management to be followed in all of the Bank's activities.

Controls are guaranteed within the workflow and organizational structure through workflow-integrated prevention measures to reduce the probability of errors. Errors that have occurred will be discovered and analysed. Important system-integrated controls are:

- segregation of duties / allocation of authority / access control,
- four eyes principle,
- controls of data for completeness,
- Comparison of target and actual figures.

The Bank has established a process based on an integrated control system consisting of following steps.

- Risk Identification: Risks need to be identified, defined and classified.
- Risk Assessment: Risk Assessment serves the initial evaluation of the significance of the risks.
- Risk Treatment: In order to overcome risks, adequate measures are determined. Dependent on the risk strategy as well as the characteristics, the scope and the complexity of the risk, the following possible control measures are applied by the Management Board.
- Avoid: Risks will not be taken.
- Reduce: The probability of occurrence or the amount of loss will be reduced via e.g. additional collaterals, limitation/parameterization or improvement of controllability.
- Transfer: Risks will be transferred to a third party.
- Accept: Risks will be accepted and taken with complete awareness.
- Risk monitoring and communication: In the course of process-dependent risk control all executed control measures will be monitored for their efficiency. The risks will be reported regularly.

RISK GOVERNANCE

Akbank AG's risk governance structure comprises the following bodies with key responsibilities in the area of risk management:

Supervisory Board

The Supervisory Board is ultimately responsible for setting the broad guidelines of risk governance and the management to be followed in all of the Bank's activities. The Board determines the overall risk strategy, the Bank's preferred level of acceptable risk and ensures that risk is monitored and effectively controlled. The Board is also responsible for establishing a clearly defined risk management structure with distinct roles and responsibilities. Formal approval of the Bank's Risk Strategy is subject to the Supervisory Board's approval.

Audit Committee

The Audit Committee functions as part of the Supervisory Board. It supports the Supervisory Board by overseeing financial reporting and the internal control environment.

The Committee is composed of two members from the Supervisory Board and meets regularly with the Management Board, representatives from external auditors, internal auditors and the Internal Control & Compliance Department. At these meetings, detailed analyses of issues and activities regarding risk monitoring, audit and compliance are evaluated.

The Management Board regularly reviews risk management systems, including the Risk Strategy, and their ongoing implementation.

Risk Committee

The Risk Committee oversees the implementation and maintenance of the most appropriate risk structure across the Bank and discusses finance and risk issues.

The Risk Committee discusses key risk policies, oversees compliance with risk limits, reviews capital adequacy ratios, capital structure and capital allocation. The Risk Committee also reviews ICAAP, related risk policies and procedures, and submits them to Supervisory Board for approval.

The Committee is composed of three Supervisory Board members.

HR Committee

The Committee is responsible for the preparation of decisions regarding remuneration and nomination of employees. The Committee holds two regular meetings in the year. The Committee is composed of Mr. Hakan Binbaşgil (Chairman) and Mrs. K. Banu Özcan (member).

Credit Committee

The establishment purpose of the Credit Committee on the Supervisory Board Level is to assure approval of loans over a certain amount at the Akbank T.A.Ş. Group Level. The Credit Committee is composed of Mr. Hakan Binbaşgil (Chairman), Mr. Ahmet Fuat Ayla (Member), Mr. Alper Hakan Yüksel (Member), Mrs. Hülya Kefeli (Member) and Mrs. K. Banu Özcan (Member).

Management Board and its Sub-committees

The Management Board has overall responsibility for managing diverse kinds of risk to ensure that they are handled in compliance with the Bank's business and operational objectives and the associated risk control systems within the Bank. The Management Board reports to the Supervisory Board on risk management activities at Risk Committee and Audit Committee meetings, usually held on a bi-monthly basis. Business and strategic risks are generally addressed within the Management Board. The Bank's CEO and EVP are the members of the Management Board.

This Board ensures the setting-up of risk management systems that define key policies, identifying, quantifying, mitigating and monitoring all risk categories in an efficient and effective manner. The Management Board regularly reviews risk management systems, including the Risk Strategy, and their ongoing implementation to check that systems are adequate and appropriate. The Management Board is also responsible for the establishment of a permanent risk management function within the Bank.

Assets and Liabilities Committee (ALCO)

The Assets and Liabilities Committee (ALCO) is responsible for formulating strategies to manage the balance sheet structure of the Bank. It chooses the appropriate policies to optimize the Bank's liquidity position, interest rate risk, market risk and fund management. At ALCO meetings, the balance sheet, risk positions, short and medium-term funding and investment activities are thoroughly analysed and evaluated.

Local Risk Committee

The Local Risk Committee monitors risk management framework functions within the Bank. Its agenda is made up of key risk policies, controls, compliance with risk limits, capital adequacy and capital structure. The Risk Committee also reviews and initially approves the ICAAP, which is then forwarded for the further approval of the Risk Committee.

Local Credit Committee

The Local Credit Committee gathers bi-weekly and is responsible mainly for the evaluation and assessment of Credit Risk within the entire organization. It is chaired by the Management Board Member responsible for Credit and Risk Control.

Risk Management Department (RMD)

The primary task of the Risk Management Department is to establish and maintain an integrated process for identification, evaluation, measurement, reporting and verification of risks and provide recommendations for managing risk to the Management Board. The RMD also acts as a central unit for monitoring risks and coordinating risk monitoring activities, including risk reporting.

Akbank AG's Risk Management Department is also responsible for overseeing all risks associated with banking activities and monitoring related risk limits set by the Supervisory Board. The Department regularly reports to the Management Board, Assets and Liabilities Committee and the Risk Committee, advising them on setting and changing risk limits.

The Department develops and utilizes in-house risk models to assess risk that might arise during the Bank's usual business. The Department also supplies the forward-looking scenario analyses that are used in evaluating business decisions, new product launches, changes in the macroeconomic environment and new regulatory requirements that entail dynamic risk management models. Thanks to its experienced risk management team, the Bank is able to develop innovative in-house risk models while enjoying the strong support and banking expertise of its parent, Akbank T.A.Ş. with regard to all risk management matters.

Internal Audit (IA)

The Internal Audit Function analyses business processes, procedures and activities with the goal of highlighting material organizational weaknesses and recommending alternative solutions. The scope of internal auditing involves topics such as the efficacy of the risk management structure, the reliability of the financial reporting and compliance with laws and regulations.

Compliance Officer (CO)

The Compliance Officer (CO) performs control activities independent from line management with a view to assure compliance with (i) the conformity of activities to standards, rules and limitations determined by the MB and SB (iii) the regulatory environment to which the Bank is subject. Within this context the CO supports and consults the Management Board in its duties to comply with local and international legislation. The CO also serves as the Anti-Money Laundering Officer of the Bank.

FINANCIAL STATEMENTS FOR THE BUSINESS YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

AKBANK AG
BALANCE SHEET AS OF DECEMBER 31, 2014
OF AKBANK AG, FRANKFURT AM MAIN

ASSETS

		EUR	31.12.2014 EUR	31.12.2013 TEUR
1. Cash Reserve				
a) Cash on hand		4,471.11		2
b) Balances at central banks		80,439,335.40		138,515
thereof: at Deutsche Bundesbank			80,443,806.51	138,517
	80,439,335.40			
2. Loans and advances to banks				
a) Payable on demand		7,683,980.67		26,486
b) Other loans and advances		525,297,991.07		118,630
			532,981,971.74	145,116
3. Loans and advances to customers			3,321,162,918.78	2,590,941
thereof: secured by				
property charges	0.00			
Municipal loans	0.00			
4. Debentures and other fixed-interest securities				
Bonds and debentures				
a) from public sector		0.00		0
thereof: eligible as collateral at Deutsche Bundesbank				
	0.00			
b) from other issuers		422,437,270.71		334,429
thereof: eligible as collateral at Deutsche Bundesbank			422,437,270.71	334,429
	241,141,677.33			
5. Intangible assets			157,804.71	158
6. Property and equipment			286,418.07	271
7. Other assets			1,680,721.39	28,041
8. Prepaid expenses			1,136,975.74	483
9. Deferred taxes			0.00	671
		Total Assets	**4,360,287,887.65**	**3,238,627**

AKBANK AG
BALANCE SHEET AS OF DECEMBER 31, 2014
OF AKBANK AG, FRANKFURT AM MAIN

LIABILITIES

	EUR	31.12.2014 EUR	31.12.2013 TEUR
1. Liabilities to banks			
a) Payable on demand	2,097,092.99		2,008
b) with an agreed term or period of notice	691,543,047.09		294,443
		693,640,140.08	296,451
2. Liabilities to customers			
Other liabilities			
a) Payable on demand	321,634,854.37		392,718
b) with an agreed term or period of notice	2,863,872,594.71		2,201,483
		3,185,507,449.08	2,594,201
3. Other liabilities		92,975,802.62	2,410
4. Deferred income		972,055.97	2,261
5. Deferred Tax Provisons		1,742,000.00	0
6. Provisions			
a) Tax provisions	1,603,407.44		0
b) Other provisions	1,579,841.30		1,117
		3,183,248.74	1,117
7. Shareholder's equity			
a) Subscribed capital	100,000,000.00		100,000
b) Capital reserve	158,253,076.35		158,253
c) Revenue reserves			
Other revenue reserve	83,934,260.66		60,333
d) Profit available for distribution	40,079,854.15		23,601
		382,267,191.16	342,187
Total Liabilities and Shareholders' Equity		4,360,287,887.65	3,238,627

	EUR	TEUR
1. Contingent liabilities		
Liabilities from guarantees and warranty agreements	19,021,526.55	18,019
2. Other obligations		
Irrevocable loan commitments	24,729,412.44	34,851

AKBANK AG
INCOME STATEMENT AS OF DECEMBER 31, 2014
OF AKBANK AG, FRANKFURT AM MAIN

	EUR	EUR	31.12.2014 EUR	31.12.2013 TEUR
1. Interest income from				
a) Lending and money market business	113,107,223.71			97,420
b) Fixed-interest securities and government-inscribed debt	7,009,413.88			7,327
		120,116,637.59		104,747
2. Interest expenses		59,192,438.57		58,711
			60,924,199.02	46,036
3. Commission income		3,365,920.18		2,776
4. Commission expenses		881,392.10		1,037
			2,484,528.08	1,739
5. Other operating income			416,811.89	54
6. General and administrative expenses				
a) Personnel expenses				
aa) wages and salaries	3,449,611.37			2,980
ab) social security and other pension costs thereof: for old age pensions EUR 75.588,97 (previous year: KEUR 71)	445,960.65	3,895,572.02		384
b) Other administrative expenses		4,191,936.08		3,802
			8,087,508.10	7,166
7. Write-downs and adjustments to intangible assets and property, plant and equipment			166,190.54	178
8. Other operating expenses			27,835.48	145
9. Write-downs and allowances on loans and advances and certain securities and allocations to provisions for possible loan losses			1,524,246.65	10,732
10. Income from write-ups on participations, interests in affiliated companies and investment securities			4,921,594.02	4,988
11. Result from ordinary activities			58,941,352.24	34,596
12. Income taxes				
a) Tax expenses		16,447,664.57		10,589
b) Expenses from reversal of deferred taxes		2,412,800.00	18,860,464.57	406
13. Other taxes			1,033.52	0
			18,861,498.09	10,995
14. Net result for the year			**40,079,854.15**	**23,601**
15. Profit carried forward			23,601,250.87	17,663
16. Transfer to reserves to other revenue reserve			23,601,250.87	17,663
17. Profit available for distribution			**40,079,854.15**	**23,601**

NOTES TO THE FINANCIAL STATEMENTS FOR THE BUSINESS YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

1. General information

Shareholder

In business year 2014, the sole shareholder of Akbank AG, Frankfurt am Main, was Akbank T.A.Ş., Istanbul, Turkey.

Memberships

Akbank AG is a member of various banking associations and organisations. It is a member of the Federal Association of German Banks [Bundesverband deutscher Banken e.V.] and has joined its deposit insurance fund. In addition, it is a member of the Association of Banks in Hesse [Bankenverband Hessen e.V.], the Association of Foreign Banks in Germany [Verband der Auslandsbanken in Deutschland e.V.], the Auditing Association of German Banks [Prüfungsverband deutscher Banken e.V.] and the Association of Banking Organisation [Vereinigung für Bankbetriebsorganisation e.V.].

2. Accounting, valuation and translation methods of Akbank AG as of 31 December 2014

The financial statements as of 31 December 2014 of Akbank AG were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). 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 financial statements were also prepared in accordance with the Bank Accounting Directive (RechKredV).

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 determining the highest permissible country risk provisions according to the Ministry of Finance's draft interpretative letter (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) derived from this letter 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.

In its own estimation of the country risks for Turkey and Russia, the Bank lies well below the maximum values contained in the Ministry of Finance's draft interpretative letter (IV C6 - S2174/0).

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. Any resulting tax burden is recognised by the Bank in the balance sheet as deferred tax liabilities. When calculating deferred tax assets, tax loss carryforwards must be taken into account in the amount of the net loss expected in the next five years. The Bank does not have any such loss carryforwards at present.

The amounts of the resulting tax burden and tax relief are valued using the Bank-specific tax rates at the time of reducing the differences and are not discounted. The disclosed items must be reversed as soon as the tax burden or tax relief arises or ceases to be expected. The expense or income from the change in recognised deferred taxes is disclosed separately in the income statement under the item "Taxes on income".

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

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

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

Foreign currency receivables and liabilities (including accrued interest) contained in the individual items are valued at the applicable reference rates of the European Central Bank (ECB) as of 31 December 2014.

Foreign exchange swap transactions are also valued using the reference rates of the ECB as of 31 December 2014. Unrealised gains from foreign exchange swap transactions for which special cover exists according to Sec. 340 h HGB are recognised under other assets.

The forward rates are split into spot rate and swap rate and these two elements are accounted for separately when determining results. The concluded swap amounts are released pro rata temporis. Changes in the spot rates are determined during 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 at 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 reserve

As of the balance sheet date, the Bank had cash reserves of EUR 80,444 thousand (previous year: EUR 138,517 thousand). Thereof, EUR 80,439 thousand (previous year: EUR 138,515 thousand) was attributable to the balance with Deutsche Bundesbank and EUR 5 thousand (previous year: EUR 2 thousand) 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:

	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Payable on demand	7,684	26,486
Remaining term to maturity		
- up to three months	198,036	82,202
- from three months to one year	315,208	33,387
- from one year to five years	12,054	3,041
	532,982	**145,116**

No country risk allowance was recognised on loans and advances to banks (previous year: EUR 3,132 thousand).

Loans and advances to customers

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

	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Payable on demand	38,611	19,777
Remaining term to maturity		
- up to three months	222,522	259,006
- from three months to one year	380,885	220,670
- from one year to five years	2,611,298	2,063,405
- more than five years	67,847	28,083
	3,321,163	**2,590,941**

There were no individual allowances (previous year: EUR 0k).

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 50,234k (previous year: EUR 45,576k).

For securing loans and advances to customers of EUR 1,190,151k (previous year: EUR 964,247k), customer deposits in the same amount had been pledged at the balance sheet date.

Debentures and other fixed-income securities

All debentures and other fixed-interest securities (book value: EUR 422,437k; previous year: EUR 334,429k) were listed on a stock exchange at the balance sheet date.

They were allocated in full to the fixed assets. The development of the financial investments is presented in the "Development of fixed assets" (appendix I to the notes).

There are hidden reserves of EUR 5,932k (previous year: EUR 3,973k) and hidden charges of EUR 903k (previous year: EUR 3,860k). In view of the fact that the debentures are classified as fixed assets and the lower market values were not due to likely permanent impairment, but rather simply to normal market volatility, the Bank did not write down the debentures to the lower market values.

In business year 2015, debentures and other fixed-interest securities of EUR 33,131k (previous year: EUR 102,656k) will fall due.

The debentures and other fixed-interest securities are presented in the table below.

	31.12.2014	31.12.2013	31.12.2012
Debentures and other fixed-interest securities eligible as collateral at Deutsche Bundesbank		(in %)	
A+ and A-	21.21	64.03	81.54
BBB+ and BBB-	78.79	35.97	18.46
BB+ and BB-	0.00	0.00	0.00
No rating	0.00	0.00	0.00
Debentures and other fixed-interest securities not eligible as collateral at Deutsche Bundesbank		(in %)	
A+ and A-	0.00	0.00	0.00
BBB+ and BBB-	60.23	77.32	21.39
BB+ and BB-	39.77	22.68	61.06
No rating	0.00	0.00	17.55
Total debentures and fixed-interest securities		(in %)	
A+ and A-	12.11	44.10	62.36
BBB+ and BBB-	70.82	48.84	19.15
BB+ and BB-	17.07	7.06	14.36
No rating	0.00	0.00	4.13

Intangible assets

During the reporting year, the portfolio included intangible assets (standard software) of EUR 158k (previous year: EUR 158k). During the 2014 business year, as in the previous year, no write-downs were required.

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 286k (previous year: EUR 271k) at the balance sheet date is presented in the "Development of fixed assets". In business year 2014, write-downs of EUR 15k (previous year: EUR 25k) were recognised.

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 1,681k (previous year: EUR 28,041k) mainly relate to receivables less write-downs of EUR 793k (previous year: EUR 5,242k) from the Dutch Central Bank (DCB), which acts the administrator of the Dutch DSB Bank N.V. that became insolvent in 2009, and tax receivables from corporation income tax and input VAT refund claims of EUR 827k (previous year: EUR 1,209k for corporation income tax, trade tax and input VAT claims).

The previous-year amount additionally includes swap receivables and receivables from forward transactions of EUR 21,580k from the hedging of foreign currency receivables (contained in various balance sheet items).

Prepaid expenses

Of the prepaid expenses of EUR 1,137k (previous year: EUR 483k), EUR 322k (previous year: EUR 202k) was recognised for deferred up-front commissions from the lending business.

Deferred tax assets

No deferred tax assets or deferred tax liabilities were recognised in the business year. In the previous year, the deferred tax assets of EUR 670k served to offset the additional tax burden arising from the temporary difference of EUR 2,101k between the tax base and the commercial balance sheet. The difference results from higher carrying amounts of fixed assets in the tax base compared with the commercial balance sheet of EUR 1,545k and from lower provisions in the tax base compared with the commercial balance sheet of EUR 556k.

In the previous year, deferred tax assets were calculated on the basis of the Bank's tax rate at the balance sheet date of 31.9%.

Liabilities to banks

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

	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Payable on demand	2,097	2,008
Remaining term to maturity		
- up to three months	541,474	144,049
- from three months to one year	140,345	109,691
- from one year to five years	9,724	40,703
	693,640	**296,451**

Liabilities to customers

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

	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Other liabilities		
Payable on demand	321,635	392,718
Remaining term to maturity		
- up to three months	446,621	318,763
- from three months to one year	989,736	436,863
- from one year to five years	1,334,276	1,364,669
- more than five years	93,239	81,187
	3,185,507	**2,594,200**

EUR 536.9m (previous year: EUR 551.8m) of liabilities to customers relates to the deposit business with private customers and EUR 2,648.6m (previous year: EUR 2,042.4m) relates to the deposit business with institutional customers.

Other liabilities

Other liabilities of EUR 92,976k (previous year: EUR 2,410k) largely comprise swap liabilities and liabilities from forward exchange transactions of EUR 91,183k from hedging of the foreign currency receivables contained in various balance sheet items (previous year: other assets of EUR 21,580k relating to swap receivables and receivables from forward transactions).

In addition, other liabilities include withholding tax on interest including the solidarity surcharge and church tax on customer deposits of EUR 644k (previous year: EUR 1,011k), wage and church tax of EUR 56k (previous year: EUR 45k), brokerage fees of EUR 46k (previous year: EUR 38k) and supplier and other liabilities of EUR 1,047k (previous year: EUR 1,316k).

Deferred income

The deferred income of EUR 972k (previous year: EUR 2,261k) was recognised exclusively for deferred up-front commissions from the lending business.

Deferred tax liabilities

Deferred tax liabilities of EUR 1,742k (previous year: deferred tax assets of EUR 670k) serve to offset the tax liability arising from the temporary difference of EUR 5,455k between the tax base and the commercial balance sheet. The difference results from higher carrying amounts of fixed assets in the commercial balance sheet compared with the tax base of EUR 6,108k and from lower provisions in the tax base compared with the commercial balance sheet of EUR 653k.

Deferred tax liabilities are calculated on the basis of the tax rate applicable to the Bank at the balance sheet date of 31.9%.

Provisions

At the balance sheet date, there were tax provisions of EUR 1,603k for corporation income tax and trade tax. In the previous year, there were tax refund claims disclosed under other assets.

The other provisions are composed of the following:

	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Personnel costs	600	500
Outstanding invoices	391	173
Audit and tax consultant costs	220	203
Deferred rent	116	0
Liabilities of the former Akbank N.V.	78	102
Outstanding holiday	66	62
Off-balance sheet credit risk	53	55
Chamber of Commerce and Industry	40	13
Miscellaneous	16	9
	1,580	**1,117**

Subscribed capital, capital reserve and profit available for distribution

As of 31 December 2014, the capital stock totalled EUR 100,000,000 and was divided into 100,000,000 no-par value shares. The shares are bearer shares.

The capital reserve is unchanged compared with the previous year at EUR 158,253,076.35.

In accordance with the shareholder resolution dated 25 April 2014, the profit available for distribution for business year 2013 of EUR 23,601,250.87 was allocated in full to the other revenue reserves.

The net income for 2014 is EUR 40,079,854.15.

The Company's Management Board proposes to allocate the profit available for distribution of EUR 40,079,854.15 to the other revenue reserves.

Country risk allowances

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

	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Loans and advances to banks	0	3,132
Loans and advances to customers	50,234	45,576
Other provisions	53	55
	50,287	**48,763**

Foreign currency assets and liabilities

The foreign currencies, translated into euros, are included in the following individual balance sheet items:

	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Gross loans and advances to banks	384,629	59,036
Gross loans and advances to customers	2,060,615	1,547,984
Debentures	138,705	79,954
Prepaid expenses	71	31
Foreign currency assets	**2,584,020**	**1,687,005**
Liabilities to banks	332,088	118,842
Liabilities to customers	1,171,417	940,133
Other liabilities	149	291
Foreign currency liabilities	**1,503,654**	**1,059,266**
Balance	**1,080,366**	**627,739**

The euro equivalent of the foreign currency assets amounts to EUR 2,584,020k (previous year: EUR 1,687,005k), the euro equivalent of the foreign currency liabilities amounts to EUR 1,503,654k (previous year: EUR 1,059,266k).

The net foreign currency position as at the balance sheet date of EUR 1,080,366k (previous year: EUR 627,739k) contrasts with foreign currency hedges of EUR 1,080,567k (previous year: EUR 627,715k).

Loans and advances and liabilities to affiliated companies

The affiliated companies can be divided into two groups:

a) Akbank T.A.Ş., Istanbul, and its subsidiaries (the Akbank Group)
b) Haci Ömer Sabanci Holding A.S., Istanbul, and its subsidiaries (the Sabanci Group), excluding those of the Akbank Group

The following loans and advances and liabilities were recognised in respect of these affiliated companies – the Akbank Group and the Sabanci Group – as of the balance sheet date:

Akbank Group	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Loans and advances to banks		
- payable on demand	21	86
- other loans and advances	194,147	18,242
Loans and advances to customers	25,212	0
Loans and advances to the Akbank Group	**219,380**	**18,328**
Liabilities to banks		
- payable on demand	132	244
- with an agreed term or period of notice	115,554	0
Liabilities to customers	0	0
Liabilities to the Akbank Group	**115,686**	**244**
Balance	103,694	18,084

Sabanci Group	31.12.2014 EUR thousand	31.12.2013 EUR thousand
Loans and advances to banks		
- payable on demand	0	0
- other loans and advances	0	0
Loans and advances to customers	2,203	2,006
Loans and advances to the Sabanci Group	**2,203**	**2,006**
Liabilities to banks		
- payable on demand	0	0
- with an agreed term or period of notice	0	0
Liabilities to customers	24	46
Liabilities to the Sabanci Group	**24**	**46**

Balance	**2,179**	**1,960**

Contingent liabilities

Contingent liabilities comprise guarantees and documentary credits of EUR 19,022k (previous year: EUR 18,019k), of which EUR 0k (previous year: EUR 54k) was due to affiliated companies and EUR 6k (previous year EUR 4k) to a member of the Management Board. Based on the good creditworthiness of the customers, the Bank deems the risk of these guarantees being called to be very low.

Other obligations

On the balance sheet date, the Bank reported irrevocable loan commitments of EUR 24,729k (previous year: EUR 34,851k)

Restraints on disposal

The liabilities to Deutsche Bundesbank are secured by pledged assets with a book value including accrued interest of EUR 278,847k (previous year: EUR 266,274k).

The book value of securities sold in connection with genuine repo transactions with other banks amounts to EUR 181,296k including accrued interest.

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 banks in Germany and Turkey.

Other operating income amounts to EUR 417k (previous year: EUR 54k) and mainly relates to income from the reimbursement of a cost allocation of EUR 313k and income from the reversal of provisions of EUR 79k (previous year: EUR 41k).

General and administrative expenses amounted to EUR 8,088k (previous year: EUR 7,166k). EUR 3,896k thereof (previous year: EUR 3,364k) related to personnel expenses and EUR 4,192k (previous year: EUR 3,802k) to other administrative expenses.

Write-downs, allowances on loans and advances and certain securities as well as allocations to provisions for possible loan losses of EUR 1,524k (previous year: EUR 10,732k) comprise the allocation to the country risk allowance on loans and advances of EUR 1,526k (previous year: EUR 10,995k) and the reversal of the provision for off-balance sheet credit risk of EUR 2k (previous year: EUR 263k).

Income from write-ups of equity investments, shares in affiliated companies and securities treated as fixed assets of EUR 4,922k (previous year: EUR 4,988k) resulted from the sale of bonds classified as fixed assets and are attributable to liquidity management measures as part of integrated bank management.

Total remuneration of the auditors of the financial statements

The total fees charged in business year 2014 by the auditors amounted to EUR 347k (previous year: EUR 146k), divided into fees for audit services of EUR 110k (previous year: EUR 135k) and fees for audit-related services of EUR 237k (previous year: EUR 11k).

Taxes on income

Taxes on income of EUR 16,448k (previous year: EUR 10,589k) relate to corporation income tax of EUR 8,143k (previous year:

EUR 5,203k) and trade tax of EUR 8,305k (previous year: EUR 5,386k).

The total amount of expenses from the change in deferred taxes of EUR 2,413k (previous year: EUR 406k) relates to the adjustment of the reduced tax expense recognised in the business year. The amount comprises the reversal of deferred tax assets from the previous year of EUR 670k (previous year: EUR 406k) and the recognition of deferred tax liabilities of EUR 1,743k.

4. Other disclosures

Classification of loans and advances to banks and customers by economic sector

The allocation of loans and advances to banks and customers by economic sector is based on the customer classification system of Deutsche Bundesbank.

Loans and advances which account for less than 3% of total loans and advances are disclosed under "Other" in both years.

Economic sector	31.12.2014 in %	31.12.2013 in %
Manufacturing	31.10	31.50
- Electrical industry	5.62	2.29
- Metalworking industry	4.35	6.77
- Automotive industry	4.28	6.71
- Textile industry	3.92	3.73
- Food industry	3.72	1.08
- Chemical industry	3.29	6.73
- Other	5.92	4.19
Real estate activities	26.86	33.02
- thereof secured by cash deposits	24.67	30.61
- Other	2.19	2.41
Financial and insurance activities	19.10	8.88
Wholesale and retail trade; repair of motor vehicles and motorcycles	6.53	5.00
Professional, scientific and technical activities	3.46	3.69
Construction	3.35	3.24
Electricity, gas, steam and air conditioning supply	3.08	2.49
Transport and storage	3.03	4.06
Information and communication	1.80	5.55
Other	1.69	2.57
	100.00	**100.00**

Other financial obligations

The other financial obligations essentially relate to future contractually agreed rent payments for the Bank's offices in

Frankfurt am Main. The rent payments until 2024 will total EUR 6,657k (previous year: until 2024, EUR 7,110k).

Derivatives

At the balance sheet date, there were open currency swaps of EUR 712,923k (previous year: EUR 367,988k) and forward transactions of EUR 12,272k (previous year: EUR 5,511k). Both serve exclusively to cover currency risks. At the balance sheet date, the fair value of the currency swaps was EUR 711,691k (previous year: EUR 371,403k) and the fair value of the forward transactions was EUR 12,272k (previous year: EUR 5,511k).

At the balance sheet date, there were no currency swaps with affiliated companies.

For the purpose of hedging the general interest rate risk, interest rate swaps in the nominal amount of EUR 350,392k (previous year: EUR 285,509k) were concluded until 2019 at the latest. At 31 December 2014, they had a negative present value (excluding accrued interest) of EUR 5,829k (previous year: negative present value of EUR 3,425k).

To hedge both the interest rate risk and the currency risk, cross-currency swaps of EUR 355,372k (previous year: EUR 254,216k), maturing no later than 2019, were concluded. At 31 December 2014, the swaps had a positive present value (excluding accrued interest) of EUR 29,024k (previous year: positive present value of EUR 10,969k).

At the balance sheet date, there were neither interest rate swaps nor cross-currency swaps with affiliated companies.

Employees

The Bank had an average of 35 employees including the Management Board in 2014 (previous year: 32).

Corporate bodies

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

- Ms Kamile Banu Özcan, Frankfurt am Main, Chairman of the Board, in charge of money and foreign exchange trading/ correspondent banking, corporate banking, data processing/organisation, anti-money laundering activities, internal auditing, compliance, strategy planning and internal financial control
- Mr Franz Hakan Elman, Oberliederbach, responsible for risk management, lending business, payment transactions, documentary transactions and accounting

The Bank is jointly represented by two board members.

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

- Mr Hakan Binbaşgil, Chairman, Member of the Executive Board of Akbank T.A.Ş., Istanbul, Turkey
- Mr Eyüp Engin, Member of the Executive Board of Akbank T.A.Ş., Istanbul, Turkey
- Mr Alper Hakan Yüksel, Member of the Executive Board of Akbank T.A.Ş., Istanbul, Turkey
- Mr Atil Özus, Member of the Executive Board of Akbank T.A.Ş., Istanbul, Turkey
- Mr Kerim Rota, Member of the Executive Board of Akbank T.A.Ş., Istanbul, Turkey

- Mr Ahmet Fuat Ayla, Member of the Executive Board of Akbank T.A.Ş., Istanbul, Turkey

Remuneration of corporate bodies

The Management Board received total remuneration of EUR 734k during the business year (previous year: EUR 683k).

No compensation was paid to the Supervisory Board.

Relations with affiliated companies

Akbank T.A.Ş, Istanbul, Turkey, was Akbank AG's sole shareholder in the reporting period.

As of 31 December 2014, 48.9% of Akbank T.A.Ş. was owned by Haci Ömer Sabanci Holding A.S., Istanbul, its subsidiaries and members of the Sabanci family, 9.9% was held by Citibank Overseas Investment Corporation and 41.2% was in free float.

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

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

Consolidated financial statements

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

Frankfurt am Main, 25 March 2015

The Management Board

K. Banu Özcan **F. Hakan Elman**

APPENDIX I TO THE NOTES

DEVELOPMENT OF FIXED ASSETS IN BUSINESS YEAR 2014

	At cost			
	01.01.2014	Additions	Retirements	31.12.2014
	EUR	EUR	EUR	EUR
A. Property and equipment				
1. Leasehold improvements	104,565.58	53,181.05	82,003.18	75,743.45
2. IT equipment	172,071.07	42,221.37	0.00	214,292.44
3. Office furniture and equipment	259,651.41	14,283.67	5,091.88	268,843.20
Total	**536,288.06**	**109,686.09**	**87,095.06**	**558,879.09**
B. Intangible Assets				
Standard software	574,095.14	71,345.00	19,349.40	626,090.74
C. Financial Assets				
Bonds and debentures	343,407,562.38	297,914,944.69	208,923,080.15	432,399,426.92
Total amount	**344,517,945.58**	**298,095,975.78**	**209,029,524.61**	**433,584,396.75**

	Accumulated amortisation, depreciation and write-downs			
	01.01.2014	Additions	Retirements	31.12.2014
	EUR	EUR	EUR	EUR
A. Property and equipment				
1. Leasehold improvements	77,229.86	22,150.98	82,003.18	17,377.66
2. IT equipment	84,698.72	39,151.61	0.00	123,850.33
3. Office furniture and equipment	103,274.50	33,050.41	5,091.88	131,233.03
Total	**265,203.08**	**94,353.00**	**87,095.06**	**272,461.02**
B. Intangible Assets				
Standard software	415,797.89	71,837.54	19,349.40	468,286.03
C. Financial Assets				
Bonds and debentures	8,979,028,81	13,390,269.43	12,407,142.03	9,962,156.21
Total amount	**9,660,029.78**	**13,556,459.97**	**12,513,586.49**	**10,702,903.26**

	Net book value	
	01.01.2014	31.12.2014
	EUR	EUR
A. Property and equipment		
1. Leasehold improvements	27,335.72	58,365.79
2. IT equipment	87,372.35	90,442.11
3. Office furniture and equipment	156,376.91	137,610.17
Total	**271,084.98**	**286,418.07**
B. Intangible Assets		
Standard software	158,297.25	157,804.71
C. Financial Assets		
Bonds and debentures	334,428,533.57	422,437,270.71
Total amount	**334,857,915.80**	**422,881,493.49**

CONTACT INFORMATION

AKBANK AG-MANAGING BOARD

Name	Title
K. Banu Özcan	CEO and Chairman of the Managing Board
F. Hakan Elman	Executive Vice President and Member of the Managing Board

AKBANK AG-MANAGEMENT TEAM

Name	Group
Mustafa Korkmaz	Senior Vice President Senior Vice President-Treasury
R.Didem Öget	Senior Vice President & CFO-Financial Coordination & Risk Management
Osman Yüce	Senior Vice President-Information Technologies & Operations
Murat Gündoğdu	Vice President-Corporate Banking
Haluk Soma	Vice President-Credit Department
Begüm Saraç	Legal Counsel-Compliance & AML Officer

HEAD OFFICE

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