Annual Report 2019

AKBANK AG

Contents

Akbank AG in Brief

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

Akbank AG is the successor institution of the German branch of Akbank T.A.Ş. It 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 to use capital and other resources more efficiently, 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. became the sole shareholder of Akbank AG. The merger between Akbank AG and Akbank N.V. led to a substantial increase in Akbank AG's lending and deposit business, triggering a continuous positive trend in the post-merger period.

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

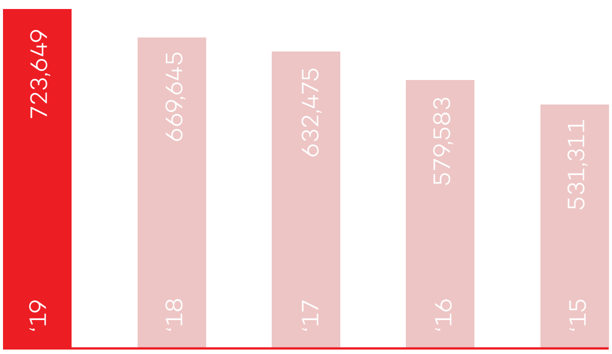
The Bank is a voluntary member of the Deposit Protection Fund of the Association of German Banks, Einlagensicherungsfond des Bundesverband Deutscher Banken, and offers protection to both corporate and retail deposit holders up to a level of 15% of its shareholders' equity on an individual basis.

Key Figures

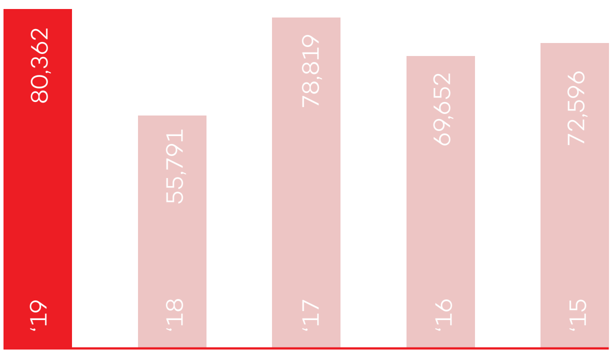
Key Figures (€ tsd)	2019	2018	2017	2016	2015
Net profit	54,005	37,170	52,892	48,272	49,044
Profit before tax	80,362	55,791	78,819	69,652	72,596
Profit before tax (w/o country provision)	82,119	68,716	79,219	76,681	67,099
Total assets	4,406,308	4,476,974	5,059,249	5,487,837	4,774,341
Paid-in capital	200,000	200,000	200,000	200,000	200,000
Total shareholders' equity	723,649	669,645	632,475	579,583	531,311
Interest-bearing assets	4,373,342	4,431,487	5,005,497	5,482,344	4,768,886
Interest-bearing liabilities	3,672,075	3,799,941	4,411,236	4,862,661	4,150,888

Key Ratios	2019	2018	2017	2016	2015
Solvency (%)	19.61	17.54	14.07	12.60	14.38
ROE	7.24	6.66	8.29	9.01	8.91
Total assets/Own funds (times)	6.09	6.69	8.00	9.47	8.99
Cost/Income ratio (%)	14.87	16.61	13.17	12.21	12.64
Commission income/Operating expenses	33.05	22.16	45.78	50.59	32.19
Number of staff members	51	49	48	45	42
Profit before tax (w/o country provision) per staff member	1,610	1,402	1,650	1,704	1,597
Non-performing loans	-	-	-	-	-
Loans/Deposits (%)	107.93	107.58	109.44	108.06	111.33

TOTAL SHAREHOLDERS' EQUITY (EUR 000)

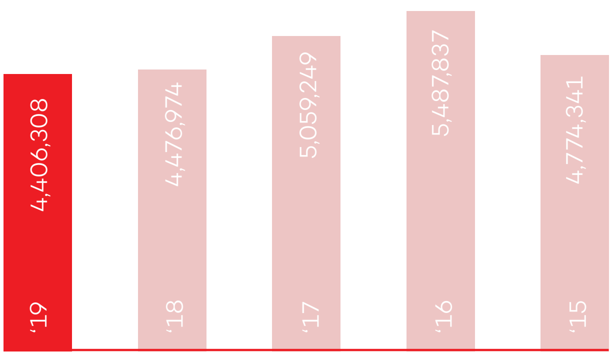


PROFIT BEFORE TAX (EUR 000)



ROE (%)

TOTAL ASSETS (EUR 000)



Sabancı Group in Brief

The main business areas of Sabancı Group are; banking, insurance, energy, industrials, cement, and retail. Sabancı Group companies are market leaders in most of their respective sectors.

12 countries

Sabancı Group companies currently operate in 12 countries as of year-end 2019 and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America.

Hacı Ömer Sabancı Holding A.Ş., one of Turkey's leading conglomerates, is the parent company and manages the Sabancı Group's companies with a strategic portfolio approach. The main business areas of Sabancı Group are; banking, insurance, energy, industrials, cement, and retail. Sabancı Group companies are market leaders in most of their respective sectors. Sabancı Holding's executive activities are carried out by the Executive Committee, consisting of the CEO, CFO, Strategic Business Unit Presidents and the President of Human Resources Group.

The Executive Committee reports to the Board of Directors. Sabancı Holding is responsible for:

- Coordinating and supporting the financing, strategy, business development and human resources functions in accordance with corporate governance principles,
- Fostering career development of the Group's senior and mid-level executives,
- Determining the Group's strategies,
- Deploying a performance culture across the Group,
- Creating shareholder value through intragroup ecosystem collaborations.

Sabancı Holding prioritizes a performance culture. With the aim of creating value for all stakeholders, a short-term and long-term management incentive system is applied across the organization. On an annual basis, performance evaluation entails a number of performance criteria including revenue, operating income, net income, change in market capitalization compared to peers for the listed companies and also the market share, cash flow management, working

Sabancı Holding prioritizes a performance culture. With the aim of creating value for all stakeholders, a short-term and long-term management incentive system is applied across the organization.

capital efficiency, and employee engagement are among other KPIs. Long term incentive compensation is determined based on Sabancı Holding stock's total shareholder return (TSR) and discount to Net Asset Value (NAV). In addition to the Audit, Corporate Governance and Early Risk Identification Committees which report to Sabancı Holding Board of Directors, the Portfolio Management Committee was established on March 30, 2017 to ensure a more balanced, dynamic portfolio management and capital allocation perspective. The Committee consists of Board Chairman Güler Sabancı; Vice Chairman Erol Sabancı, Board Members Suzan Sabancı Dinçer, Sevil Sabancı Sabancı, Serra Sabancı and CEO Cenk Alper. The Committee convened six times in 2019 and submitted its assessments to the Board of Directors. Sabancı Holding assesses business development projects both financially and strategically and prioritizes projects where there is high-value creation, real growth potential, projects in which current competencies within the Group can be utilized effectively as well as sustainable investment projects.

Sabancı Group companies currently operate in 12 countries as of year-end 2019 and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America. Sabancı Group – thanks to its solid reputation, positive brand image, strong joint ventures, extensive experience and know-how about the Turkish market – has fostered its core businesses over the years. These enterprises collectively have also contributed significantly to the development of Turkey's economy. Sabancı Holding's multinational business partners include prominent global companies such as Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris. In 2019, Sabancı Group posted combined sales revenue of TL 97.6 billion and consolidated net profit of TL 3.8 billion. Sabancı Holding's own shares, as well as the shares of its 11 subsidiaries, are listed on Borsa Istanbul (BIST) and constitute 8.1% of total market capitalization of Turkish equity market. The Sabancı Family is collectively Sabancı Holding's majority shareholder. As of year-end 2019, 48.3% of Sabancı Holding's shares are publicly traded.

Akbank T.A.Ş. in Brief

Akbank, the pioneer of digital banking in Turkey, offers its customers customized solutions to meet their financial needs at the most appropriate points, ensuring excellent customer experience.

18 million customers

As of the end of 2019, Akbank serves around 18 million customers.

Akbank was founded as a privately-owned commercial bank in Adana on January 30, 1948. Established originally with the core objective of providing funding to local cotton growers, the Bank opened its first branch in Istanbul's Sirkeci district on July 14, 1950. In 1954, after relocating its headquarters to Istanbul, the Bank rapidly expanded its branch network and automated all its banking operations by 1963.

Initially offered to the public in 1990, Akbank stock began trading in international markets and as an American Depository Receipt (ADR) after its second public offering in 1998.

Akbank's core business is banking activities, which consists of corporate and investment banking, commercial banking, SME banking, consumer banking, payment systems, treasury transactions and private banking, and international banking services. In addition to conventional banking activities, the Bank also conducts 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 770 branches staffed by more than 12 thousand employees, Akbank operates from its headquarters in Istanbul and 21 regional directorates across Turkey. In addition to providing services at branches, its traditional delivery channel, Akbank also serves around 18 million customers via Akbank Internet, Akbank Mobile, the Call Center, around 5,100 ATMs and more than 6080 thousand POS terminals.

Bringing the future of banking to today with its technology investments, Akbank executed a new transformation project that will guide the industry. With its reliable, dynamic, lean, innovative, and people-centric approach, Akbank has offered its customers a wide variety of technological innovations, and implemented this new banking model in 2018 and expanded it to 314 branch-offices in 2019.

Akbank, the pioneer of digital banking in Turkey, offers its customers customized solutions to meet their financial requirements, ensuring excellent customer experience. In today's world of fast-advancing technology and increasingly demanding customers, Akbank Internet and Akbank Mobile strive to satisfy client needs without time or location limitations while pioneering technological innovations both in the sector and in Turkey. Akbank also redesigned Akbank Mobile in 2019 as part of the "New Generation Akbank" program to make the clients experience the future of banking.

By foreseeing the changes in trends and customer dynamics, Akbank developed new products and channels specific to the financial needs of its customers and brought a variety of new concepts into the Turkish banking sector. Akbank has already taken steps today to ready itself for tomorrow's technologies as well as to integrate innovation into the Bank's culture. For this purpose, Akbank Innovation Center "Akbank LAB" was established in 2016. Akbank LAB develops innovative projects to meet the needs of the Bank's various business units. In addition, it works to ensure that globally recognized financial solutions are integrated into the Bank's business processes to achieve the goal of delivering a perfect customer experience.

Akbank Banking Center was inaugurated in 2010 to serve our customers better by utilizing state-of-the-art technology. Akbank Data and Living Center became operational in 2019 with the goal to upscale the bank's productivity and service quality. A complex that comprises Akbank Data Center, the core of Akbank's entire technology infrastructure, and the Akbank Living Center, which offers offer social services to 3,000 Akbank employees, was established. The Center stands out as Akbank's largest one-off investment to date.

Akbank conducts overseas business operations through its subsidiary in Germany (Akbank AG) and a branch in Malta. The Bank introduced the AkÖde mobile app and prepaid card to offer practical, swift, and creative solutions for the financial needs of non-Bank clients and young people with a strong systems infrastructure. Non-banking financial services, capital markets and wealth management are carried out by the Bank's affiliates Ak Investment, Ak Asset Management, and AkLease.

Akbank continued to win noteworthy awards in 2019, a year when many banks felt squeezed by the pressure of global economic conjuncture. In an important achievement for the Turkish banking sector, Akbank won "World's Best Digital Bank" award from Euromoney magazine.

As one of the most committed supporters of contemporary art in Turkey, Akbank engages in a wide variety of art and culture activities to make art more accessible to the masses. Besides providing banking products, Akbank makes social investments in many diverse areas, including jazz, theater, contemporary art as well as environmental protection such as the Carbon Disclosure Project, for the advancement of society.

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

Committed to creating sustainable value for Turkey's economy, Akbank expanded its total loan portfolio in 2019 to TL 269 billion, of which TL 227 billion is cash loans. This reporting year, the support provided to the real sector through SME loans and corporate loans amounted to TL 223 billion. In 2019, a year marked by global and national market volatility, Akbank prioritized protecting its asset quality. The Bank continued its efforts to calculate and report risk in the healthiest manner with efficient and prudent risk management. During the year, Akbank kept close watch on financial and economic developments in Turkey and across the globe. In addition, the Bank improved existing practices by closely monitoring developments in risk management, such as the IFRS 9 standard, Basel principles and other international regulations.

With the completion of its capital increase operation in 2019, Akbank created additional capacity for growth in upcoming terms by solidifying its robust financial structure and enhanced its competitive advantage in the market. This crucial step was an important confirmation of Akbank shareholders' trust in Turkey and its economy. As a result of this transaction, Turkey saw foreign direct investment inflow of USD 210 million at the beginning of 2019. Having the strongest capital structure in the industry, Akbank positioned itself in the best manner for healthy growth in the days ahead.

Some 51.2% of Akbank's shares are listed on Borsa Istanbul (BIST). Overseas, the Bank's "Level 1" ADR depository receipts are traded on the US OTC market. Akbank's market capitalization stood at USD 7.12 billion as of December 31, 2019.

Our Values

- We are built upon the trust of our clients.
- We exist because of our clients.
- We do what is right.
- We make a difference with our innovations.
- We are strongly committed to add value to all our stakeholders.

Our Vision

To be the leading Turkish Bank in Europe

Our Mission

Creating higher and lasting value for all our stakeholders through innovative financial solutions and trustworthiness

Our Strong Foundations

- Strong shareholder
- Robust capital structure
- Highly-qualified team
- Best-in-class risk management and excellent asset quality
- Effective balance sheet management and strong liquidity
- Stable and diversified funding mix
- Sustainable revenue generation
- Innovative initiatives that herald the future of banking

Strategies

- Preserve the highest level of customer satisfaction
- Sustain strong asset quality through efficient risk management
- Maintain our competitive edge of our cost structure
- Focus on technological development and innovative solutions
- Develop and invest in our people for lasting performance through motivation and job satisfaction

Supervisory Board

Levent Çelebioğlu
Levent Çelebioğlu joined Akbank in May, 2015 as Executive Vice President in charge of Corporate and Investment Banking. Prior to joining Akbank, he held various senior management positions at different private sector banks. Çelebioğlu is also the Chairman of Akbank AG and AkInvestment. Levent Çelebioğlu is a graduate of 9 Eylül University, Faculty of Economics, Monetary Economics & Banking Department.

Türker Tunalı
Türker Tunalı joined Akbank in September 2008 as Senior Vice President in charge of Financial Coordination and International Reporting. Prior to joining Akbank, he held various managerial positions since 1999. He was appointed as Executive Vice President (CFO) in charge of Financial Coordination in October 2017. Türker Tunalı is the Vice Chairman of Ak Asset Management, Board Member of AkLease and Akbank AG. Türker Tunalı is a graduate of Boğaziçi University, Department of Business Administration and is a CFA (Chartered Financial Analyst) since 2006.

Yunus Emre Özben
Yunus Emre Özben, after working at various companies since 1996 joined Akbank in October 2005 as Assistant Manager in Project Finance Division and promoted as Senior Vice President in charge of Investment Banking in March 2011. He was appointed as Executive Vice President in charge of Credit Allocation in August 2018. Yunus Emre Özben is also the Board Member of Ak Asset Management and Akbank AG, subsidiaries of Akbank. Özben is a graduate of Marmara University Business Administration and holds an executive MBA degree from Sabancı University.

Burcu Civelek Yüce
Burcu Civelek Yüce joined Akbank in 2006 and lastly served as Senior Vice President of Strategic Management. She was appointed as Executive Vice President in charge of Human Resources and Strategy in May 2014. Since June 2019 she is in charge of a new responsibility area, Strategy, Digital Banking & Payments. Prior to joining Akbank, she worked in international consulting and technology companies. Burcu Civelek Yüce has a B.Sc. degree in Industrial Engineering and an MBA degree from Boğaziçi University both first in rank. She also participated in courses in Harvard Business School and Koç University.

Şebnem Muratoğlu
Şebnem Muratoğlu joined Akbank in April 1995 as Management Trainee. Muratoğlu has been working at the Risk Management since 2002 and appointed as Vice President in charge of Risk Management in November 2003, Senior Vice President responsible from Risk Management in November 2006 and CRO in March 2017. Lastly, she was appointed as Executive Vice President in charge of Treasury in January 2019. Muratoğlu is a graduate of University of Kent Economics and holds a Master's degree from Macquarie University and FRM (Financial Risk Manager) certificate holder since 2003.

Emre Kahraman
Emre Kahraman joined Akbank in April 2019 as Chief Risk Officer (CRO). Prior to joining Akbank, he held various managerial positions at different private sector banks, from 2001. He is a Board Member at Akbank AG and AkLease.
Mr. Kahraman graduated with a double major from Boğaziçi University, Industrial and Mechanical Engineering Departments, and holds a Master's degree in Financial Engineering from the same university. He also holds licenses from the Capital Markets Board of Turkey for Capital Market Activities Level 3 and Derivative Instruments.

Savaş Külcü (as of March 13, 2020)
Savaş Külcü joined Akbank in 1998 as an Internal Auditor. He served as the Vice President of Internal Audit for 10 years, and as the Head of Internal Control and Compliance Division for 2.5 years, respectively. In 2019, he was appointed as the Chief Audit Executive. He is also a Board Member of Ak Asset Management, AkLease and Ak Payment Systems, and the Chairman of the Audit Committee of AkLease and Ak Payment Systems. Mr. Külcü is a graduate of Boğaziçi University, Department of Economics, and holds an Executive MBA from Sabancı University. He has been a Certified Internal Auditor (CIA) since 2003, a Certified Anti-Money Laundering Specialist (CAMS) since 2018, and has held the Advanced Financial Crime Investigations Certificate (CAMS-FCI) since 2019. He speaks English, German, Dutch and Arabic.

Message from the Chairman of the Supervisory Board

In 2020, our vision will continue to be value creation for all our stakeholders across all our business areas, while preserving our outstanding asset quality.

In a year filled with uncertainty in the global economic environment, our key focus was on profitability, effective NIM management and asset quality. We sustained a financially healthy balance sheet, strong corporate governance and robust risk management. I am proud to share with you that we ended the year with a EUR 54 million net profit, indicating a 45% increase compared to the previous year.

Despite the high volatility in the markets this year, we delivered, again, a zero-level NPL performance, thanks to our prudent and effective risk management culture. All of our capital components are comprised of Tier 1 elements, reflecting a very strong capital ratio of 19.61%.

Our lean direct banking model positions Akbank AG among the most efficient financial institutions operating in Germany and EU, reflecting a cost-income ratio of less than 15%.

In 2019, we continued to invest into building a robust and diversified corporate client base and have considerably increased our penetration in the trade-finance business. We also became an FCI member, which will help us to further boost our cross-border factoring volumes.

Diversification of our funding sources remained one of our top priorities. Accordingly, while maintaining a strong corporate deposit base, we enhanced our franchise in retail and private banking funding sources.

Through oversight, support and challenge, we hope to further embed a wider interpretation of sustainable banking and make it even more central to the way we do business every day.

In 2020, our vision will continue to be value creation for all our stakeholders across all our business areas, while preserving our outstanding asset quality. We will continue to provide exemplary service to our clients while ensuring further technological development and operational efficiency. Our commitment to operate as a highly productive and efficient franchise will be the principal driver behind our success as we move forward.

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

Yours sincerely,

LEVENT ÇELEBİOĞLU
Chairman of the Supervisory Board

Message from the CEO and Chairman of the Managing Board

We have kicked off the development of a new online banking platform across all business units with a target roll-out in mid-2020.

To Our Esteemed Clients,

I am proud to announce that in 2019 Akbank AG has again delivered a stunning net income performance. Our net profit – the highest since our inception – of EUR 54 million, coupled with total assets of EUR 4.4 billion and a zero non-performing loan ratio, reflect healthy and efficient operations across the Bank.

The global macro-economic dynamics continued to be challenging in 2019 and overall GDP growth rates remained suppressed under trade war constraints. In an environment with long-term negative interest rates in Europe, as well in some other developed markets, banks are going through a major transition while also being exposed to fierce competitive pressure by fintech challenger banks. To that end, Akbank AG continued to take major steps in overall cost optimization and digitalization efforts throughout 2019. We have kicked off the development of a new online banking platform across all business units with a target roll-out in mid-2020.

As the Managing Board, we are fully committed to achieving growth and value enhancement with risks controlled at all times. All strategic and operational measures are carefully weighed against opportunities and risks by alignment with our shareholder`s targets as well as regulatory requirements. Thanks to our prudent risk management culture, we maintained our historical non-performing loan ratio of zero in fiscal year 2019 and achieved an ROE of 7.24%. We are confident that with our core values of integrity, excellence, transparency and customer orientation, and through consistent and timely delivery of quality products and services, we will achieve our targets in the coming period. We are on course to achieve a prominent position in the market in the near future.

In 2020, Akbank AG will continue investing into innovative digital solutions, will expand further in trade finance and services, and will enhance our private banking franchise by broadening our product range in the best interest of our customers. Akbank AG aims to move forward towards its goal of becoming a top financial services institution.

On behalf of the Managing Board, I would like to express my gratitude to our customers, for their business with us in an increasingly competitive industry, and to the members of our Supervisory Board for their ongoing contributions and support and, finally, to our staff for their unwavering dedication and strong performance.

Yours sincerely,

BANU EJDER ÖZCAN
Chief Executive Officer &
Chairman of the Managing Board

Report of the Managing Board for the Business Year 2019

PREFERENCE

The sole shareholder of Akbank AG in fiscal 2019 was Akbank T.A.Ş., Istanbul.

As in previous years, the Managing Board believes that 2019 was a successful financial year. The balance sheet total decreased by 1.6% from EUR 4.48 billion to EUR 4.40 billion compared to the balance sheet date of the previous year. For the whole year, the average balance sheet total of EUR 4.73 billion in 2019 was also lower than the previous year's figure of EUR 4.85 billion.

The Bank's share capital amounted to EUR 200.00 million on the balance sheet date. The net retained profits of the previous year were allocated in full to revenue reserves. Profit after taxes increased from EUR 37.17 million to EUR 54.00 million in the year under review, mainly due to the hardly changed country risk provisions. The Bank's capital resources increased from EUR 669.64 million to EUR 723.65 million.

In 2019, the Bank can report that it has not had a single loan default since 2009.

THE OWNERS OF THE BANK

As of December 31, 2019, the sole shareholder of Akbank AG, Akbank T.A.Ş., Istanbul, is 48.8% owned by Hacı Ömer Sabancı Holding A.Ş., Istanbul, its subsidiaries and the Sabancı family, and 51.2% of its shares are in free float.

RATING OF THE BANK

Akbank AG has received a Fitch rating of B+, like the rating of the parent company Akbank T.A.Ş.

THE CORE BUSINESS

Akbank AG concentrates on the classic corporate banking business with renowned and internationally active companies. The following corporate groups are among the preferred target customers:

- Turkish companies with a good credit rating,
- Turkish subsidiaries of internationally operating groups,
- Subsidiaries or branches of Turkish companies in Germany and Central Europe, if a certain size is available,
- Companies that have regular business relations with Turkey (import/export),
- Companies and banks with good credit ratings in selected countries (including emerging markets),
- Renowned international factoring companies.

Broken down by risk country, customers in Turkey accounted for around 63.6% (previous year: 65.5%) of Akbank AG's customer lending volume at the end of 2019, while customers in Germany accounted for around 30.2% (previous year: 27.3%). The other major credit exposures are spread across Italy, the Netherlands, Luxembourg, France, Italy, Spain and the United Kingdom of Great Britain.

THE ECONOMIC ENVIRONMENT

Worldwide

The global economy in 2019 was mainly driven by the trade disputes between the United States and China and the resulting downside risks of the industrialized and emerging markets. After a sharp slowdown in the last three quarters of 2018 and the first half of 2019, global growth settled at a weaker level. Trade tensions led to an increase in tariffs between the United States and China, which adversely affected the business climate and business confidence in the global economy worldwide. After spring 2019, financial conditions remained generally positive for the rest of the year for developed countries.

Report of the Managing Board for the Business Year 2019

The global economy is forecast to grow by 3.0% in 2019. This is a serious decline both for developing and emerging countries and for industrialized nations. It is currently assumed that growth will recover to 3.4% by 2020. A slightly higher growth rate is forecasted for the years 2021 to 2024. This contrasts with weaker growth for industrialized countries such as the United States, the Eurozone, China and Japan.

GDP growth in the emerging and developing countries is expected to be 4.4% in 2020 and 4.6% in 2021. The emerging markets, which have impacted growth in 2019 and are expected to recover slightly in 2020, are characterized by economic and political tensions in 2018 and the resulting failure to meet expectations. These include especially countries such as Argentina, Iran, Venezuela, to some extent Turkey and smaller countries such as Syria, Yemen and Libya.

The Eurozone & Germany

Economic activity in Europe has slowed down due to weakening world trade and problems in manufacturing. For most countries, external influences were the main reason for the slowdown. Growth in Europe is expected to decline from 1.9% in 2018 to 1.4% in 2019. A slight upturn is expected in 2020, with growth of 1.6%, as global trade is expected to recover somewhat.

The main risk currently lies in the impending Brexit. Although the parliament has finally approved the Brexit, the effects will only be visible in the coming years. Inflationary pressures and weakening economic activity in many European countries require an adaptable monetary policy. The economic outlook for Germany is also influenced by these developments. After several years of real GDP growth averaging 2.0% per year, the German economy slowed down sharply in the second half of 2018 due to weak external demand and the particular challenges facing the automotive and chemical industries. Growth is expected to be 0.7% in 2019 and 1.7% in 2020. Looking ahead, it is mainly structural challenges that weigh on potential output and which the German economy is facing. Adaptation to technological change and digitization is only taking place slowly, while the energy turnaround is creating uncertainty for corporate investment. In this context, the growing awareness of sustainable investments will also play a major role in the future. Many market participants expect corporate social and environmental responsibility in addition to purely financial aspects. In addition to purely ecological aspects, the industry is also facing increasing digitalization and strong regulation, which will make far-reaching changes necessary in the future. Especially the digitalization is very important in this context and Akbank AG is currently working on its own App.

In addition to this development in Germany, the current low interest rate environment poses particular challenges for the industry. Against this background, it is particularly difficult to invest customer funds at attractive returns, which is partly compensated by commission income. Despite these difficulties, Akbank nevertheless succeeded in increasing the net interest margin by 30 basis points, thus generating EUR 7.54 million higher net interest income compared to the previous year, despite the lower business volume.

Turkey

As the global financial crisis deepened and geopolitical developments in the immediate vicinity intensified, Turkey's growth became increasingly dependent on externally financed loans and demand stimulus. Threatened sanctions by the USA in connection with Turkey's military offensive in Syria were averted through negotiations. Nevertheless, risks for the Turkish economy are omnipresent due to the unstable situation in Syria.

The high current account deficit and inflation made the Turkish economy vulnerable to a change in market sentiment, which led to a depreciation of the Turkish lira and was accompanied by a recession at the end of 2018.

The subsequent government measures, accompanied by economic incentives for banks, have had a positive impact on the Turkish economy. Economic growth was supported primarily by an expansive fiscal policy, rapid lending by state banks and more favorable external financing conditions. In addition, the Turkish lira recovered somewhat after market pressures eased. A reduction in imports and a positive tourist season have also contributed to the current account adjustment.

Inflation peaked at around 25.0% in October 2018. Strong base effects, the relatively stable Turkish lira and a negative output gap have since contributed to this decline. Inflation has declined from 20.3% to 11.8%. In order to support further developments, the Turkish central bank lowered key interest rates by 50.0% from 24.0% to 12.0% in the second half of 2019. There was also a further cut of 75 basis points in January 2020.

State banks are supporting rapid credit growth and have stepped up their efforts to increase lending, while private banks have reduced their lending.

The following are the main macroeconomic indicators included in Turkey's medium-term economic plan announced in October 2019:

	Actual	Forecast		Medium-Term Budget	
(%)	2018	2019	2020	2021	2022
Real GDP growth	2.8	0.5	5.0	5.0	5.0
Consumer price inflation	20.3	12.0	8.5	6.0	4.9
Current account deficit/GDP	-3.4	0.1	-1.2	-0.8	0.0
Unemployment rate	11.0	12.9	11.8	10.6	9.8

Source: TÜİK (Türkiye İstatistik Kurumu)

Given the positive developments over the past year, the government has at least reached the stage where the balance between devaluation, inflation and interest rate volatility has settled down. Fitch rates Turkey's long-term foreign currency rating with a stable forecast at BB-. Moody's sees a negative outlook and rates it at B1. Fitch changed the credit rating forecast for Turkey from negative to stable in its rating meeting in November 2019.

EARNINGS, FINANCIAL POSITION AND NET ASSETS OF AKBANK AG

PROFITABILITY

Business results:
In the 2019 financial year, the Bank achieved a net profit of EUR 54.00 million. Despite the lower business volume, this is EUR 16.83 million higher than the net profit for the year 2018 of EUR 37.17 million. In addition to positive developments in lending and money market transactions, net commission income was primarily responsible for the good result. The result for 2018 also included a higher allocation to country risk provisions (EUR 12.93 million allocation), which impacted the absolute result; a reversal of EUR 0.91 million was recorded here in the financial year.

The original target for net income of EUR 60.30 million was achieved at 90.0%. The difference is mainly due to the cautious approach to lending and the resulting slower growth of the loan portfolio. As a result, net interest income at 92.0% and net commission income at 51.0% of the planned budget remained below expectations.

Earnings development:
At EUR 87.50 million, net interest income in 2019 was 9.4% higher than the previous year's figure of EUR 79.96 million. Despite the decline in average interest-bearing assets, the Bank successfully increased the net interest margin by 30 bps, thus boosting net interest income by EUR 7.54 million year-on-year. Approximately 90.0% (previous year: 93.0%) of the interest income resulted from lending and money market transactions, while approximately 10.0% (previous year: 7.0%) was generated from bond interest.

At EUR 3.83 million, the Bank's net commission income for the financial year was up on the previous year's figure of EUR 2.30 million due to increased commission income from letters of credit, loans and advances to customers and syndicated loans.

Other operating income amounts to TEUR 1,213 (previous year: TEUR 147). They mainly include income from the reversal of provisions in the amount of TEUR 16 (previous year: TEUR 17), foreign exchange gains of TEUR 107 (previous year: TEUR 121) and various expense reimbursements. In the year under review, there was additional income of TEUR 1,030 from the reversal of a cross currency swap due to the premature repayment of a loan.

Development of expenses:
General administrative expenses amount to EUR 13.58 million (previous year: EUR 13.34 million).

The personnel expenses of EUR 5.43 million included therein are EUR 0.43 million higher than in the previous year (EUR 5.00 million), mainly due to the increased number of employees.

Other administrative expenses fell by EUR 0.27 million from EUR 7.67 million to EUR 7.39 million. Their reduction is mainly due to the decrease in the costs of the Bank levy (minus EUR 0.38 million), lower legal costs and a simultaneous increase in deposit insurance contributions (plus EUR 0.10 million). At EUR 0.37 million (previous year: EUR 0.37 million), depreciation and amortization on office furniture and

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equipment and intangible assets remained roughly at the same level as in the previous year. To a very small extent (EUR 0.04 million) special write-downs had to be made.

As a result of the Bank's unchanged conservative business policy, there were again no loan defaults in the lending business in the year under review.

In fiscal year 2019, there was income from write-ups on receivables and certain securities and from the reversal of provisions in the lending business of EUR 0.91 million (previous year: write-downs and value adjustments on receivables and certain securities and additions to provisions in the lending business of EUR 12.93 million). These expenses and income relate exclusively to the net additions to country valuation allowances.

Allocations to country risk provisions were only made for Malta and Romania, while Turkey, Bulgaria and Jordan saw a reduction. The Bank's country risk assessment for country risk provisions is below the maximum permissible risk ranges of the Federal Tax Office.

In the year under review, the Bank increased the country risk adjustment for Turkish risks from 4.0% to 4.5%. This is mainly due to the Bank's conservative approach in view of the country's medium-term macroeconomic development.

In 2019, the Bank generated income of EUR 849,000 (previous year: EUR 16,000) from write-ups to investments, shares in affiliated companies and securities treated as fixed assets. The income resulted exclusively from bond sales of fixed assets.

FINANCIAL POSITION

There were some changes in the refinancing structure of Akbank AG in fiscal year 2019.

Refinancing Structure	2019	2018	2017
Shareholders' equity	16.4%	15.0%	12.5%
Deposits, Institutional Funding, Funding & Other Liabilities	**83.6%**	**85.0%**	**87.5%**
Corporate clients	45.1%	48.4%	57.6%
Private customers	28.8%	26.0%	14.9%
Banks	9.4%	10.4%	14.7%
Other	0.3%	0.2%	0.3%
Balance sheet total	100%	100.0%	100.0%

The equity ratio rose from 15.0% to 16.4% due to the retention of the 2018 net profit and the lower balance sheet total in 2019.

In the private customer segment, Akbank AG offers deposit interest rates in Germany even in the low-interest phase. In addition, the Bank also offers private customers from Turkey interesting investment opportunities such as time deposits and bond purchases. As a result, the private customer ratio rose slightly to 28.8% in the course of 2019.

The deposit ratio fell slightly in the course of the year from 48.4% to 45.1%. One reason for this is that, since 1 October 2017, from the public sector are no longer subject to the protection of the deposit guarantee scheme and many federal states and municipalities have therefore been forced to invest their deposits themselves at minus interest rates with institutions that are subject to a different protection scheme.

Akbank AG is a member of the Deposit Protection Fund of the Association of German Banks (Einlagensicherungsfonds des Bundesverbandes deutscher Banken e.V. Köln), through which liabilities to non-banks are protected up to a deposit amount of 20.0% of the liable equity of the Bank in accordance with Section 6 of the statute of the Deposit Protection Fund (15.0% from 1 January 2020). As a result of this membership, which guarantees customers a high level of security for their deposits, the Bank has always been able to increase the level of customer deposits at short notice or to adjust liquidity promptly to the respective refinancing requirements.

The solvency of Akbank AG was always guaranteed during the year under review. The minimum reserve obligations to the Deutsche Bundesbank were always met.

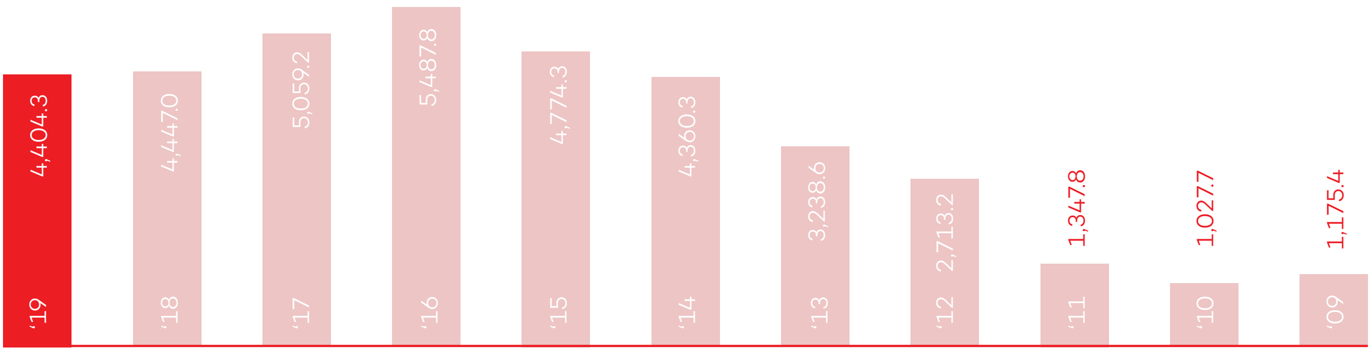
NET ASSETS

Total assets amounted to EUR 4.40 billion as of 31 December 2019, down 1.6% on the previous year (EUR 4.48 billion). The almost unchanged balance sheet total is primarily due to the Bank's continued cautious lending policy in order to minimize the risks arising from the political and economic uncertainties in Turkey. The conservative business approach led to only a slight increase in loans and advances to banks of EUR 23.46 million, a decrease of EUR 268.86 million in loans and advances to customers and an increase of EUR 66.66 million in bonds and other fixed-interest securities.

The original growth target for the balance sheet total for 2019 of approx. 15.0% could therefore not be achieved.

The development of total assets for the years 2009 to 2019 is shown below:

DEVELOPMENT OF THE BALANCE SHEET TOTAL IN THE LAST 10 YEARS (MILLION EUR)



The cash reserve increased from EUR 254.42 million in 2018 to EUR 375.02 million in 2019.

At the same time, loans and advances to banks increased from EUR 399.98 million in 2018 to EUR 423.44 million in 2019.

Loans and advances to customers decreased in the same period from EUR 3.43 billion to EUR 3.16 billion. They account for 71.8% of the balance sheet total (previous year: 76.7%).

All bonds and other fixed-income securities in the amount of EUR 409.98 million (previous year: EUR 343.33 million) are allocated to the investment portfolio in accordance with commercial law.

Intangible assets and property, plant and equipment of EUR 0.73 million were down on the previous year's figure of EUR 0.93 million due to normal depreciation.

The other assets of EUR 27.69 million (previous year: EUR 43.05 million) primarily relate to swap receivables and receivables from forward transactions of EUR 23.55 million (previous year: EUR 35.45 million) from currency hedging of the foreign currency items contained in various balance sheet items. Furthermore, there are refund claims after value adjustments in the amount of EUR 1.34 million (previous year: EUR 1.79 million) against the Dutch central bank (DNB), which acts as administrator of the Dutch DSB Bank N.V., which became insolvent in 2009. In addition, other assets include VAT receivables of EUR 0.37 million (previous year: EUR 0.37 million).

Prepaid expenses and deferred charges of EUR 1.68 million (previous year: EUR 1.39 million) include EUR 0.23 million (previous year: EUR 0.14 million) in deferred advance fees from the lending business.

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Liabilities to banks amounted to EUR 413.99 million (previous year: EUR 466.14 million) or 9.4% (previous year: 10.4%) of the balance sheet total as of the balance sheet date. This amount includes refinancing by the Deutsche Bundesbank of EUR 73.74 million (previous year: EUR 108.74 million), refinancing through repo transactions of EUR 98.49 million (previous year: EUR 81.00 million) and liabilities from margin calls of EUR 17.19 million (previous year: EUR 46.55 million).

Liabilities to customers amount to EUR 3.26 billion (previous year: EUR 3.33 billion). This corresponds to 73.9% (previous year: 74.5%) of the balance sheet total. Of the liabilities to customers, EUR 1.27 billion (previous year: EUR 1.10 billion) are attributable to deposit business with private customers and EUR 1.99 billion (previous year: EUR 2.23 billion) to deposit business with corporate customers. These are mainly municipalities, social security institutions, public corporations and companies.

Other liabilities, deferred income and provisions increased from EUR 7.39 million in 2018 to EUR 8.62 million in 2019, primarily due to higher provisions for corporate income tax in 2019 (EUR 0.70 million) and trade tax (EUR 0.71 million).

Deferred tax assets of EUR 0.83 million (previous year: deferred tax liabilities of EUR 0.51 million) were recognized in fiscal year 2019.

Shareholders' equity increased from EUR 669.64 million in 2018 (15.0% of total assets) by the net profit for the fiscal year 2019 of EUR 54.00 million to EUR 723.65 million as of the balance sheet date 2019 (16.4% of total assets).

Contingent liabilities amount to EUR 39.89 million (previous year: EUR 27.86 million) and result primarily from guarantees and warranties.

There were no irrevocable loan commitments as of the balance sheet date.

KEY ANALYTICAL FIGURES

The key balance sheet analytical ratios are presented in the following three-year comparison:

Key Figures	2019	2018	2017
Average equity ratio (excluding cash-secured loans)[1]	17.4%	16.0%	14.3%
Total capital ratio[2] as of balance sheet date	19.6%	17.5%	14.1%
Profit after tax in% of average equity (ROAE)[3]	7.7%	5.7%	8.7%
Profit after tax with elimination of the effects from the creation/release of country risk provisions in% of the average balance sheet total (ROAA) (excluding cash-secured loans)[4]	1.1%	1.1%	1.2%
Interest margin (excluding cash-secured loans)[5]	2.1%	1.8%	1.9%
Cost-income ratio (CIR)[6]	14.8%	16.6%	13.2%
Loan loss ratio[7]	0.0%	0.0%	0.0%

[1] The average equity ratio is the quotient of the average end-of-month equity in 2019 divided by the average end-of-month total assets less the cash-secured loans in 2019.

[2] The regulatory total capital ratio of own funds, which describes the ratio between the Bank's own funds (pursuant to Article 92 of Regulation (EU) No. 575/2013) and its risk-weighted assets, may not fall below 11.5%.
The Bank has always significantly exceeded this minimum limit in the year under review.

[3] The profit after tax in% of average equity (ROAE) is calculated as the profit under commercial law for 2019 after tax divided by the average equity at the end of the month of 2019.

[4] The profit after tax under elimination of the effects from the creation/release of country risk provisions and the interest effects of the cash-secured loans in% of the average balance sheet total without cash-secured loans is calculated from the profit for 2019 less the net effect from the release of country risk provisions after tax and less the net interest from the cash-secured loans after tax divided by the average month-end balance sheet total less the cash-secured loans in 2019.

[5] The interest margin is calculated as net interest income for 2019 excluding the net interest on cash-secured loans divided by the average month-end balance sheet total less the cash-secured loans in 2019.

[6] The cost-income ratio (CIR) is the ratio of operating expenses to operating revenues. Specifically, the margin is calculated as the sum of administrative expenses and depreciation divided by the sum of net interest income, net commission income, other net income and income from write-ups on securities treated as fixed assets.

[7] The capital loss ratio is the quotient of impaired loans and advances to banks and customers divided by the sum of loans and advances to banks and customers. Akbank AG has not suffered any bad debt losses for more than 15 years.

SUMMARY ASSESSMENT OF THE EARNINGS, FINANCIAL AND ASSET SITUATION

The earnings situation of Akbank AG has developed positively - despite the slight decline in lending to Turkish credit customers - and, thanks to the conservative risk policy of the Bank, is unaffected by loan defaults, as in previous years.

The Bank always had enough liquidity reserves. The degree of maturity transformation and the associated risks are relatively low. The financial and liquidity position fully complies with regulatory and operational requirements.

The Bank's high equity ratio is suitable for compensating for possible risks and is a stable basis for further growth.

RISK REPORT

The overall bank management of Akbank AG is always geared towards achieving growth and value enhancement with risks controlled. All strategic and operational measures are subject to a careful balancing of opportunities and risks. These are reassessed at regular intervals and considering current market and corporate developments as well as the regulatory framework. In doing so, both the targets set by the shareholders and the requirements and regulations of the banking supervisory authorities and the German Deposit Protection Association are considered.

Organization of risk management

Akbank AG considers clearly defined areas of activity and responsibilities, which are documented in written regulations, to be an essential prerequisite for successful risk management and effective risk control. The risks associated with the transactions entered are controlled by the entire Board of Management. In order to support entrepreneurial decision-making, the Board of Managing Directors discusses current issues relating to the business and risk situation in various internal Bank committees. There are various committees at supervisory level, the Audit Committee (AC), the Risk Committee (RC), the Credit Committee (CC), the Renumeration Committee (ReC) and the Nomination Committee (NC), and at management level, the Asset and Liability Committee (ALCO), the Internal Credit Committee (iCC) and the Internal Risk Committee (iRC), in which the relevant information is prepared and discussed.

The separation of functions between front and back office is ensured in organizational terms. 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 Board of Managing Directors within the framework of the legal and statutory requirements and with the help of the AC and the RC, thus ensuring that Akbank AG's business and risk strategy as well as the regulations prescribed by the supervisory authorities are adhered to.

Akbank AG's internal audit department audits the bank's risk management on an annual basis.

Risk-bearing capacity, risk limits and risk parameters

The business model of Akbank AG, which primarily focuses on the financing of large corporate customers, entails the risk of loan defaults, which can have a negative impact on the Bank's assets, earnings and liquidity position. This type of potential loss must always be absorbable by enough equity capital to ensure the continued existence of the institution.

The Bank's overall risk results from the sum of individual decisions and business transactions involving risk. From both an economic and regulatory perspective, the Bank must therefore ensure based on its overall risk profile that the material risks can be covered by the risk coverage potential on an ongoing basis.

The overall risk profile and the risk inventory are set out in the risk manual. The risk-bearing capacity assessment is carried out by the Risk Management department at least once a month and submitted to the Board of Managing Directors.

In order to maintain risk-bearing capacity, reference values are allocated to the individual risk types. These are used for risk monitoring to ensure that any risks that arise do not exceed the available cover funds. At the same time, the sum of all risks may not exceed the risk cover funds in relation to the sum of all reference values. The risk-mitigating effects of correlations between different types of risk are currently not considered in risk quantification.

The limits and parameters relevant for monitoring and managing risk, as well as the control mechanisms for ensuring compliance with these limits and parameters, are defined in the risk strategy.

According to Art. 92 CRR, Akbank AG must maintain a hardcore capital ratio of 4.5%, a core capital ratio of 6% and a total capital ratio of 8%. In addition, the Bank must comply with the capital maintenance buffer of 2.5% and the

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SREP capital add-on of 1.0%. This results in a total capital buffer of 11.5%. On the balance sheet date, the hardcore capital ratio, the core capital ratio and the total capital ratio were 19.6%.

Counterparty default risks
Akbank AG's counterparty default risks relate especially to the following sub-risks: individual borrower risks, country risks, sector risks and foreign currency-initiated counterparty default risk.

The assessment of individual borrower risks primarily involves analyzing and quantifying those risks that could lead to loan defaults as a result of deterioration in creditworthiness and thus have a negative impact on the income statement.

A further key management feature for borrower risks is the rules for limiting potential risks, considering the granularity of the loan portfolio (bulk risks) and with regard to size categories.

Foreign currency-initiated credit risk is a type of credit risk associated with open foreign currency positions of borrowers.

In addition, country and industry risks are limited by diversification and limitation criteria laid down in the risk strategy.

Measures to avoid counterparty default risks
Counterparty default risks are managed according to the principles of diversification, limitation and maturity. For each borrower or borrower unit, the credit line is determined as the result of a careful analysis and approval process. Akbank AG's borrowers are divided into different risk groups by means of an internal rating system considering the results of the analysis. Credit default scenarios are evaluated for both individual borrower risks and portfolio credit risks using internal analyzes and measuring instruments.

Limits regarding default probabilities, concentrations with regard to borrower units, countries and sectors are used as further quantitative management elements.

The average probability of default of Akbank AG as at 31.12.2019 is 0.9%. The Bank has an internal limit of a maximum of 1.0% and this limit was not exceeded in the entire year. The probabilities of default are based on the results of the risk classification procedures. It is expected that the probabilities of default will increase in 2020. Adequate collateralization of the credit exposure, if required, is another instrument for limiting risk. No collateral was realized in 2019.

The Bank uses appropriate computerized control systems to manage, monitor and control credit risk.

External sources of information are also used in the review and monitoring of risks and within the scope of reporting (e.g. reports on the classification of borrowers according to various criteria such as rating, loan loss ratio, country or industry).

The functional separation between the front-office units (corporate customers, retail customers and treasury) and the back-office units (credit risk management, risk control and payment transactions) is observed throughout.

In compliance with tax regulations and on the basis of the credit default history, the need for general loan loss provisions for deferred credit risks is determined at least once a year; however, the latter are not significant in terms of amount due to the low level of defaults in the past.

In order to provide for risks arising from loans to borrowers in countries with a comparatively higher country risk (e.g. Turkey), the Bank has formed general country valuation allowances using the tax options available.

In the year under review, the Bank's own assessment of country risks for Turkey was below the maximum bandwidths permitted by the Federal Central Tax Office. The country valuation allowances decreased overall in the year under review by TEUR 907 to EUR 64.24 million (previous year: EUR 65.14 million). In this total amount, the country valuation allowance for Turkey is the largest single item at EUR 63.00 million (previous year: EUR 64.65 million).

In determining the country risk for Turkey, it is essential that Akbank AG, as a subsidiary of Akbank T.A.Ş., one of the leading banks in Turkey, is able to identify developments on the Turkish market and emerging crises at an early stage in order to take appropriate management measures at an early stage if necessary.

As part of its risk inventory, the Bank has identified further risk types and sub-risks in addition to counterparty default risks and analyzed them in terms of their relevance for the asset, earnings and liquidity situation. These risks and the associated measures for avoidance and management are presented below.

Market price risks
Relevant market price risks are the two sub-risks currency risks as well as credit spread risks and migration risks of securities.

Currency risks are hedged in a timely manner due to the high proportion of loan receivables in foreign currencies in total loans and are thus limited to minor open items (mainly interest receivables in foreign currencies). The latter are hedged against the euro by means of currency swaps so that the open items remain within the framework for foreign currency positions defined in the risk strategy, which is substantially below the limit provided for non-trading book institutions. Apart from minor interest receivables in foreign currencies, no significant open items are held in relation to foreign currencies.

This approach limits the market price risk from exchange rate fluctuations to an insignificant amount in relation to the capital resources. A residual risk results primarily from the fact that no suitable hedging partners can be found for transactions of smaller amounts. Nevertheless, in order to safeguard market opportunities, there is the option of taking on market price risks to a limited extent and within defined parameters.

The development of open foreign currency positions in 2019 was as follows:

in TEUR	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Short position	417	65	0	90	0
Long position	244	221	630	469	377

Credit spread risks and migration risks of securities are of minor importance as Akbank AG's securities portfolio is maintained exclusively for investment purposes and is therefore allocated to fixed assets.

On the other hand, the option risk was classified as "intangible risk" because the historical data on the interest loss from early closures show that in the last 5 years the interest loss due to early closures has been recovered.

Interest rate risks (interest margin risks)
Interest rate risks regarding the loans and the securities portfolio are avoided or reduced through refinancing at largely corresponding maturities on the liabilities side or by interest rate hedging instruments. The remaining interest rate risk is subject to permanent monitoring and may not exceed certain internal risk parameters specified by the Managing Board and Supervisory Board.

In addition to the requirements of BaFin Circular RS 06/2019 (BA)-, interest rate risks in the banking book are examined daily using an internal model (stress tests) for an ad-hoc change in the yield curve of +200 bps for hard currencies and +1100 bps for soft currencies (interest rate shock) and a change in spreads of +200 bps (spread shock) for transactions dependent on Turkey. Even in such a simulated stress scenario, the market value of the equity should not change by more than ±20%.

In addition, the interest rate risks in the banking book are also examined once a quarter as part of the stress tests using this internal model for the following changes in the yield curve:

Scenario	Shock for Hard Currencies	Shock for Soft Currencies
Parallel shift	+/- 200 bps	+/- 500 bps
Parallel shift	+400 bps -300 bps	+1,100 bps -1,100bps
Distribution	from +200 bps to +400 bps	from +300 bps to + 1,100 bps
Flattening	from - 200 bps to - 400 bps	from - 300 bps to - 1,100 bps

There were no limit overruns during the 2019 financial year.

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The development of interest rate risks in relation to the BaFin circular RS 06/2019 (BA)- was as follows:

	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
Net book value of interest in TEUR	809,457	806,677	816,928	746,449	937,740
Interest rate coefficient for interest rate increase in (%)	0.11%	0.39%	-0.19%	0.43%	-2.89%
Interest rate coefficient for interest rate reduction in (%)	-0.14%	0.39%	0.74%	1.17%	1.15%

Open interest rate positions are regularly hedged by the "Treasury" department.

Interest rate risks -IRRBB

To quantify the interest rate risk in the banking book, the Bank uses a P&L-based indicator and examines the expected increase or decrease in net interest income (NII) over a period of one year. The model also assumes that assets and liabilities are replaced when they expire. No interest rate cap is applied during the calculation. Onbalance and derivative transactions are considered with the basic amounts (cash flows from interest payments are omitted). Bond discount and premium amounts are not considered in the calculation.

Akbank AG applies the interest rate shock scenarios of BCBS 368:
(i) Upward parallel shift
(ii) Downward parallel shift
(iii) Steepening
(iv) Flattening
(v) Short-term upward shock
(vi) Downward short-term shock

The worst result of the 6 BCBS 368 interest rate shock scenarios is used for the internal calculation of economic capital for interest rate risk.

These scenarios are applied to IRRBB exposures in each currency for which the Bank has significant positions. To reflect the heterogeneous economic environment in the various countries, the six shock scenarios reflect currency-specific absolute shocks, as shown in the following table the shock variables are based on BCBS 368 - Interest Rate Risk on Banking Book.

	EUR	USD	TL	GBP	CHF	JPY	PLN
Parallel	200	200	400	250	100	100	250
Short	250	300	500	300	150	100	350
Long	100	150	300	150	100	100	150

In addition to the scenarios mentioned above, the Bank carries out three stress test scenarios to assess the interest rate risk. The details of the scenarios are given below.

Scenario	Currency	Shock Size
Scenario 1	All currencies	Parallel standard shock +100 bps
		Short standard shock +100 bps
		Long standard shock +100 bps
Scenario 2	All currencies	Parallel standard shock +200 bps
		Short standard shock +200 bps
		Long standard shock +200 bps
Scenario 3	Hard currencies	Parallel standard shock +200 bps
		Short standard shock +200 bps
		Long standard shock +200 bps
	Soft currencies	Parallel standard shock +500 bps
		Short standard shock +500 bps
		Long standard shock +500 bps

Concentration risks

Akbank AG manages concentration risks by defining various criteria within the framework of the risk-bearing capacity concept, in addition to the KWG regulations on the limitation of large, multi-million-euro loans and loans to corporate bodies (KWG Sections 13-15; 19 (2)), the GroMiKV regulations and the CRR regulations (Articles 387-403), which prescribe specific limits for individual types of borrowers. These criteria are assigned to significance limits of risk concentration, e.g. regarding sector and country risks, by means of limits and parameterization. Recognized procedures and methods (Herfindahl index) are used to assess concentration risks regarding risk-bearing capacity.

Liquidity risks

Liquidity risks comprise the sub-risks of short-term liquidity risks, refinancing risks and market liquidity risks.

Akbank AG monitors liquidity risks and compliance with liquidity parameters on a daily basis.

Liquidity management is primarily the responsibility of the "Treasury" division. The daily management of liquidity and the monitoring of compliance with external and internal parameters are carried out using specially developed instruments.

Supported by its membership of the Deposit Protection Fund of the Association of German Banks, the Bank is able to acquire high-volume customer deposits at short notice by using the services of various brokers who broker investments on behalf of potential investors. In the past, this has always ensured a sufficient supply of liquidity.

Short-term liquidity requirements can also be covered by banks that have earmarked credit limits in favor of the Bank.

That part of the Bank's loan or securities portfolio which fulfills the lending requirements of the Deutsche or the ECB is used as collateral for the daily drawdown of Bundesbank funds or for participation in Bundesbank open market operations.

In individual cases, the portfolio of securities can also be used to cover short-term or unscheduled liquidity requirements via repo transactions with banks.

In addition, there is in principle the possibility of selling part of the securities portfolio and selected (usually syndicated) loans at short notice via the secondary market to external or related investors (e.g. Akbank T.A.Ş.) in order to bridge possible liquidity bottlenecks.

As a security measure, the Bank has prepared an emergency plan for liquidity bottlenecks and monitors liquidity using the following parameters, among others.

- Liquidity ratio according to LiqV;
- Bank internal stress test of cash inflows and outflows, considering forward risks, refinancing risks, call risks and default risks;
- Ratio of the cash reserve to total assets;
- Ratio of overnight deposit accounts to total customer deposits;
- LCRDR and NSFR according to Basel III;
- Ratio of reserves, free lines at the 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 control procedures implemented are considered appropriate. Maturity transformation is only carried out to a limited extent.

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As part of its liquidity management, the Bank operates a planned and balanced liquidity provision. The liquidity coverage ratio (LCR) must be strictly adhered to. The LCR minimum ratio for 2019 of 100.0% set by the European Union under the Delegated Regulation was always significantly exceeded during the year under review.

(%)	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
LCR quotas	280.5	350.2	476.2	1,063.5	757.7

Operational risks
Organizational and technical measures serve to avoid or limit losses in the case of all operational risks. Organizational instructions, staff training, quality management and emergency plans, which are documented in various internal guidelines and regularly updated, are components of efficient risk limitation.

Compliance with the principle of dual control and the separation of input and approval functions in the Bank's IT systems are further key measures for avoiding operational risks.

Backup systems for important hardware and software are maintained to limit operating risks. To ensure that backups are also available in the event of software errors, suitable maintenance agreements are concluded with external IT support providers and with IT support providers belonging to the Akbank Group, which can be called upon if necessary.

The Bank works with the core banking system Flexcube Symphony from Oracle. The system is operated and maintained on the hardware side by Akbank T.A.Ş., Istanbul, in accordance with outsourcing agreements.

In addition to the physical infrastructure (especially the hardware equipment), the system architecture (e.g. multi-tier server structure, software equipment) is of particular importance to Akbank AG. As a rule, both are redundant or modular in design to ensure high availability of all necessary systems or components at all times. The external service providers (e.g. Bank-Verlag) and their emergency precautions are also taken into account in the context of emergency planning for the IT area.

The availability of the main IT systems, especially the core banking system Flexcube Symphony, was again at a very high level in the past financial year, averaging 99.9%. In the event of a total system failure or if the Bank's business premises can no longer be accessed, a service level agreement (SLA) was concluded with a third-party company in order to be able to use the premises and IT systems rented from this third-party company in an emergency.

After regular consultation with the Supervisory Board, the Managing Board ensures that enough of employees are employed who are sufficient qualified to ensure that business operations can continue to run smoothly even during vacation periods and in the event of unexpected absence of employees.

Regarding personnel risks, management seeks suitable specialists on the labor market as required and endeavors to hire employees who already have some professional experience in the banking business.

Of the 52 employees of the Bank at the end of 2019, including the Board of Managing Directors, 19 worked at the Bank for more than 5 years, so that key skills are retained over a long period of time (previous year: 48 employees including the Board of Managing Directors, of which 16 employees have been with the Bank for more than 5 years).

To avoid or minimize legal risks, the Bank ensures that all legal transactions are carried out on the basis of clear and properly documented agreements. For these purposes, the Bank uses, wherever possible, standard agreements that are commonly used in the banking business and are reviewed and recommended by the Cologne-based Bank-Verlag publishing house. These forms are constantly updated by Bank-Verlag in accordance with legal requirements and are available via web-based online systems. If the use of externally acquired standard documents is not appropriate, agreements of material legal significance are reviewed by external lawyers. To what extent this is necessary is decided by the responsible department head together with the Managing Board, if necessary. In addition, the Bank makes particularly important documents available to employees in the lending department as interactive PDF documents for secure use.

Defects, errors or other events occurring in the course of operations that could cause material and immaterial damage to the Bank are recorded in a loss database and brought to the attention of the Board of Managing Directors at regular intervals.

Subsequent monitoring and security measures are available, for example:
- Audits by the internal audit department,
- Emergency planning and emergency office,
- System and process documentation (e.g. credit guidelines),
- Backup systems in the IT sector,
- Job descriptions/Representation arrangements,
- Loss Event database

As part of its self-assessment of operational risks, the Bank has assessed the following operational risks.

Area	Probability of Occurrence	Amount of Damage	Risk Amount in TEUR
Risk management	Medium	Low	500
Financial coordination	Low	Low	250
Credits	Low	Low	250
Corporate banking	Low	Low	250
Operations	Low	Low	250
Treasury	Low	Low	250
Private banking	Low	Low	250
Retail banking	Medium	Low	500
HR	Low	Low	250
IT	Medium	Medium	1,000
Compliance	Low	Medium	500
Total			**4,250**

The Bank quantifies operational risks using the basic indicator approach when calculating the regulatory total capital ratio. The risks according to the basic indicator approach as at 31 December 2019 are valued at EUR 12,772,000 and are thus far above the value estimated by the Bank itself.

Other risks
The Bank subsumes under other risks the strategic risks associated with past and future decisions on the business model, the reputational risks which could result from possible damage to the Bank's reputation as a result of negative public perception, and the model risks which represent the potential adverse consequences of incorrect modeling. In managing these risks, the focus is on aspects of corporate planning, the competitive situation and the positioning of Akbank AG within the Akbank Group. Business model decisions are made by the Board of Managing Directors with the approval of the Supervisory Board based on suitable analyzes. Depending on the subject of the decision, such issues are processed and prepared in the relevant departments, if necessary, with the support of external consultants.

Strategic risks comprise the risks of unexpected losses due to a deviation in income or costs from the budgeted figures determined as part of the budgeting process.

Based on the planned figures, the actual business performance of the Bank is monitored in real time by means of monthly target/actual comparisons. Income and productivity management is the direct responsibility of the Managing Board.

Ongoing monitoring and control are carried out by means of daily balance sheets, profit and loss accounts on a daily basis and other daily reports and evaluations prepared by Controlling or the respective specialist departments and regularly submitted to the Bank's Managing Board and, in individual cases, to the Supervisory Board.

Report of the Managing Board for the Business Year 2019

Stress Tests
The Bank conducts stress tests based on (macro) scenarios as well as on sensitivities of individual risk factors, taking into account all relevant risk types, with Turkey risks playing an important role in line with Akbank AG's business focus. The stress tests analyze the effects of extraordinary but plausible events on the Bank's assets, financial position and earnings in order to assess the risk potential of such changes for the Bank's risk-bearing capacity and to be able to take management measures at an early stage if necessary. In the stress tests carried out in 2019, the risk-bearing capacity was reviewed on a "going concern" basis.

In addition, so-called inverse stress tests were implemented in order to determine risk scenarios based on the current positioning which could force the Bank to discontinue its business model. However, the probability of these combinations of risk factor changes occurring was rated by the Bank as extremely low.

Since the stress tests cannot be limited meaningfully by the risk coverage potential due to their nature (AT 4.3.3 MaRisk), the Bank views the stress tests for liquidity risks from the perspective of liquidity contingency planning.

Risk assessment
On the basis of a conservative business policy as well as the conscientious implementation of our principles for the lending business, strict adherence to internal risk parameters, proactive and prudent risk management and the stable economic situation of the borrowers, Akbank AG did not experience any defaults in 2019, as in previous years. Overall, it can be stated that there were no risks in the year under review that could have jeopardized the continued existence of Akbank AG.

PROGNOSIS

Forecast for the Bank
Given the stabilization process in Turkey, the Bank expects Turkey to grow at a rate of 5%. In contrast to the previous year, growth will be more export- and consumption-oriented. The Bank plans to participate in this development and expects to see a growing demand for credit from many of its customers, particularly in the area of trade finance. In 2020, Akbank AG intends to increase the share of trade and factoring financing compared to working capital financing. Factoring financing has shorter maturities and is largely responsible for the increase in the share of trade loans in the overall portfolio.

The Bank considers the impact of the volatility of the Turkish currency on its business to remain manageable, as it pursues a very cautious lending policy, keeps its open currency positions very small and monitors economic developments very closely.

Nevertheless, from a risk/return perspective, the Bank continues to aim to extend loans in particular to customers with a credit rating at least in the lower investment grade range.

In its planning, the Bank assumes that the political and economic environment in Turkey will gradually improve in 2020 and therefore expects its balance sheet total to grow by 28.0% compared to 2019.

In 2020, the Bank will continue to refinance itself mainly through corporate and retail deposits. In order to achieve a balanced deposit base, the Bank plans to further expand its retail banking business.

In addition, the portfolio of corporate bonds or promissory note loans eligible for central bank or repo transactions is to be further increased in order to use them as part of the measures to secure and optimize liquidity (lending transactions).

The Bank expects that the general interest rate level in the Eurozone will remain at a low level in the course of 2020. Deposit interest rates will therefore remain low for the Bank, and the Bank's interest margin will increase due to higher interest rates on loans to Turkish customers.

At the end of 2019, the Bank had 52 employees, including members of the Board of Managing Directors.

For 2020, Akbank AG expects a business result before country risk provisions and taxes which will increase by approximately 30.0% in line with the balance sheet growth.

In October 2019, the Bank signed a rental agreement to relocate its business activities to Eschborn. The lease is a fixed-term contract that ends in July 2026. The move is planned for mid-2020.

RELATIONS WITH AFFILIATED COMPANIES

In accordance with § 312 of the German Stock Corporation Act (AktG), the Managing Board has prepared a dependency report on relations with affiliated companies, which contains the following concluding declaration:

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

Frankfurt am Main, 9 March 2020

The Managing Board

K. Banu Ejder Özcan
Alper Özsoy
Rana Didem Öget

Report of the Supervisory Board

The Supervisory Board performs regular evaluations to review risk management, strategy, internal control and compliance systems while continuously monitoring the Bank's financial reporting.

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 in performing 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:

Initial Member	Position	Appointment	End of Term
Levent Çelebioğlu	Chairman	30.06.2015	Annual Shareholders' Meeting 2020
Türker Tunalı	Vice-Chairman	17.10.2017	Annual Shareholders' Meeting 2020
Burcu Civelek Yüce	Member	21.12.2017	Annual Shareholders' Meeting 2020
Şebnem Muratoğlu	Member	21.12.2017	Annual Shareholders' Meeting 2020
Yunus Emre Özben	Member	28.08.2018	Annual Shareholders' Meeting 2020
İlker Altıntaş	Member	07.01.2019	Annual Shareholders' Meeting 2020
Emre Kahraman	Member	16.04.2019	Annual Shareholders' Meeting 2020

In 2019, Mr. Eyüp Engin and Mr. Ali Batu Karaali left the Supervisory Board. We would like to thank them for the outstanding contribution they provided during their tenure.

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

Furthermore Mr.İlker Altıntaş resigned from the Supervisory Board on 13 March 2020, we also would like to thank him for his support to the Bank and welcome Mr.Savaş Külcü who replaced him as of 13 March 2020.

A profile for the members of the Supervisory Board as well as a self-assessment by each member of the Supervisory Board is also being prepared.

Report of the Supervisory Board

MEETINGS AND COMMITTEES

Meetings in 2019

In 2019, 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 2019, the Committee is composed of two members from the Supervisory Board, Mr. Türker Tunalı (Chairman) and Mr. Emre Kahraman (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 Mr. Türker Tunalı (Chairman), Mr. Emre Kahraman (member) and Mr. Yunus Emre Özben (member).

Adoption of Annual Accounts and Dividend

The Managing Board prepared the Bank's financial statements for the year ended on 31 December 2019. Those financial statements were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft; the auditors' report on the financial statements of Akbank AG is attached to the annual accounts of the Bank.

The Supervisory Board has reviewed the 2019 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 2019. Additionally, this year's success could not have been achieved without the significant contribution and great 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 continue to rely on the exemplary management skills of the Managing Board, as demonstrated by a proven track record, and on the commitment of the members of our team to achieve the Bank's future goals.

With our sincere gratitude,

The Supervisory Board

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: Türker Tunalı (Chairman) and Emre Kahraman (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.

Türker Tunalı
Chairman of the Audit Committee

Emre Kahraman
Member of the Audit Committee

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 analyzing data submitted by the banks. As well as supervising the banking sector, BaFin is also responsible for the supervision of the capital markets. BaFin's immediate superior authority is the German Federal Ministry of Finance.

The administrative standards of banking supervision in the European Union are centralized 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 laid down 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 organizational 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 Code Kapitalanlagegesetzbuch-KAGB 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 II/MifiR.

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

Ancillary Regulations to the 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. On June 27, 2019 – 20 days following their publication in the Official Journal – the following directives were entered into force: Regulation (EU) 2019/876 of May 20, 2019, amending the Capital Requirements Regulation as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (CRR II); and Directive (EU) 2019/878 of May 20, 2019, amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V). As regards CRR II, the majority of provisions will apply from June 28, 2021.

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 totaling one million euros or more) are set out in the Regulation on Large Scale Exposures (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.

The reporting of financial information and risk bearing capacity to the German Central Bank is standardized via FinaRisikoV (Finanz- und Risikotragfähigkeits-informationenverordnung).

Risk Management and Other Functions

Per Section 25a KWG, all credit and financial services institutions must establish a proper business organization, which includes appropriate and effective risk management. BaFin has laid out what it considers to be the “Minimum Requirements for the Risk Management by Institutions” in a detailed circular (BaFin Circular 09/2017, 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.

BAIT (Minimum requirements on IT)

As of 03.11.2017 BAFIN published the final version of BAIT. The main topics in the document are as follows:

- IT Strategy requirements
- IT Governance requirements
- Information Risk Management requirements
- Information Security requirements
- User definition requirements
- IT-Project requirements
- IT- Management requirements
- Out sourcing and third company vendor requirements

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. Furthermore, German institutions must comply with the Recovery and Resolution Law (Sanierungs-und Abwicklungsgesetz – “SAG”).

Bank Governance

The management of a credit institution and – with certain exceptions – of any other institution must consist of at least two directors (Geschäftsleiter). 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 an individual assuming multiple offices in different companies. In addition, depending on the size and risk of an institution’s business activities, the Supervisory Board must establish a risk committee, an audit committee, a committee responsible for nominating and evaluating 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 must ensure that their compensation systems do not incentivize the employees and directors to assume inadequate risks. In addition, all institutions must disclose the structure of their remuneration systems to the public.

Regulatory Environment

Anti-Money Laundering and Terrorism Financing (Geldwäschegesetz - "GWG")
The 5th European Anti-Money Laundering Directive has taken force in 9th July 2018 and has been implemented in Germany by amendment of the GWG in 19.12.2019. This law prohibits AML and terrorist financing in Germany. According to this legislation, money laundering shall be regarded as such even where the activities which generated the property to be laundered were carried out in the territory of another EU Member State or in that of a third country.

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 their 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 themselves, but also other entities of their group of companies.

Deposit Protection Scheme
The statutory deposit protection scheme which was laid down in the Deposit Guarantee and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz – "EAEG") is replaced by the German Einlagensicherungsgesetz ("EinSiG"), which took effect on July 3, 2015. The act transposes the corresponding EU directive into national law. The contributions of the credit institutions are now to be calculated according to the EinSiG, in conjunction with a new contribution regulation which is expected to include a risk-based approach. Currently, customers are provided with a statutory claim to compensation of up to EUR 100,000 of their deposits.

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 ("GDPF"). The GDPF is a voluntary scheme aimed at protecting the deposits of banks' customers beyond the protection level provided under the statutory deposit protection scheme. The GDPF is held and administered by the Association of German Banks (Bundesverband deutscher Banken – "BdB"), and is financed by contributions from all participating banks. Currently both corporate and retail depositors are covered up to a level of 20% of the shareholders' equity of the credit institution on an individual basis. Starting from 1st January 2020 the coverage will reduce to 15% of the shareholders' equity.

MaBesch – Minimum Requirements on Complaint Management
In June 2012, the European Insurance and Occupational Penstions Authority (EIOPA) published its "Guidelines on Complaints-Handling by Insurance Undertakings" (EIOPA guidelines).

Taking into account the different regulatory provisions for complaints-handling between the securities and banking sectors ESMA and the EBA considered, that the adoption of the EIOPA guidelines for the securities and banking sectors should help to ensure a consistent approach to complaints-handling across the banking, investment and insurance sectors and improve consumer confidence in financial services.

Within the context of the implementation of joint EBA and ESMA guideline "Guidelines for complaints-handling for securities (ESMA) and banking (EBA) sectors" BAFIN published 2 circulars:
- Circular 5/2018 MaComp (Minimum Requirements on Compliance)
- Circular 6/2018 MaBesch (Minimum Requirements on Complaint Management)

Where circular 5/2018 regulates complaint management related to the services according to the securities trading act, circular 6/2018 regulates the requirements related to the other banking services.

Risk Management Governance

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 must be considered as well.

The risk strategy of Akbank AG is derived from its business strategy. The Bank's management aims 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 IV 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. The Bank has internally set a higher capital adequacy level (13.5%) than the regulatory required minimum (11.506%).

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 needs 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.

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 analyzed. 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 the 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, following possible control measures are applied by the Managing 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 Management Governance

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 the Bank's activities. The Board determines the overall risk strategy and 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 Managing Board, representatives from external auditors, internal auditors and the Internal Control & Compliance Department. At these meetings, detailed analyzes of issues and activities regarding risk monitoring, audit and compliance are evaluated.

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 the Supervisory Board for approval.

The Committee is composed of five Supervisory Board Members.

Nomination Committee

The Nomination Committee supports the Supervisory Board in identifying candidates to fill Managing Board vacancies and preparing proposals for the selection of members of the Supervisory Board; assessing the structure, size, composition and performance of the Management and Supervisory Boards; assessing the knowledge, skills and experience of the individual members of the Management and Supervisory Boards, as well as of the respective Boards collectively; and reviewing the policy of the Managing Board for selection and appointment of senior management and making recommendations on such matters to the Management Board.

Remuneration Committee

The Remuneration Committee monitors the adequate structure of the remuneration systems for the Managing Board and employees. The Committee also prepares the decisions of the Supervisory Board on the remuneration of the Managing Board and supports the Supervisory Board in monitoring the proper inclusion of the internal control function and all other material functions in the structure of the remuneration systems.

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. Yunus Emre Ozben (Chairman), Alper Ozsoy (EVP&Member of MB) and Mrs. K. Banu Özcan (Member).

Managing Board and its Sub-committees

The Managing 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 Managing Board reports to the Supervisory Board on risk management activities at Risk Committee and Audit Committee meetings, held on quarterly basis. Business and strategic risks are generally addressed within the Managing Board.

The Managing 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 Managing Board regularly reviews risk management systems including the Risk Strategy, and their ongoing implementation to check that systems are adequate and appropriate. The Managing Board is also responsible for the establishment of a permanent risk management function within the Bank.

Asset and Liability Committee (ALCO)
The Asset and Liability 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 analyzed 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 is responsible mainly for the evaluation and assessment of Credit Risk within the entire organization. It is chaired by the Managing 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 to provide recommendations for managing risk to the Managing 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 Managing 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 analyzes 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 analyzes 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 Department (CD)
The Compliance Department (CD) performs control activities independent of line management with a view to assure compliance with (i) the conformity of activities to standards, (ii) rules and limitations determined by the MB and SB, and (iii) the regulatory environment to which the Bank is subject. Within this context the CD supports and consults the Managing Board in its duties to comply with local and international legislation. The CD also conducts the Anti-Money Laundering functions of the Bank.

Risk Management Governance

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

RISK MANAGEMENT

Strategies

1. Business Strategy
2. Risk Strategy

Risk-bearing Capacity (Solvency)

Internal Control System

- Work flow and Organizational Structure
- Risk Management and Controlling Processes
  - Identification
  - Assessment
  - Treatment
  - Monitoring and Reporting
- Compliance

Internal Control Procedures

Internal Audit

FINANCIAL STATEMENTS FOR THE BUSINESS YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To AKBANK AG, Frankfurt am Main

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of AKBANK AG, Frankfurt am Main, which comprise the balance sheet as at 31 December 2019, and the statement of profit and loss for the financial year from 1 January to 31 December 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of AKBANK AG for the financial year from 1 January to 31 December 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Article 322 paragraph 3 sentence 1 HGB (German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have ful-filled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1 Risk provisioning in credit business

Our presentation of this key audit matter has been structured as follows:

1 Matter and issue
2 Audit approach and findings
3 Reference to further information

Hereinafter we present the key audit matter:

1 Risk provisioning in credit business

1 Within the financial statements of AKBANK AG an amount of € 3.588 million is shown under loans and advances to banks as well as customers (approx. 81.5% of total assets). For the credit portfolio a risk provision resulting from valuation allowances for country risks in an amount of € 64.2 million has been considered. The measurement of the risk provisioning is mainly affected by the opinion and judgement of management regarding potential defaults, structure and quality of the credit portfolio as well as economic considerations for different countries. Risk provisions from valuation allowances for country risks are considered as general allowances for credit portfolios with higher country risk. Existing collaterals are considered as basis of measurement. Valuation allowances on loans and advances are material for the Company on the one hand and are highly judgmental on the other hand. Furthermore, the applied and highly uncertain measurement parameters have a significant impact regarding potential valuation adjustments. Therefore, we concluded this matter was of particular interest during our audit.

2 During our audit, we firstly evaluated the design and effectiveness of the company's relevant internal control system. In this connection, we secondly considered the respective business organization, IT systems and valuation models. In addition, we assessed the valuation of loans and advances to banks and customers, including the appropriateness of estimates, based on a risk-focused sample, in which we, among other steps, evaluated the correct application of the valuation models. As part of our audit we evaluated, inter alia, the existing documents relating to the financial circumstances in a risk-focused sample of exposures and the recoverability of the pledged collateral. We evaluated the calculations in terms of their suitability and methodology, whereby we focused in particular on the country risk calculation for Turkey. We conclude on the basis of the procedures performed that the assumptions made by management and the processes implemented regarding the risk provisioning in credit business are appropriate.

3 Reference to further information

The Bank's disclosures on loan loss provisions are contained in the Notes.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safe-guards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 19 March 2019. We were engaged by the supervisory board on 2 October 2019. We have been the auditor of the AKBANK AG, Frankfurt am Main, without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Fatih Agirman.

Frankfurt am Main, March 9, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Fatih Agirman ppa. Arzu Akbulut
Wirtschaftsprüfer Wirtschaftsprüferin
(German Public Auditor) (German Public Auditor)

AKBANK AG

BALANCE SHEET AS OF DECEMBER 31, 2019 OF AKBANK AG, FRANKFURT AM MAIN

ASSETS

		EUR	31.12.2019 EUR	31.12.2018 TEUR
1. Cash Reserve				
a) Cash on hand		1.593,24		5
b) Balances at central banks		375.019.239,90		254.418
There of: at Deutsche Bundesbank			375.020.833,14	254.423
EUR	375.019.239,90			
	(Prior Year: TEUR 254.418)			
2. Loans and advances to banks				
a) Payable on demand		3.994.049,55		9.493
b) Other loans and advances		419.448.638,68		390.488
			423.442.688,23	399.981
3. Loans and advances to customers			3.164.896.277,40	3.433.756
thereof: secured by				
property charges EUR	0,00			
Municipal loans EUR	0,00			
4. Debentures and other fixed-interest securities				
Bonds and debentures				
a) From public sector		61.018.280,71		41.715
There of: eligible as collateral at Deutsche Bundesbank				
EUR	40.787.869,75			
	(Prior Year: TEUR 41.715)			
b) From other issuers		348.963.557,81		301.611
There of: eligible as collateral at Deutsche Bundesbank				
EUR	20.021.643,16			
	(Prior Year: TEUR 30.221)			
			409.981.838,52	343.326
5. Intangible assets			732.871,52	926
Purchased concessions, industrial rights and assets, and licences in such rights and assets				
6. Property and equipment			53.930,92	121
7. Other assets			27.694.449,91	43.051
8. Prepaid expenses			1.684.246,47	1.390
9. Deferred taxes			834.000,00	0
Total Assets			**4.404.341.136,11**	**4.476.974**

AKBANK AG

BALANCE SHEET AS OF DECEMBER 31, 2019 OF AKBANK AG, FRANKFURT AM MAIN

LIABILITIES

		EUR	31.12.2019 EUR	31.12.2018 TEUR
1.	**Liabilities to banks**			
	a) Payable on demand	2.359.741,33		1.971
	b) With an agreed term or period of notice	411.628.472,17		464.173
			413.988.213,50	466.144
2.	**Liabilities to customers**			
	Other liabilities			
	a) Payable on demand	556.310.813,67		499.103
	b) With an agreed term or period of notice	2.701.776.026,99		2.834.694
			3.258.086.840,66	3.333.797
3.	**Other liabilities**		1.839.026,90	732
4.	**Deferred income**		3.442.767,85	4.153
5.	**Deferred Tax Provisions**		0,00	514
6.	**Provisions**			
	a) Tax provisions	1.402.673,60		0
	b) Other provisions	1.932.272,11		1.989
			3.334.945,71	1.989
7.	**Shareholder's equity**			
	a) Subscribed capital	200.000.000,00		200.000
	b) Capital reserve	158.253.076,35		158.253
	c) Revenue reserves			
	Other revenue reserve	311.391.536,95		274.222
	d) Profit available for distribution	54.004.728,19		37.170
			723.649.341,49	669.645
Total Liabilities and Shareholders' Equity			**4.404.341.136,11**	**4.476.974**

		EUR	TEUR
1.	**Contingent liabilities**		
	Liabilities from guarantees and warranty agreements	39.892.313,47	27.862
2.	**Other obligations**		
	Irrevocable loan commitments	0,00	133

AKBANK AG

INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31, 2019 OF AKBANK AG, FRANKFURT AM MAIN

		EUR	EUR	EUR	31.12.2018 TEUR
1.	**Interest income from**				
	a) Lending and money market business	139.794.361,05			154.007
	b) Fixed-interest securities and government-inscribed debt	15.825.403,94			10.959
			155.619.764,99	164.966	
2.	**Interest expenses**		68.115.298,68		85.003
				87.504.466,31	79.963
3.	**Commission income**		4.608.609,34		3.038
4.	**Commission expenses**		778.051,04		740
				3.830.558,30	2.298
5.	**Other operating income**			1.212.583,00	147
6.	**General and administrative expenses**				
	a) Personnel expenses				
	aa) wages and salaries	5.425.134,43			4.995
	ab) social security and other pension costs thereof: for old age pensions EUR 121.869,64 (previous year: TEUR 112)	756.672,21	6.181.806,64		679
	b) Other administrative expenses		7.393.694,54		7.665
				13.575.501,18	13.339
7.	**Write-downs and adjustments to intangible assets and property, plant and equipment**			366.301,80	368
8.	**Other operating expenses**			320,00	1
9.	**Write-downs and allowances on loans and advances and certain securities and allocations to provisions for possible loan losses**			0,00	12.926
10.	**Income from write-ups on loans and advances and certain securities and from the reversal of provisions for possible loan losses**			907.021,90	0
11.	**Income from write-ups on participations, interests in affiliated companies and investment securities**			849.651,22	16
12.	**Result from ordinary activities**			80.362.157,75	55.790
13.	**Income taxes**				
	a) Tax expenses		27.698.336,67		17.549
	b) Income from change of deferred taxes		1.348.000,00		0
	c) Expenses from change of deferred taxes		7.092,89		1.071
				26.357.429,56	18.620
14.	**Net result for the year/ Profit available for distribution**			**54.004.728,19**	**37.170**

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

1. General information

Legal form

AKBANK AG has its registered office in Frankfurt am Main and has been entered in the Commercial Register, Section B, at the local court there under No. 78036 since September 21, 2006.

Shareholder

The sole shareholder of AKBANK AG, Frankfurt am Main, in fiscal year 2019 is Akbank T.A.S., Istanbul, Turkey.

Memberships

AKBANK AG is a member of various banking associations and organizations. It is a member of the Bundesverband deutscher Banken e.V. (Association of German Banks) and affiliated to its Deposit Protection Fund. It is also a member of the Bankenverband Hessen e.V., the Association of Foreign Banks in Germany e.V. the Auditing Association of German Banks and the Association for Bank Operations Organization.

2. Accounting, valuation and conversion methods of AKBANK AG for the fiscal year from January 1 to December 31, 2019

The annual financial statements of AKBANK AG for the fiscal year from January 1 to December 31, 2019 were prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act. In addition to the general valuation regulations of § 252 ff. HGB, the supplementary regulations for banks of sections 340 ff. HGB must also be applied.

The financial statements have been prepared in accordance with the provisions of the Ordinance on Accounting for Banks and Financial Services Institutions (RechKredV).

The cash reserve, loans and advances to banks and loans and advances to customers are recognized at the lower of cost or nominal value plus deferred interest.

If the amount paid out or purchased is less than the nominal value of the receivable, the difference (discount) is distributed evenly over the term of the receivable and recognized as interest income. The receivable is increased by the corresponding amount. If the disbursement or purchase amount is above the nominal value of the receivable, the difference (premium) is also distributed evenly over the term of the receivable and deducted from interest income. The receivable is reduced by the corresponding amount.

Individual, general and country valuation allowances on loans and advances to banks and customers are deducted from these.

a) Individual value adjustments are made when defined criteria are met, taking existing collateral into account.
b) General value adjustments are calculated on the basis of historical default data.
c) Country risks exist for receivables where the borrowers are domiciled in countries with lower creditworthiness. They include all risks from the lending business whose causes arise from the economic, social or political environment of a specific country. In detail, they include country-specific economic risks, sovereign default risks, transfer risks, risks arising from financial crises, legal risks and socio-political risks.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

As in the previous year, the method for determining the maximum permissible country risk provision in accordance with the draft of the BMF letter (IV C6 - S2174/0) from 2009 was applied as of the balance sheet date. In general, the recommendations of the Federal Central Tax Office derived from this are taken into account as maximum permissible value adjustments. This means that the actual value adjustment rates may also be below the maximum permissible ranges recommended for tax purposes.

Country risk provisions are always formed if there is a country risk regarding a borrower and no defined collateral is available. The allocation of transactions to a specific country risk is based on the principle of risk domicile, i.e. the allocation is always made according to the borrower's country of domicile. If the transfer risk under the parent country principle (domicile of the Group parent) is lower than under the domicile principle, and if there is joint liability on the part of the Group parent, allocation is based on the parent country. If there is risk liability or other collateral from a third country whose transfer risk is lower than under the domicile principle, the parent company principle is applied analogously.

Receivables with an original maturity of less than one year are not taken into account as a basis for calculating country risk provisions.

In its own assessment of country risks in the year under review, the Bank was below the maximum bandwidths permitted by the Federal Central Tax Office.

Bonds and debentures held as fixed assets are reported on the basis of the mitigated lower of cost or market principle. The difference between the higher acquisition cost and nominal value is distributed pro rata temporis over the remaining term of the bonds.

In the case of genuine securities repurchase agreements, the securities transferred are to be allocated to the lender's portfolio. The Bank continues to show the securities lent under the asset item "Bonds and other fixed-income securities," as the main opportunities and risks resulting from them remain with the Bank. It also reports a liability to the lender in the amount received for the transfer.

Intangible assets and property, plant and equipment are carried at cost less scheduled depreciation in accordance with tax regulations, using the straight-line method. The useful life is between 3 and 13 years. In the event of permanent impairment, unscheduled depreciation is made to the lower, attributable value. Low-value assets are fully written off in the year of acquisition. In accordance with § 6 Para. 2a EStG, fixed assets with an acquisition value of EUR 250 to EUR 1,000 are placed in an annual collective item and depreciated on a straight-line basis over 5 years.

Other assets are valued according to the strict lower of cost or market principle.

If there are differences between the commercial-law valuations of assets, liabilities and prepaid expenses and deferred items and their tax valuations, which are expected to be reduced in later financial years, a resulting overall tax relief is recognized as deferred tax assets in the balance sheet. The Bank recognizes a resulting overall tax burden as deferred tax liabilities in the balance sheet. Tax losses carried forward have to be taken into account when calculating deferred tax assets in the amount of the loss offset expected within the next five years. These do not currently exist at the Bank.

The amounts of the resulting tax burden and relief are measured at the individual company tax rates at the time the differences are eliminated and are not discounted. The reported items must be reversed as soon as the tax burden or relief occurs or is no longer expected to occur. The expense or income resulting from the change in deferred taxes is shown separately in the income statement under the item "Taxes on income".

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Liabilities are carried at settlement amounts plus accrued interest.

Provisions for tax liabilities are stated at the expected payment amount. The payment amount is based on the tax liability expected on the balance sheet date less the tax prepayments made. The calculation includes unpaid taxes from the current and previous periods.

The other provisions take into account all identifiable risks and uncertain obligations as well as impending losses from pending transactions and are stated at the settlement amount required according to sound business judgment.

Accrued interest on receivables and liabilities is allocated to the corresponding balance sheet items.

The foreign currency assets and liabilities (including accrued interest) included in the individual items are valued at the reference rates of the European Central Bank (ECB) applicable on 31 December 2019. The initial valuation is also based on the reference rate of the European Central Bank (ECB) applicable on the date of acquisition.

Unsettled foreign exchange swaps are also valued at the ECB's reference rates as at 31 December 2019. Unrealized gains from currency swap transactions for which special cover exists in accordance with section 340h of the HGB are capitalized and reported under other assets. Special cover exists if a special relationship is established between assets and liabilities in the same currency or if forward exchange transactions are concluded as special cover transactions for assets or liabilities denominated in foreign currencies as part of currency position management.

Where special cover exists, expenses and income from currency translation are netted and shown in the income statement with an effect on income.

The forward rates are split into the two elements spot rate and swap rate and these are taken into account separately in results analysis. The agreed swap amounts are deferred prorata temporis. Changes in the spot rates are determined in 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 offset.

The open forward transactions are valued at market prices. Unrealized losses from the difference between forward and market prices are carried as liabilities and shown under other liabilities.

The Bank controls the general interest rate risk in the banking book centrally as part of asset/liability management. As part of the loss-free valuation for interest rate risks in the banking book, it determines whether the value of the total benefit obligations, including future administrative expenses, is matched by a sufficiently high counter performance claim, taking into account appropriate risk provisions. Insofar as the entire interest position in the banking book results in a surplus of obligations, the principle of prudence under German commercial law is taken into account by forming a provision in accordance with section 249 (1) sentence 1 no. 2 HGB (provision for anticipated losses). There was no need for a provision for anticipated losses as of the balance sheet date.

3. Notes to the balance sheet and income statement

BALANCE SHEET

Preliminary remark

The foreign currency positions contained in the individual balance sheet items as well as the receivables from and payables to affiliated companies are presented separately in a separate section below.

Cash reserve

On the balance sheet date, the Bank held cash reserves of EUR 375,021,000 (previous year: EUR 254,423,000). Out of this amount, EUR 375,019,000 (previous year: EUR 254,418,000) was accounted for by credit balances at the Deutsche Bundesbank and EUR 2,000 (previous year: EUR 5,000) by euro cash in petty cash.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Loans and advances to credit institutions

Loans and advances to banks are broken down by residual term as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Payable daily	3,994	9,493
Remaining term		
- Up to three months	113,792	62,469
- More than three months to one year	286,591	308,173
- More than one year and up to five years	19,066	19,621
- Over five years	0	225
	423,443	**399,981**

The value adjustment for country risks of receivables from banks amounts to EUR 1,323,000 (previous year: EUR 400,000).

Loans and advances to customers

Loans and advances to customers, broken down by residual maturity, are composed as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Payable daily	477	1,298
Remaining term		
- Up to three months	663,883	538,840
- From three months to one year	935,147	1,272,597
- More than one year and up to five years	1,565,390	1,606,953
- Over five years	0	14,068
	3,164,896	**3,443,756**

There are no specific and general bad debt allowances to cover the latent default risk (previous year: TEUR 0).

The value adjustment for country risks of receivables from customers amounts to TEUR 62,914 (previous year: TEUR 64,744).

Customer credit balances of TEUR 706,749 (previous year: TEUR 684,755) were pledged as collateral for receivables from customers in the amount of TEUR 706,749 (previous year: TEUR 684,755) as of the balance sheet date.

Bonds and other fixed-income securities

The bonds and other fixed-interest securities with a book value of EUR 409,982,000 (previous year: EUR 343,326,000) were all listed on the stock exchange on the balance sheet date.

They are allocated in full to fixed assets as of the balance sheet date. The development of securities held as fixed assets is shown in the statement of changes in fixed assets (Appendix I to the Notes).

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

For bonds and other fixed-interest securities with a book value of EUR 337,460,000 (previous year: EUR 72,346,000), there are hidden reserves of EUR 6,105,000 (previous year: EUR 649,000); for bonds and other fixed-interest securities with a book value of EUR 72,521,000 (previous year: EUR 270,980,000), there are hidden liabilities of EUR 289,000 (previous year: EUR 17,351,000). In view of the fact that the bonds are allocated to fixed assets and that the lower market values were not based on expected permanent impairments in value, but were only caused by normal market volatility, the Bank did not write down to the lower market values in the case of hidden charges.

Bonds and other fixed-interest securities in the amount of TEUR 45,905 (previous year TEUR 47,920) will fall due in the 2020 financial year.

The book value of assets sold under repurchase agreements in accordance with § 340b HGB, including accrued interest, amounted to TEUR 139,930 (previous year: TEUR 107,752) on the balance sheet date.

The bonds and other fixed-income securities are shown in the following matrix according to rating classes.

	31.12.2019	31.12.2018	31.12.2017
Debt securities and fixed-interest securities eligible as collateral at the Bundesbank		**(in %)**	
AA+ and AA	67,1	58,0	21,6
A+ and A-	0,0	0,0	0,0
BBB+, BBB and BBB-	32,9	42,0	78,4
BB+, BB and BB-	0,0	0,0	0,0
B+, B and B-	0,0	0,0	0,0
No rating	0,0	0,0	0,0
	100,0	**100,0**	**100,0**
Bonds and fixed-interest securities not eligible as collateral with the Bundesbank		**(in %)**	
AA+ and AA	0,0	0,0	0,0
A+ and A-	11,7	15,2	0,0
BBB+, BBB and BBB-	0,0	5,6	7,3
BB+, BB and BB-	13,9	18,9	90,5
B+, B and B-	74,4	60,3	2,2
No rating	0,0	0,0	0,0
	100,0	**100,0**	**100,0**
Debt securities and fixed-interest securities Securities - Total		**(in %)**	
AA+ and AA	10,0	12,2	9,5
A+ and A-	10,0	12,0	0,0
BBB+, BBB and BBB-	4,9	13,2	38,5
BB+, BB and BB-	11,8	15,0	50,8
B+; B and B-	63,3	47,7	1,2
No rating	0,0	0,0	0,0
	100,0	**100,0**	**100,0**

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Intangible fixed assets

In the year under review, intangible assets (IT standard software) in the amount of TEUR 733 (previous year: TEUR 926) were held. No unscheduled depreciation had to be made in the 2019 financial year (previous year: TEUR 0).

The development of intangible assets is shown in the statement of changes in fixed assets (Appendix I to the Notes).

Property, plant and equipment

The classification of property, plant and equipment amounting to TEUR 54 (previous year: TEUR 120) at the balance sheet date is shown in the statement of changes in fixed assets (Appendix I to the Notes). No unscheduled depreciation had to be made in the 2019 financial year (previous year: TEUR 0).

Other assets

The other assets are composed as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Swap receivables and receivables from Forward transactions	23,555	35,450
Corporate income tax claim	0	2,719
Trade income tax receivable	0	2,556
Reimbursement claims against DNB	1,336	1,793
Sales tax claim	370	367
Other	2,433	166
	27,694	**43,051**

Prepaid expenses and accrued income

The prepaid expenses of TEUR 1,684 (previous year: TEUR 1,390) include TEUR 230 (previous year: TEUR 142) in accrued advance fees from the lending business.

Deferred tax assets

The deferred tax assets of TEUR 834 (previous year: deferred tax liabilities of TEUR 514) serve to offset the tax liability arising from the temporary difference of TEUR 2,610 (previous year: asset balance of TEUR 1,608) between the tax balance sheet and the commercial balance sheet. The difference results from increased valuations of fixed assets in the commercial balance sheet compared to the tax balance sheet in the amount of EUR 2,205,000 (previous year: EUR 2,720,000), from lower provision values in the tax balance sheet compared to the commercial balance sheet in the amount of EUR 1,191,000 (previous year: EUR 1,112,000), and from increased country valuation allowances in the commercial balance sheet in the amount of EUR 3,623,000 for receivables from banks and receivables from customers.

The calculation of deferred tax assets was based on the Bank's tax rate of 31.9% applicable on the balance sheet date. Deferred tax assets (TEUR 834) include amounts blocked against distribution within the meaning of Section 268 (8) HGB, which are offset by free reserves in the corresponding amount.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Amounts owed to credit institutions

Broken down by residual term, liabilities to banks are as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Payable daily	2,360	1,971
Remaining term		
- Up to three months	158,446	272,406
- More than three months to one year	253,182	118,027
- More than one year and up to five years	0	73,740
	413,988	**466,144**

Amounts owed to customers

Liabilities to customers, broken down by residual maturity, are composed as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Payable daily	556,310	499,103
Remaining term		
- Up to three months	638,988	632,508
- From three months to one year	790,617	1,200,727
- More than one year and up to five years	1,124,458	912,509
- Over five years	147,714	88,950
	3,258,087	**3,333,797**

Of the liabilities to customers, EUR 1.27 billion (previous year: EUR 1.10 billion) are attributable to deposit business with private customers and EUR 1.99 billion (previous year: EUR 2.23 billion) to deposit business with institutional customers.

Other liabilities

The other liabilities are composed as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Interest income tax incl. solidarity surcharge	364	394
Trade and other payables	260	248
Wage and church tax	83	80
Agency commissions	9	10
Swap differences (liabilities side)	1,123	0
	1,839	**732**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Accrued expenses and deferred income

Deferred income in the amount of TEUR 3,443 (previous year: TEUR 4,153) was formed exclusively for deferred advance fees from the lending business.

Provisions

In the year under review, there are tax provisions of TEUR 1,403 of which TEUR 695 is for corporate income tax and TEUR 708 for trade tax.

The other provisions are composed as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Personnel costs	888	834
Accrued rent	331	401
Outstanding invoices	377	370
Audit and tax consultancy fees	160	164
Leave not taken	97	123
Chamber of Industry and Commerce	33	73
Other	46	24
	1,932	**1,989**

Subscribed capital, capital reserves and retained earnings

The subscribed capital of EUR 200,000,000.00 is divided into 200,000,000.00 no-par value shares. The shares are made out to the bearer.

The capital reserves remain unchanged from the previous year at EUR 158,253,076.35.

In accordance with the resolution of the Annual General Meeting of 19 March 2019, the balance sheet profit for the 2018 financial year of EUR 37,169,943.76 was transferred in full to other revenue reserves.

The net profit for the year 2019 amounts to EUR 54,004,728.19.

The Managing Board of the Company proposes to transfer the net retained profits of EUR 54,004,728.19 to other revenue reserves.

Country risk provisions

Total risk provisions for country risks are broken down by individual balance sheet items as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Loans and advances to credit institutions	1,323	400
Loans and advances to customers	62,914	64,744
	64,237	**65,144**

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Foreign currency assets and liabilities

The foreign currency positions, translated into euros, are broken down as follows among the individual balance sheet items:

	31.12.2019 TEUR	31.12.2018 TEUR
Gross claims on credit institutions	131,278	67,323
Gross loans and advances to customers	1,501,391	1,438,105
Bonds	288,041	209,836
Prepaid expenses and accrued income	2	27
Foreign currency assets	1,920,712	1,715,291
Amounts owed to credit institutions	219,346	176,296
Amounts owed to customers	1,189,978	963,807
Other liabilities	12	97
Accrued expenses and deferred income	0	834
Foreign currency liabilities	1,409,336	1,141,034
Balance	511,376	574,257

The netted foreign currency position on the balance sheet date of TEUR 511,376 (previous year: TEUR 574,257) is offset by currency hedging transactions of TEUR 511,098 (previous year: TEUR 574,623).

Claims and liabilities to affiliated companies

The affiliated companies are divided into two subgroups:

a) Akbank T.A.S., Istanbul, and its subsidiaries (Akbank Group) and
b) Hacı Ömer Sabancı Holding A.Ş., Istanbul, and its subsidiaries (Sabancı Group), but excluding the Akbank Group

The following receivables and payables existed vis-à-vis these affiliated companies - the Akbank Group and the Sabancı Group - at the balance sheet date:

Affiliated companies - Total	31.12.2019 TEUR	31.12.2018 TEUR
Loans and advances to credit institutions		
- Payable daily	1,015	126
- Different demands	214,414	170,889
Loans and advances to customers	56,460	36,029
Other assets	7,884	6,819
Receivables from affiliated companies	279,773	213,863
Amounts owed to credit institutions		
- Payable daily	549	219
- With agreed maturity or period of notice	217,007	133,572
Amounts owed to customers	8	6
Amounts owed to affiliated undertakings	217,564	133,797
Balance	62,209	80,066

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Akbank Group	**31.12.2019 TEUR**	**31.12.2018 TEUR**
Loans and advances to credit institutions		
- Payable daily	1,015	126
- Different demands	214,414	170,889
Loans and advances to customers	16,270	22,027
Other assets	7,884	6,819
Receivables from affiliated companies	239,583	199,861
Amounts owed to credit institutions		
- Payable daily	549	219
- With agreed maturity or period of notice	217,007	133,572
Amounts owed to customers	3	0
Amounts owed to affiliated undertakings	217,559	133,791
Balance	22,024	66,070

Sabancı Group	31.12.2019 TEUR	31.12.2018 TEUR
Loans and advances to credit institutions		
- Payable daily	0	0
- Different demands	0	0
Loans and advances to customers	40,190	14,002
Other assets	0	0
Receivables from affiliated companies	40,190	14,002
Amounts owed to credit institutions		
- Payable daily	0	0
- With agreed maturity or period of notice	0	0
Amounts owed to customers	5	6
Amounts owed to affiliated undertakings	5	6
Balance	40,185	13,996

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Contingent liabilities

Contingent liabilities consist of guarantees and letters of credit in the amount of TEUR 39,892 (previous year: TEUR 27,862). There are contingent liabilities to affiliated companies of EUR 6,579,000 (previous year: EUR 6,667,000) but none to the members of the Bank's Managing Board (previous year: EUR 0). As part of the annual reviews of the credit portfolio carried out by the Bank's credit risk management, the guarantees and letters of credit were also examined for possible default risks. The risk of utilization is considered to be very low due to the good creditworthiness of the customers.

Restrictions on disposal

Assets transferred as collateral for liabilities to the Deutsche Bundesbank have a carrying amount including accrued interest of TEUR 178,884 (previous year: TEUR 140,337).

The book value of securities sold under genuine repurchase agreements with other banks, including accrued interest, amounts to TEUR 139,930 (previous year: TEUR 107,752).

PROFIT AND LOSS ACCOUNT

The income statement results from interest income, commission income, income from write-ups to participating interests, shares in affiliated companies and securities treated as fixed assets and other operating income are mainly generated abroad.

Interest income and expenses from lending and money market transactions and commission income and expenses are largely the result of business relationships with customers and banks in Turkey and Germany. Commission income results to a large extent from commitment and processing fees for loans granted.

Interest income from lending and money market transactions amounting to EUR 139,794,000 (previous year: EUR 154,007,000) includes negative interest of EUR 2,196,000 (previous year: EUR 1,085,000), of which negative interest of EUR 2,173,000 (previous year: EUR 1,056,000) is attributable to deposits with the Deutsche Bundesbank.

Other operating income amounts to TEUR 1,213 (previous year: TEUR 147). They mainly include income from the reversal of provisions in the amount of TEUR 16 (previous year: TEUR 17), foreign exchange gains of TEUR 107 (previous year: TEUR 121) and various expense reimbursements. In the year under review, there was additional income of TEUR 1,030 from the reversal of a cross currency swap due to the premature repayment of a loan.

General administrative expenses in the year under review amounted to TEUR 13,576 (previous year: TEUR 13,339). Out of this amount, TEUR 6.182 (previous year: TEUR 5.674) is attributable to personnel expenses and TEUR 7.394 (previous year: TEUR 7.665) to other administrative expenses. The decrease in other administrative expenses is mainly due to the decrease in bank levy expenses of TEUR 380 (previous year: plus TEUR 704), lower legal costs of TEUR 61 thousand and the increase in expenses for deposit insurance of TEUR 110 (previous year: plus TEUR 541).

In fiscal year 2019, there was income from write-ups on receivables and certain securities and from the reversal of provisions in the lending business of EUR 0.91 million (previous year: write-downs and value adjustments on receivables and certain securities and additions to provisions in the lending business of EUR 12.93 million). These expenses and income relate exclusively to the net additions to country valuation allowances.

The income from write-ups to participating interests, shares in affiliated companies and securities treated as fixed assets amounting to EUR 850,000 (previous year: EUR 16,000) stems from the sale of bonds held as fixed assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Taxes on income and earnings

The taxes on income of TEUR 27,698 (previous year: TEUR 17,550) relate to corporate income tax of TEUR 13,723 (previous year: TEUR 8,693) and trade tax of TEUR 13,975 (previous year: TEUR 8,857).

The total amount of income from the change in deferred taxes of TEUR 1,348 (previous year: expense of TEUR 1,071) relates to the correction of the reduced tax expenses posted in the year under review (previous year: additional tax expenses).

4. Other information

Breakdown of loans and advances to customers by economic sector

The classification of loans and advances to customers by economic sector is based on the Bundesbank's customer classification system.

Receivables with a share of less than three percent of the total receivables volume in both years are shown under "Other."

Economic sector	31.12.2019	31.12.2018
	in %	in %
Manufacturing sector	33,2	38,4
- Textile industry	9,1	10,1
- Car industry	4,7	6,8
- Chemical company	4,3	5,7
- Metal Industry	5,7	5,5
- Food industry	0,8	1,3
- Electrical industry	0,3	1,1
- Other	8,3	7,9
Trade, maintenance and repair of motor vehicles	13,0	15,7
Land and housing	17,1	15,5
- Thereof secured by cash contributions	17,1	15,5
- Other	0,0	0,0
Professional, scientific and technical activities	6,4	7,1
Transport and storage	6,7	7,1
Financial and insurance activities	9,7	4,3
Mining and quarrying	3,9	3,2
Energy supply	4,4	3,2
Other	5,5	5,5
	100,0	**100,0**

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Other financial obligations

Other financial obligations mainly relate to future, contractually agreed rental payments for the Bank's offices in Frankfurt am Main and Eschborn. The cumulative rental payments up to 2026 amount to TEUR 8,153 (previous year: TEUR 5,746).

Derivatives

On the balance sheet date, there were currency swaps in the amount of TEUR 156,911 (previous year: TEUR 403,170) that had not yet been settled, as well as spot transactions in the amount of TEUR 0 (previous year: TEUR 3,308), which serve exclusively to cover currency risks. The fair value of the currency swaps at the balance sheet date was TEUR 153,398 (previous year: TEUR 390,520), the fair value of the spot transactions was TEUR 0 (previous year: TEUR 3,308).

In the previous year, interest rate swaps with a nominal value of TEUR 30,000 existed until 2019 at the latest to hedge the general interest rate risk. as of 31 December 2019, there were no more interest rate swaps. In the previous year, there was a negative present value (without accrued interest) of TEUR 135.

In order to simultaneously hedge the interest rate risk and the foreign currency risk, cross currency swaps in the amount of TEUR 354,187 (previous year: TEUR 174,761) were concluded until 2024 at the latest. As of December 31, 2019, there is a positive present value (without accrued interest) of TEUR 23,714 (previous year: TEUR 46,746).

As of the balance sheet date, currency swaps of TEUR 0 (previous year: TEUR 157,540) and cross-currency swaps of TEUR 149,247 (previous year: TEUR 26,730) existed with affiliated companies. As in the previous year, there were no interest rate swaps with affiliated companies.

Employees

The average number of employees in 2019, including the Managing Board, was 52 (previous year: 49). Out of the 52 employees, 3 were executives and 49 were salaried employees.

Total fee of the auditor

		31.12.2019 TEUR	31.12.2018 TEUR
c)	Audit services	130	120
d)	Other confirmation services	0	0
e)	Tax consultancy services	0	0
f)	Further services	0	0

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Organs

The Managing Board was composed as follows in the past fiscal year:

- Mrs. Kamile Banu Özcan, Frankfurt am Main, Chairwoman of the Managing Board with responsibility for:
  - **until 31 July 2019:** Project Management/MIS and Human Resources, IT Security, Internal Audit, Credit Analysis and Allocation, Credit Operations, Operations, Financial Coordination, Risk Management/Strategy
  - **from 01 August 2019:** Money and Foreign Exchange Trading and Financial Institutions, Project Management/ MIS and Human Resources, IT Security, Internal Audit
- Mr. Alper Özsoy, Oberursel, with responsibility for:
  - **until 31 July 2019:** Corporate Banking, Private Banking and Retail Banking, Money and Foreign Exchange and Financial Institutions
  - **from 01 August 2019:** Corporate Banking, Private Banking and Retail Banking
- Mrs. Didem Öget, Frankfurt am Main, since 01 August 2019 with responsibility for:
  - **from 01 August 2019:** Credit Analysis and Allocation, Credit Operations, Operations, Financial Coordination, Riskmanagement/Strategy

The areas to be represented jointly by the entire Managing Board are: Money Laundering Prevention, Compliance, Legal Affairs, Data Protection, Corporate Audit, Public Relations, Audit by Supervisory Authorities and External Audit Firms.

The Company is represented by three members of the Managing Board.

The Supervisory Board consisted of 7 members in the fiscal year and was composed as follows:

- Mr. Levent Çelebioğlu, Chairman (Executive Vice President Corporate and Investment Banking of Akbank T.A.S., Istanbul, Turkey)
- Mr. Türker Tunalı, Vice Chairman (Executive Vice President, Chief Financial Officer of Akbank T.A.S., Istanbul, Turkey)
- Mr. Yunus Emre Özben (Executive Vice President Credit Underwriting of Akbank T.A.S., Istanbul, Turkey)
- Mrs. Şebnem Muratoğlu (Executive Vice President Treasury of Akbank T.A.S., Istanbul, Turkey)
- Mrs. Burcu Civelek Yüce (Executive Vice President Strategy, Digital Banking and Payment Systems der Akbank T.A.S., Istanbul, Turkey)
- Mr. Emre Kahraman (Chief Risk Officer of Akbank T.A.S., Istanbul, Turkey)
- Mr. İlker Altıntaş (Executive Vice President Information Technologies & Operations of Akbank T.A.S., Istanbul, Turkey)

Remuneration of the members of the executive bodies

The total remuneration of the Managing Board in the financial year amounted to TEUR 960 (previous year: TEUR 886).

The Supervisory Board receives no remuneration.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

Relations with affiliated companies

Akbank T.A.S, Istanbul, Turkey, was the sole shareholder of AKBANK AG in the reporting period.
As of 31 December 2019, 48.8% of Akbank T.A. S. is owned by Hacı Ömer Sabancı Holding A.Ș., Istanbul, its subsidiaries and members of the Sabancı family, and 51.2% of the shares are in free float.

Hacı Ömer Sabancı Holding A.Ș., Istanbul, and its subsidiaries are considered affiliated companies of the Company.

In the year under review, there were business relations with various affiliated companies, whereby all legal transactions were concluded on terms and conditions that are customary among third parties.

Supplementary report

No significant events and developments of particular significance occurred after the balance sheet date that could affect the financial statements for the 2019 financial year.

Consolidated Financial Statements

The financial statements of AKBANK AG are included in the consolidated financial statements of Akbank T.A. S., Istanbul, as well as in the consolidated financial statements of Hacı Ömer Sabancı Holding A.Ș., Istanbul. The consolidated financial statements of Akbank T.A.S. can be downloaded from the website www.akbank.com and the consolidated financial statements of Hacı Ömer Sabancı Holding A.Ș. on the website www.sabanci.com.

Frankfurt am Main, 9 March 2020

The Managing Board

K. Banu Ejder Özcan Alper Özsoy Rana Didem Öget

Contact Information

AKBANK AG - MANAGING BOARD

Name	*Title*
K. Banu Özcan	CEO & Chairman of the Managing Board
Alper Özsoy	Executive Vice President & Member of the Managing Board
R. Didem Öget	CFO & Member of the Managing Board

AKBANK AG - BUSINESS UNITS & DEPARTMENTS

Name	*Group*
Mustafa Korkmaz	Senior Vice President – Treasury & Financial Institutions
Murat Gündoğdu	Senior Vice President – Corporate Banking
Serkan Gür	Senior Vice President – Retail & Private Banking
Gökhan Biber	Senior Vice President- Risk Management, Financial Coordination, AML and Compliance Officer
Osman Yüce	Senior Vice President – Information Technologies
Güzin Yalıngök Yıldırım	Senior Vice President – Credit Analysis
Bahadir Özgür Öztürk	Senior Vice President – HR, MIS and Project Management
Arif Yenice	Vice President- Operations

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