2017

ANNUAL REPORT

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 November 23, 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 June 15, 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 growth 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 20% of its shareholders' equity on an individual basis.

KEY FIGURES

EXCELLENT FINANCIAL RESULTS, EFFICIENT OPERATIONAL PROCESSES

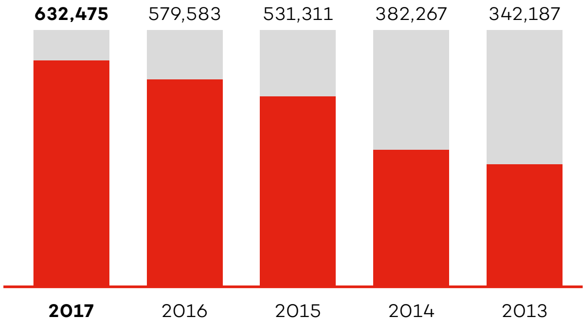
Key Figures (€ 000)	**2017**	2016	2015	2014	2013
Net profit	**52,892**	48,272	49,044	40,080	23,601
Profit before tax	**78,819**	69,652	72,596	58,941	34,596
Profit before tax*	**79,219**	76,681	67,099	60,466	45,592
Total assets	**5,059,249**	5,487,837	4,774,341	4,360,288	3,238,627
Paid-in capital	**200,000**	200,000	200,000	100,000	100,000
Total shareholders' equity	**632,475**	579,583	531,311	382,267	342,187
Interest-bearing assets	**5,005,497**	5,482,344	4,768,886	4,357,021	3,209,001
Interest-bearing liabilities	**4,411,236**	4,862,661	4,150,888	3,879,148	2,890,652

* Excluding the effect of country risk provisioning treatment.

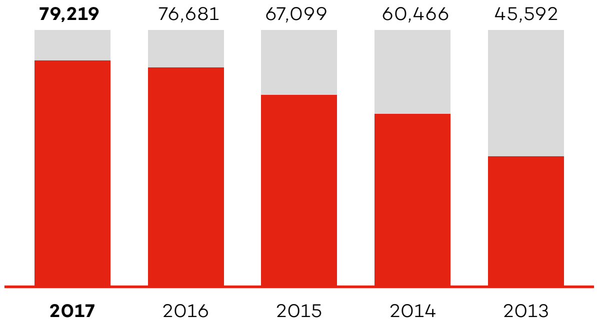
Key Ratios (%)	**2017**	2016	2015	2014	2013
Solvency	**14.07**	12.60	14.38	12.29	16.49
Return on average own funds including country provision*	**8.29**	9.01	8.91	10.05	9.56
Total assets/Own Funds (times)	**8.00**	9.47	8.99	11.41	9.46
Cost/Income ratio	**13.17**	12.21	12.64	11.98	13.90
Commission income/Operating expenses	**45.78**	50.59	32.19	40.78	37.81
Number of staff members	**48**	45	42	39	32
Profit before tax staff member*	**1,650**	1,704	1,597	1,550	1,425
Non-performing loans	**-**	-	-	-	-
Loans/Deposits	**109.44**	108.06	111.33	110.5	106.22

* Excluding the effect of country risk provisioning treatment.

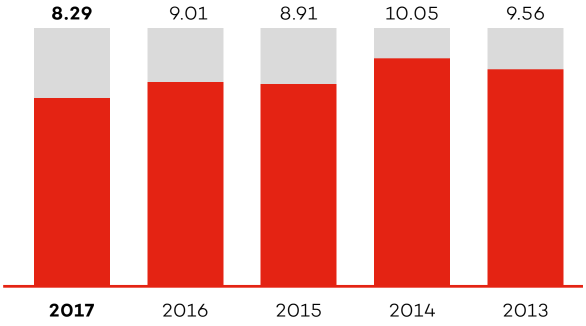
TOTAL SHAREHOLDERS' EQUITY (€ 000)



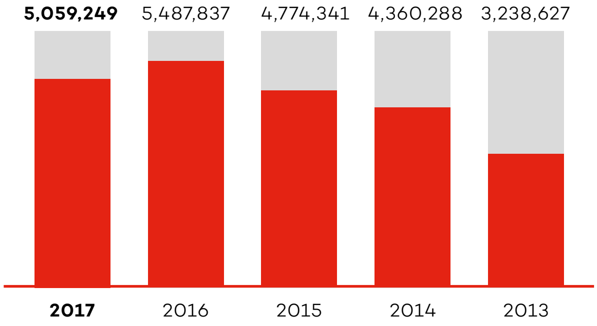
PROFIT BEFORE TAX (€ 000)*



RETURN ON AVERAGE OWN FUNDS INCLUDING COUNTRY PROVISION (%)*



TOTAL ASSETS (€ 000)



* Excluding the effect of country risk provisioning treatment.

SABANCI GROUP IN BRIEF

HACI ÖMER SABANCI HOLDING A.Ş., ONE OF TURKEY'S LEADING CONGLOMERATES, IS THE PARENT COMPANY, MANAGING THE SABANCI GROUP'S COMPANIES WITH A STRATEGIC PORTFOLIO APPROACH.

Hacı Ömer Sabancı Holding A.Ş., one of Turkey's leading conglomerates, is the parent company, managing the Sabancı Group's companies with a strategic portfolio approach. Turkey's rapidly growing sectors, including banking, insurance, energy, cement, retail and industrials, are the main business areas of Sabancı Group. Sabancı Group companies are market leaders in their respective sectors.

Sabancı Holding is managed by the Executive Committee, comprising the CEO, CFO, Strategic Business Unit Presidents and the Human Resources Group President, and reporting to the Board of Directors.

Sabancı Holding is responsible for:

- Coordination and support of financing, strategy, business development and human resources functions in accordance with corporate governance principles,
- Career development of the Group's senior and mid-level executives,
- Determination of the Group's strategies,
- Deployment of performance culture across the Group,
- Shareholder value creation through intra-Group synergies.

In addition to the Audit Committee, and the Corporate Governance and Risk Committees that report to the Board of Directors, a Portfolio Management Committee was established on March 30, 2017 to achieve a more balanced and dynamic portfolio management and capital allocation approach. The Committee consists of Board Chairman Güler Sabancı and Board members Suzan Sabancı Dinçer, Sevil Sabancı, Serra Sabancı and CEO Mehmet Göçmen. The Committee convened five times in 2017 and presented its assessments and proposals to the Board of Directors.

Sabancı Holding assesses business development projects both financially and strategically, and prioritizes projects where there is high value creation and real growth potential, and where current competencies within the Group can be utilized effectively.

— SABANCI HOLDING'S MULTINATIONAL BUSINESS PARTNERS INCLUDE PROMINENT COMPANIES SUCH AS AGEAS, AVIVA, BRIDGESTONE, CARREFOUR, E.ON, HEIDELBERG CEMENT, MARUBENI AND PHILIP MORRIS.

Sabancı Group companies currently operate in 13 countries and market their products in regions across Europe, the Middle East, Asia, North Africa and North and South America. Sabancı Group, thanks to its reputation, brand image, strong joint ventures, extensive experience and know-how regarding the Turkish market, has fostered core businesses that have become an important force contributing to the development of Turkish economy.

Sabancı Holding's multinational business partners include prominent companies such as Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris.

In 2017, the combined revenue of Sabancı Holding was TL 66 billion with consolidated net income TL 3.5 billion.

Aside from the Sabancı Holding shares listed on Borsa Istanbul (BIST), Sabancı Holding has controlling shares in 12 companies that are also listed on BIST. The number of listed companies was 11 in 2017 and rose to 12 after Enerjisa Enerji's initial public offering (IPO), a process that began during the year and was finalized in February 2018 through equal share sales of E.ON and Sabancı Holding jointly. The Enerjisa Enerji public offering, oversubscribed by 4.8 times, broke a record as Turkey's largest private sector IPO in terms of Turkish liras.

The Sabancı Family is collectively Sabancı Holding's majority shareholder, with 53.9% ownership of the share capital; 42.8% of Sabancı Holding's shares are publicly traded.

AKBANK T.A.Ş. IN BRIEF

WITH A STRONG AND EXTENSIVE DOMESTIC DISTRIBUTION NETWORK OF 800 BRANCHES AND MORE THAN 14,000 EMPLOYEES, AKBANK OPERATES FROM ITS HEAD OFFICE IN ISTANBUL AND 22 REGIONAL DIRECTORATES ACROSS TURKEY.

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 the Sirkeci district of Istanbul on July 14, 1950. In 1954, after relocating its Head Office to Istanbul, the Bank rapidly expanded its branch network and had automated all banking operations by 1963.

Floated to the public in 1990, Akbank shares began trading on international markets and as an American Depository Receipt (ADR) after its secondary public offering in 1998.

Akbank's core business is banking activities, consisting of corporate and investment banking, commercial banking, SME banking, consumer banking, payment systems and treasury transactions, private banking, and international banking services. In addition to traditional banking activities, the Bank also carries out insurance agency operations through its branches on behalf of Ak Insurance and AvivaSA Pensions and Life Insurance.

With a strong and extensive domestic distribution network of 800 branches and more than 14,000 employees, Akbank operates from its Head Office in Istanbul and 22 regional directorates across Turkey. In addition to providing services through branches, the Bank's traditional delivery channel, Akbank also serves more than 15 million customers through the Akbank Direkt Internet Branches, Akbank Direkt Mobile, the Call Centre, 4,400 ATMs and more than 510,000 POS terminals as well as other high-tech channels.

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

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

— EQUIPPED WITH STATE-OF-THE-ART IT SYSTEMS AND A STAFF OF EXPERIENCED PROFESSIONALS, AKBANK PROVIDES TOP QUALITY SERVICES TO AN EXTENSIVE PORTFOLIO OF CONSUMER AND CORPORATE BANKING CUSTOMERS.

The recently-launched "Akbank One-Stop Shop Corporate and Investment Banking" enabled the Bank to begin generating even more effective solutions for investment financing in Turkey. This platform allows Akbank corporate banking clients to receive corporate and investment banking services while easily accessing the experience and expertise of Akbank's subsidiaries, all in one step.

The Akbank Banking Centre, which is the highest transaction-capacity operations centre in Turkey, commenced service in 2010. Equipped with state-of-the-art technology, this complex is positively contributing to Akbank's productivity. In 2017, the Bank broke ground on the Akbank Data and Life Centre. The Centre is designed to host Akbank's entire technology infrastructure, monitor all operations 24/7 with the latest advanced technologies, and provide uninterrupted services to our clients. Founded with a total investment of USD 250 million, Akbank Data and Life Centre will become operational in 2019. The complex will include Akbank Data Centre, which will constitute the core of Akbank's entire technology infrastructure, and Akbank Life Centre, which will offer social services to 3,000 Akbank employees. The Centre is Akbank's largest one-off investment to date.

Akbank conducts overseas operations through a subsidiary in Germany (Akbank AG) and a branch in Malta. The Bank's other subsidiaries, Ak Investment, Ak Asset Management and Aklease, provide non-banking financial services alongside capital markets and investment services.

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

In addition, Harvard University conducted a case study last year regarding Akbank's steps in digital banking. The study emphasized that digital banking will play a growing part in our lives in the years ahead. Banking will transfer from branches to mobile platforms in Turkey, given its young population with high levels of smart phone and internet penetration. The case study underscores the cost-related contributions of Akbank Direkt as well as the advantage of automated transactions in minimizing human errors, and how this represents the beginning of a new era in banking.

Aiming to facilitate customers' lives and deliver the best banking experience, Akbank rapidly translates global innovations into banking practices at Akbank LAB. This innovative unit reports to the Direct Banking Department, and plays a pioneering role in shaping the banking of the future. At Akbank LAB – also known as the "laboratory of future banking" – Akbank's specialized bankers closely study innovative products and services. Akbank LAB then contacts their developers and manufacturers to employ

AKBANK T.A.Ş. IN BRIEF

WITH A ROBUST CAPITAL BASE, A RELIABLE DEPOSIT STRUCTURE, THE ABILITY TO RAISE FOREIGN FINANCING ON FAVOURABLE TERMS, AND SOLID ASSET QUALITY, AKBANK MAINTAINS ITS LEADING POSITION IN THE TURKISH BANKING SECTOR.

state-of-the-art technologies that optimally meet our clients' needs. Despite being a new entity, Akbank LAB has already undertaken numerous major projects in its first year, including Kolay İK (Easy HR) and Paraşüt (Parachute), and put these into service.

Akbank delivers a new banking experience to its customers via lean and innovative services, while continuing to strive towards creating more value. Akbank consistently works with a high level of motivation in an attempt to raise the bar even higher in banking.

Akbank continued to win major awards in 2017, a year when many banks experienced pressure due to the global economic environment. For the sixth time, Brand Finance designated Akbank as "Turkey's Most Valuable Bank Brand". In addition, Akbank was named "Turkey's Best Bank" by Global Finance and Euromoney: all are significant honours within the Turkish banking sector.

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

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

With a robust capital base, a reliable deposit structure, the ability to raise foreign financing on favourable terms, and solid asset quality, Akbank maintains its leading position in the Turkish banking sector. As of end-2017, the Bank reported net profit of TL 6 billion (about USD 1.6 billion), and total consolidated assets of TL 342 billion (about USD 91.3 billion). The Bank's capital adequacy ratio, according to Basel III standards, is one of the highest in the sector at 15.8%.

Committed to creating sustainable value for Turkey's economy, Akbank expanded its total loan portfolio to TL 209 billion, up 17.1%. Thanks to its effective risk management policies, Akbank's NPL ratio stood at 2.1%, well below the sector average of 3.0%.

51.1% of Akbank's shares are listed on the Borsa Istanbul. The Bank's Level 1 ADRs are traded on the OTCQX in the United States. Akbank's market capitalization stood at USD 10.4 billion as of December 31, 2017.

VISION, MISSION AND STRATEGIES

VISION

To be the leading Turkish Bank in Europe

MISSION

To serve as the flagship of Akbank Group abroad

To provide innovative, tailored banking products and add value to our stakeholders with excellent service

STRATEGIES

- Sustainable growth in target products while maintaining the highest asset quality
- Preserve the highest level of customer satisfaction
- Focus on technological development and continuous innovation
- Develop and invest in our team for lasting performance through motivation and job satisfaction

SUPERVISORY BOARD

Levent Çelebioğlu
Mr. 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 private sector banks. Levent Çelebioğlu is a graduate of 9 Eylul University, Faculty of Economics, Monetary Economics & Banking Department.

Eyüp Engin
Mr. Eyüp Engin joined Akbank in 1978 as an Assistant Internal Auditor. Prior to his appointment as the Head of Internal Audit in July 2007, he was the Head of the Treasury Department. In 1996, he was appointed as the Executive Vice President in charge of International Banking. Eyüp Engin is a graduate of Middle East Technical University, Faculty of Economics and Business Administration.

Burcu Civelek Yüce
Ms. Burcu Civelek Yüce joined Akbank in 2006. She was appointed as Senior Vice President of Strategic Management and, in May 2014, as Executive Vice President in charge of Human Resources and Strategy. Her areas of responsibility cover human resources, strategic management and branch channel development. Prior to joining Akbank, she worked at international consulting and technology companies. Burcu Civelek Yüce holds a B.Sc. degree in Industrial Engineering and an MBA degree from Boğaziçi University, both first in rank. She also participated in courses at Harvard Business School and Koç University.

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

Hasan Recai Anbarcı
Mr. Hasan Recai Anbarcı has served as Executive Vice President of Credit Allocation at Akbank T.A.Ş. since July 2017. He joined Akbank in January 2003 and worked as Corporate Branch Manager, Regional Manager and Senior Vice President of the Commercial Credits Approval Division, respectively. He worked at several banks in executive positions for 10 years. Hasan Recai Anbarcı is a graduate of Bosphorus University, Faculty of Civil Engineering and holds an executive MBA degree from Sabancı University.

Ali Batu Karaali
Mr. Ali Batu Karaali joined Akbank as Executive Vice President in charge of Treasury in December 2017. Prior to joining Akbank, he held various managerial positions at local and international banks. Ali Karaali is a graduate of Boğaziçi University's Department of Industrial Engineering and completed his post graduate degree at the same department.

Şebnem Muratoğlu
Ms. Şebnem Muratoğlu has served as Senior Vice President of Risk Management at Akbank T.A.Ş. since 2006. She joined Akbank in 1995 as an Assistant Specialist in the Treasury Business Unit, and has served as Manager of Risk Management of Akbank T.A.Ş. since 2003. A graduate of University of Kent, Department of Economics in the UK, Şebnem Muratoğlu obtained her MA in Finance from Macquarie University in Australia.

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

— WITH ITS SOLID BALANCE SHEET, STRONG LIQUIDITY AND ROBUST CAPITAL POSITION, AS WELL AS EFFECTIVE RISK MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES, AKBANK AG CONSTITUTES A UNIQUE EXAMPLE TO ITS PEERS.

To Our Business Partners,

I am proud to share with you that, in 2017, Akbank AG again achieved excellent customer-oriented results. We continued to reach our targeted milestones in key business areas throughout the year, while achieving the highest net profit since inception. The Bank's total assets were realized at € 5.1 billion at the end of the year with a net profit of € 53 million, indicating a 10% increase compared to the previous year.

With its solid balance sheet, strong liquidity and robust capital position, as well as effective risk management and corporate governance practices, Akbank AG constitutes a unique example to its peers. Through oversight, support and challenge, we will further embed a wider interpretation of sustainable banking and make it even more central to the way we do business every day.

Akbank AG is proud to be the European flagship of Akbank, which continued to win major awards in 2017. For the sixth time, Brand Finance designated Akbank as "Turkey's Most Valuable Bank Brand". In addition, Akbank was named "Turkey's Best Bank" by Global Finance and Euromoney. All are significant honours within the Turkish banking sector.

In 2018, our vision will continue to be on value creation for our stakeholders in all our business areas while preserving our outstanding asset quality. We will continue to provide exemplary service to our clients while ensuring operational efficiency. Our commitment to operating 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 valuable team members for their continuous dedication and strong performance, our loyal clients for their confidence, and all our stakeholders for their commitment.

Yours sincerely,

Levent Çelebioğlu
Chairman of the Supervisory Board

MESSAGE FROM THE CEO AND CHAIRMAN OF THE MANAGING BOARD

AS OF THE END OF 2017, WITH TOTAL ASSETS OF € 5.1 BILLION, WE DELIVERED A NET PROFIT OF OVER € 53 MILLION - THE HIGHEST SINCE OUR INCEPTION - POINTING TO A MORE THAN 10% INCREASE COMPARED TO 2016.

To Our Clients,

I am proud to announce that in 2017, Akbank AG again demonstrated an excellent performance.

As of the end of 2017, with total assets of € 5.1 billion, we delivered a net profit of over € 53 million - the highest since our inception - pointing to a more than 10% increase compared to 2016.

Our strong 2017 profitability is driven by a notable increase in our core revenues of net interest income and commission income. Another important factor is our efficient business model and lean organizational structure, combined with the revenue growth that helped deliver a cost-to-income ratio of 13.17%.

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

In 2017, Fitch Ratings assigned a credit rating of BB+ to Akbank AG, equivalent to the rating of our parent bank.

With our club loan facility signed in Nov 2017, we successfully secured € 173.5 million funding with the participation of 14 banks.

Coupled with the organic capital contribution derived from the appropriation of the 2016 net profit to capital reserves, our solvency ratio stood at 14.07% and remained robust.

In 2017 we successfully established a new business line, setting up Private Banking within the scope of our clients' needs and global trends. Assets under management grew more than 100% to over € 140 million during this first year. 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 expand quickly in this area and achieve a prominent position in the market.

— WE ARE TAKING MAJOR STEPS TO INCREASE THE EFFICIENCY OF OUR OPERATIONAL PROCESSES THROUGH INNOVATIVE APPLICATION OF DIGITAL TECHNOLOGIES.

The business environment surrounding financial institutions is undergoing major changes. With an awareness of the value we provide as a solid bank, we are determined to fulfill our responsibility to our clients and shareholders. To that end, in 2017 we are accelerating our strategy, and further optimizing and reallocating our management and work force, to focus on our core competencies and establishing an even stronger position.

We are taking major steps to increase the efficiency of our operational processes through innovative application of digital technologies. We will also continue to provide products and services that are in our customers' best interests. Through these initiatives, we advance toward achieving our goal of becoming a top financial services institution.

In 2018, we will continue to focus on excellent client service quality, prudent risk management, sound margins and effective cost management to sustain our profitability and further strengthen and grow our business. With our robust balance sheet and strong equity position, we will continue to support our customers and build long-term trust to ensure sustainable value creation for our shareholders.

I would like to take this opportunity to extend my sincere appreciation to our staff for their hard work and dedication to our clients and the bank, and our clients for their business in this increasingly competitive industry. I would also like to express my gratitude to members of our Supervisory Board for all their contributions and support

Yours sincerely,

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

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2017

PRELIMINARY NOTE

The sole shareholder of Akbank AG in the 2017 financial year was Akbank T.A.Ş., Istanbul.

Following on from the previous year; 2017 was a successful business year. While total assets decreased by 7.8%, from € 5.49 billion to € 5.06 billion, compared to the previous year, the average balance sheet total of € 5.04 billion in 2017 was 3.0% higher compared to € 4.89 billion in 2016.

The capital stock of the bank amounted to € 200.00 million as of the balance sheet date. The retained earnings of the previous year were transferred in full to retained earnings. Profit after tax increased in the year under review from € 48.27 million to € 52.89 million. Shareholders' Equity increased from € 579.58 million to € 632.47 million.

The Bank can again report, as in the previous 10 years, that there were no loan losses in 2017.

OWNERSHIP STRUCTURE

As of December 31, 2017, 48.9% of the sole shareholder of Akbank AG, Akbank T.A.Ş., Istanbul, belonged to Haci Ömer Sabancı Holding A.Ş., Istanbul, its subsidiaries and the Sabancı family, and 51.1% was in free float.

RATING

In June 2017, the rating agency Fitch assigned Akbank AG a rating of "BB +" (with a stable outlook).

CORE BUSINESS

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

- Turkish companies with excellent credit ratings,
- Turkish subsidiaries of international companies,
- Subsidiaries or branches of Turkish companies in Germany and Central Europe of a certain size,
- Companies which have regular business dealings with Turkey (import / export)
- Companies and banks with undisputed credit standing in selected countries (including emerging markets),
- Renowned international factoring companies.

Broken down by risk country, customers in Turkey made up around 68.0% (previous year: 62.0%) of the customer lending volume of Akbank AG at the end of 2017, and customers in Germany around 24.5% (previous year: 29.5%). Other major credit exposures are distributed between Italy, Spain, France, Austria, Luxembourg and the United Kingdom.

THE ECONOMIC ENVIRONMENT

Worldwide

The year 2017 was characterized by a positive trend in global economic activity, notwithstanding regional conflicts in areas of the Middle East, including Syria. Worldwide, growth rose to 3.6% in 2017 and is expected to reach 3.7% in 2018 – the highest since the global economic crisis in 2008. Global tension, however, continues to affect many nations, with countless citizens seeking refuge from their countries' military conflicts or economic conditions.

Growth expectations were revised upward in the euro area, Japan and emerging Asian economies, as well as emerging European economies, and Russia - where growth in the first half of 2017 was higher than expected, compared to the United States and the United Kingdom. Nevertheless, the world has not seen a complete recovery: growth remains weak in many countries, and inflation is below target in most advanced economies. Commodity exporters, particularly those dealing in oil, have been hard hit as they adjust to a sharp drop in foreign earnings.

A widespread pickup in activity starting in the second half of 2016 gained further momentum in the first half of 2017. Growth is projected to rise this year and the next in both emerging markets and developing economies, supported by improving external factors such as a calmer global financial environment and recovery in advanced economies. Growth in China and other areas of Asia remains strong. Advanced economies saw broad-based upward growth in 2017, with stronger activity in the United States and Canada, the Euro Area and Japan.

In line with stronger-than-expected momentum in the first half of 2017, forecasts tend towards a stronger rebound in advanced economies in 2017 (to 2.2% versus 2.0%), driven by more robust growth in the euro area, Japan, and Canada. However the United States and the United Kingdom has made slower growth prospects than expected nearly 0.1%.

Growth prospects for emerging and developing economies rose by 0.1% point for both 2017 and 2018 relative to the beginning of 2017, owing to a higher growth rate in China (6.8% versus 6.6% in the beginning of the year). Forecasts have also been revised upward for emerging European economies in 2017, reflecting stronger growth in Turkey and other countries in the region, for Russia in 2017 and 2018, and for Brazil in 2017.

The outlook for financial markets is generally positive, with continued gains in the equity markets in both advanced and emerging economies. Long-term interest rates in the US have declined by some 25 basis points since then; and the US dollar depreciated by more than 5% in real effective terms.

A tightening of monetary policy in the euro area, if it occurs while price and growth recovery still lags in the economies of some of its highly indebted members, could pose risks for those economies if they have not undertaken necessary fiscal adjustments, and implemented structural reforms to boost supply potential.

Persistently low inflation in advanced economies could be triggered by slowing domestic demand, leading to a decline in medium-term inflation expectations, and both prolonging and reinforcing weakness in inflation. Low inflation and nominal interest rates would, in turn, reduce the central banks' capacity to lower real interest rates to restore full employment in an economic downturn. The growth rate for emerging markets and developing economies is expected to rise to 6% in 2017, 4.9% in 2018, and about 5% over the medium term.

The Euro Area & Germany

Growth gained substantial momentum in 2017, reaching an estimated 2.4% – a 0.7% higher than previously expected - with broad-based improvements across member countries spurred by policy stimulus and strengthening global demand. In particular, private sector credit continued to respond to the European Central Bank's stimulative stance. Both domestic demand and import growth were robust; unemployment reached its lowest level since 2009, and some countries even experienced increasing labour shortages. With inflation remaining below target, the ECB is expected to keep interest rates unchanged during 2018, while gradually scaling down asset purchases. The aggregate fiscal stance of the euro area was somewhat expansionary in 2017; GDP growth is expected to be 2.1% in 2018, down from the previous year, but notably stronger than previously projected.

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2017

Economic growth in Germany is projected to ease somewhat, while remaining robust and broad-based. The recovery in the euro area sustains exports and business investment while housing investment is expected to remain strong, driven by higher prices even as the as-yet-unmet housing needs of refugees diminish. The current account surplus is expected to remain large. Downside risks related to the impact of the exit of the UK from the European Union include a potential disruption of input sourcing by key German industries, including automotive production and chemicals. Steps to implement reforms to complete the Single Market in the EU and establish a more comprehensive banking union in the euro area could strengthen confidence in the euro and boost the appeal of Germany as an area of investment.

Turkey

Turkey's growth in 2017 was considerably better than expected: the Turkish economy scored GDP growth of 11.1% year-on-year in the third quarter of 2017, and year-end figures are expected to reach 6.4%, showing even stronger momentum as the year closed. In addition, while private consumption was the primary driver, growth was broad-based. The Turkish Statistical Institute (TurkStat) also revised GDP data upward for the first half of the year. As a result, the 2017 growth forecast was revised to 6.4% from 5.3%. Higher private consumption was mainly due to certain tax cuts and positive consumer outlook. Perhaps even more significant was a revived appetite for investment: investments grew 12.4%, adding 3.4% points to GDP growth in Q3. Expansion in the machinery and equipment sector was the most rapid of the last two years; unsurprising, when recent rises in capacity utilization rates are taken into account.

Finally, a weaker Turkish lira, and continued penetration into the faster-growing EU economy, led to a 17.2% year-on-year growth in exports. However, net exports made only a modest contribution, as strong domestic demand led to a 14.5% expansion in imports. Despite a high nominal level, the real effective policy rate is still too low to return inflation to single digits and stabilize the exchange rate. Core inflation is close to 12% year-on-year.

Turkey currently holds a Fitch long-term foreign currency rating of BB+ (with a stable outlook) and a Ba1 (with a negative outlook) from Moody's.

On September 27, 2017, Turkey presented a medium-term economic policy program for the 2018-2020 period, based on projected average annual GDP growth of 5.5%. Another objective pursued in this program is the reduction of annual inflation, current account deficit, and the unemployment rate.

The table below provides an overview of the actual and future objectives of the program:

	Actual	Forecast	Economic Program		
(%)	2016	**2017**	2018	2019	2020
Real GDP growth	3.2	**5.5**	5.5	5.5	5.5
Consumer price inflation	8.5	**9.5**	7.0	6.0	5.0
Current account deficit/GDP	-3.8	**-4.6**	-4.3	-4.1	-3.9
Unemployment rate	10.9	**10.8**	10.5	9.9	9.6

In light of positive and sustainable developments during the last 15 years, the international finance community has strong confidence in Turkey's fiscal and economic governance. Important milestones were achieved in reducing the national debt, increasing foreign direct investment, and significantly decreasing inflation and interest rates.

EARNINGS, FINANCIAL AND ASSET POSITION

RESULTS OF OPERATIONS

Business results:
For the 2017 business year, the Bank generated net income of € 52.89 million. This is € 4.62 million above the 2016 annual surplus of € 48.27 million.

Earnings development:
Net interest income in 2017 increased by 6.9% to € 83.99 million from the previous year's figure of € 78.56 million. This was due to the significant increase in the average volume of business compared with the previous year: 91% of interest income was attributable to lending and money market transactions, while approximately 9% is derived from bond interest.

The Bank's net fee and commission income was positive in this financial year as well and, at € 4.43 million, changed only slightly compared to the previous year's figure of € 4.53 million.

Expense development:
General administrative expenses amount to € 11.83 million (previous year: € 10.34 million). The personnel expenses of € 4.91 million contained therein are € 0.70 million higher than in the previous year (€ 4.21 million), mainly due to an increased number of employees.

Other administrative expenses increased by € 0.79 million from € 6.13 million. This increase is mainly due to a corresponding increase in deposit insurance contributions, due to heavier business volume compared to the previous year (plus € 0.34 million), higher rental costs due to an expansion in rental space (plus 0.18 million), and the higher Bank levy (plus € 0.11 million).

Depreciation on operating and office equipment and intangible assets rose to € 0.24 million (previous year: € 0.19 million) due to software acquisitions. There were no special depreciations.

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

Depreciation and write-downs on receivables and certain securities, as well as additions to provisions for lending business, amounted to € 0.40 million (previous year: € 6.03 million) in the 2017 financial year. These expenses relate exclusively to the net allocations to the country value adjustments.

There were allocations to country value adjustments in Turkey and Kazakhstan, while Russia, Bahrain, Bulgaria, the Marshall Islands and Jordan saw reductions. In forming country value adjustments, the Bank's risk assessment of country risks is below the risk limits of the Federal Tax Office.

In the year under review, the Bank maintained the country risk assessment for Turkish risks amounting to 3%, due to the continued positive and medium-term macroeconomic development of the country.

In 2017, the Bank generated income from write-ups on investments, shares in affiliated companies and securities treated as fixed assets, in the amount of € 1.57 million (previous year: € 2.92 million). Income predominantly is generated from bond sales, and can be attributed to liquidity management measures in the context of overall bank management.

FINANCIAL POSITION

The solvency of Akbank AG was guaranteed at all times in the year under review. The minimum reserve obligations to Deutsche Bundesbank were complied with, as was the liquidity principle under LiqV.

Akbank AG is a member of the Deposit Guarantee Fund of the Bundesverband deutscher Banken e.V. Köln, through which liabilities to non-banks are hedged up to a deposit of 20% of the liable equity of the bank in accordance with § 6 of the Statute of the Deposit Guarantee Fund. This membership, which guarantees

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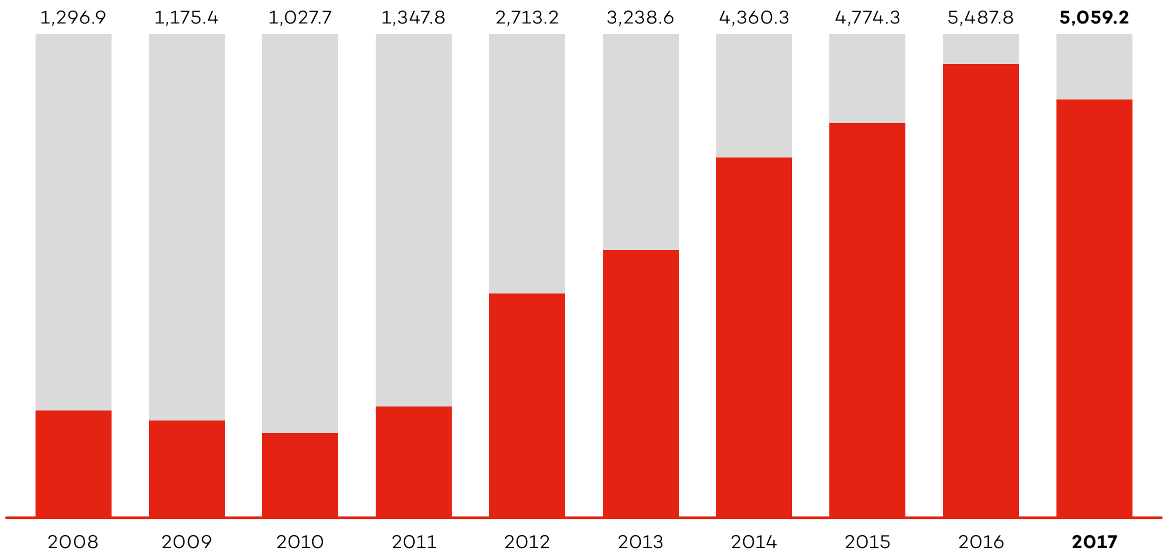
customers high security for their investment, has always enabled the Bank to increase the portfolio of customer deposits in the short term and to adjust liquidity to the respective refinancing requirements without delay.

ASSETS

As of December 31, 2017, the balance sheet total amounted to € 5,059.25 million, 7.8% lower than in the previous year (€ 5,487.84 million). This is mainly due to a decrease in loans and advances to customers of € 704.86 million, and of bonds and other fixed-income securities of € 172.45 million.

The development of total assets for the years 2008 to 2017 can be presented as follows:

DEVELOPMENT OF TOTAL ASSETS OVER A 10-YEAR PERIOD (MILLION EURO)



The cash reserve increased from € 111.84 million in 2016 to € 335.88 million in 2017.

At the same time, loans and advances to banks increased from € 520.69 million in 2016 to € 697.12 million in 2017.

Receivables from customers decreased in the same period from € 4,227.68 million to € 3,522.82 million. They account for 69.6% of total assets (previous year: 77.0%).

All bonds and other fixed-income securities in the amount of € 449.68 million (previous year: € 622.13 million) are allocated to the investment portfolio under German commercial law.

Intangible assets and property and equipment amounting to € 0.65 million are almost unchanged compared to the previous year.

Other assets amounting to € 49.86 million (previous year: € 4.07 million) mainly relate to swap receivables and futures receivables of € 47.76 million (previous year: € 29.77 million) from currency-hedging of the foreign currency items included in different balance sheet items. In the previous year, a liability item from swap liabilities and liabilities from forward transactions in the amount of € 29.77 million from foreign currency hedging was reported under other liabilities. In addition, there are claims for reimbursement after valuation adjustments of € 1.79 million (previous year: € 1.79 million) against the Dutch central bank (DNB), which acts as administrator of DSB Bank N.V., which became insolvent in 2009. Other assets include VAT receivables of € 0.31 million (previous year: € 0.21 million). The previous year's amount of other assets also included corporation tax and trade tax receivables in the amount of € 1.99 million.

Deferred income of € 2.36 million (previous year: € 0.99 million) includes € 0.60 million (previous year: € 0.12 million) deferred advance fees from the lending business.

Deferred tax assets of € 0.56 million (previous year: deferred tax liabilities of € 10.41 million) were formed in the 2017 reporting year.

At the balance sheet date, liabilities to banks were € 742.83 million (previous year: € 763.89 million) or 14.7% (previous year: 13.9%) of total assets. This amount contains € 140.00 million (previous year: € 165.00 million), in refinancing amounts from Deutsche Bundesbank, refinancing through repo transactions of € 208.00 million (previous year: € 284.93 million), and syndicated loans of € 173.5 million (previous year: € 36.13 million).

Liabilities to customers amount to € 3,668.41 million (previous year: € 4,098.77 million), corresponding to 72.5% (previous year: 74.7%) of total liabilities and equities. Of liabilities to customers, € 374.79 million (previous year: € 374.79 million) are attributable to the deposit business with private customers and € 3,723.98 million (previous year: € 3,723.98 million) to the deposit business with institutional clients. They mainly include municipalities, social insurance institutions, public corporations and companies.

Other liabilities, deferred income and provisions decreased from € 35.18 million in 2016 to € 15.54 million in 2017.

The previous year's figure also included swap liabilities and liabilities from forward transactions in the amount of € 29.77 million from currency hedging of foreign currency items included in various balance sheet items. The corresponding value as of December 31, 2017 is shown under other assets.

The tax provisions of € 11.57 million include € 5.73 million for corporation income tax and € 5.84 million for trade tax. In the previous year, tax refund claims in the amount of € 1.99 million (€ 1.07 million for corporate income tax and € 0.92 million for trade tax) were reported under other assets.

Accruals increased by € 0.09 million and other provisions increased by € 0.26 million.

The shareholder's equity increased by the net income for business year 2017 of € 52.89 million bringing the total from € 579.58 million to € 632.47 million at the 2017 balance sheet date.

The contingent liabilities amount to € 29.14 million (previous year: € 23.13 million) and mainly result from guarantees and warranty agreements.

The amount of irrevocable loan commitments during the reporting year increased from € 52.51 million to € 98.51 million.

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KEY FINANCIAL FIGURES

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

FIGURES	2017	2016	2015
Average shareholder's equity ratio (excluding cash-secured loans)(1)	12.02%	15.27%	13.00%
Total capital ratio(2) at the balance sheet date	14.07%	12.60%	14.38%
Profit after tax as a percentage of average shareholder's equity (ROAE)(3)	8.73%	8.67%	10.69%
Profit after tax after elimination of the effects from the recognition/reversal of country risk allowances as a percentage of the average total assets (ROAA) (excl. cash-secured loans)(4)	1.17%	1.31%	1.16%
Interest margin (excluding cash-secured loans)(5)	1.85%	1.94%	1.92%
Cost-income ratio			
(Cost-income ratio - CIR)(6)	13.17%	12.17%	12.65%
Credit default rate(7)	0.00%	0.00%	0.00%

(1) The average shareholder's equity ratio is calculated as the average end-of-the-month shareholder's equity for 2017 divided by the average end-of-the-month total assets less the cash-secured loans for 2017.

(2) The regulatory total capital ratio, which represents the ratio of the Bank's own funds (in accordance with Article 92 of Regulation (EU) No. 575/2013) to its weighted risk assets, may not fall below 10.25%. The Bank comfortably exceeded this minimum ratio at all times during the reporting year, with an average total capital ratio of 13.72% (previous year: 13.73%).

(3) Profit after tax as a percentage of average shareholder's equity (ROAE) is calculated as the profit after tax for 2017 divided by the average shareholder's equity at the end of 2017 month-ends.

(4) Profit after tax after elimination of the effects from the recognition/reversal of country risk allowances and the interest effect of the cash-secured loans as a percentage of the average total assets excluding cash-secured loans is calculated as the profit for 2017 less the net effect from the reversal of the country risk allowances after tax and less the net interest from the cash-secured loans after tax divided by the average month-end total assets less the cash-secured loans for 2017.

(5) The interest margin is calculated as the net interest income for 2017 excluding the net interest from the cash-secured loans divided by the average month-end total assets less the cash-secured loans for 2017.

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

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

OVERALL ASSESSMENT OF THE EARNINGS, FINANCIAL AND ASSET SITUATION

The earnings situation of Akbank AG has developed satisfactorily and, thanks to the Bank's conservative risk policy, is unburdened by loan losses, as in previous years.

The Bank always has sufficient liquidity reserves. The degree of maturity transformation and the associated risks are comparatively low. The financial and liquidity situation meets all regulatory and company requirements in full.

The Bank's high shareholder's equity ratio is suitable for offsetting potential risks and is a stable basis for further growth.

RISK REPORT

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

Organization of Risk Management

Akbank AG considers a clearly defined scope of functions and responsibilities, documented in written policies and procedures, to be an essential requirement for successful risk management and effective risk control. The risks associated with transactions entered into are controlled by the overall Managing Board. To support entrepreneurial decision-making, the Managing Board discusses the current issues relating to the business and risk situation in various internal committees. To this end, there are various committees at supervisory board level – the Audit Committee (AC), the Risk Committee (RC), the Credit Committee (CC) and the HR Committee (HRC), and at the management level with the Asset and Liability Committee (ALCO), the internal Credit Committee (iCC) and the internal Risk Committee (iRC), which prepare and discuss the relevant information.

Functional segregation of front and back office is ensured from an organisational perspective. Risk control is performed by the Risk Management, Credit, Accounting & Reporting and Operations Departments, which are independent of the front office.

The Supervisory Board monitors and advises the Managing Board within the scope of the legal requirements and the Articles of Incorporation and Bylaws, as well as with the help of the AC and the RC, and thus ensures that Akbank AG is managed in compliance with the business and risk strategy as well as with regulatory requirements.

Risk-bearing capacity, risk limits and risk parameters

The business model of Akbank AG, which essentially covers the financing of large corporate clients, carries the risk of credit losses that could have a negative impact on the Bank's net assets, earnings and liquidity position. This type of potential loss must be constantly covered by sufficient capital resources in order to ensure the Bank's ability to continue as a going concern.

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

The overall risk profile and the risk inventory are shown in the Risk Manual. The risk-bearing capacity analysis is carried out by the Risk Management Department at least once a month and reported to the Executive Board.

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For adherence to the risk-bearing capacity, the different types of risk are assigned guideline limits. These serve to monitor risks to prevent them from exceeding the volume of the existing risk coverage capital. At the same time, the sum of all risks – with regard to the sum of all guideline limits – must not exceed the risk coverage capital. The risk-reducing effects of correlations between various risk types are not currently taken into account.

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

Counterparty default risk

The counterparty default risks of Akbank AG relate in particular to the sub-risks: individual borrower risks, the country risk, and the industry risk.

The assessment of individual borrower risks primarily analyses and quantifies those risks that can lead to loan losses as a result of credit rating deterioration and thus negatively impact the income statement.

Another key control feature for borrower risks are the provisions on mitigating potential risks taking into account the granularity of the loan portfolio (cluster risks) and in terms of size classes. In addition, country and industry risks are mitigated using the diversification and limitation criteria set out in the risk strategy.

Risk control measures - counterparty default risks

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

Limits based on default probabilities, concentrations of creditors, countries, and industries are applied as additional quantitative controls.

If necessary, an appropriate collateralization of the loan commitment is another instrument for risk mitigation.

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

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

Functional segregation of the front office (corporate clients, private customers and treasury) and the back office (credit risk management, risk control and payments) is in place at all levels.

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

To cover risk arising from loans to borrowers in countries with a comparatively high degree of country risk (e.g. Turkey), the Bank has made flat-rate country value adjustments using the tax options.

In the year under review, the Bank's own assessment of country risk for Turkey is below the maximum permitted ranges of the Federal Central Tax Office. Overall, the country value adjustments increased by € 0.40 million to € 52.22 million in 2017 (previous year: € 51.82 million). In this total amount, the country value adjustment for Turkey is the largest single item, at € 51.30 million (previous year: € 50.26 million).

To calculate the country risk for Turkey, it is decisive that Akbank AG, as a subsidiary of Akbank T.A.Ş., is one of the leading banks in Turkey and in a position to recognise developments in the Turkish market and looming crises early and can, if necessary, take timely control measures.

As part of its risk inventory, in addition to counterparty default risks, the Bank has identified other types of risk as well as sub-risks and analysed them in terms of their relevance to the net assets, financial position and liquidity. These risks and the associated measures for avoidance and control are presented below.

Market price risks

Relevant market price risks are the two sub-risks currency risks and security write-down risks arising from interest rate changes.

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

Due to this approach, the market price risks arising from exchange rate fluctuations are limited to an amount which is insignificant relative to the Company's capital. A residual risk results primarily from the fact that it may not be possible to find suitable hedging partners for small-volume transactions. Nevertheless – for the purpose of exploiting market opportunities – there is the option of entering into market price risks to a limited extent and within the framework of predefined parameters.

Security write-down risks arising from interest rate changes play a subordinate role, as the securities portfolio of Akbank AG is maintained exclusively for investment purposes and is therefore allocated to fixed assets.

Interest rate risks (Interest margin risks)

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

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

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

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

The Treasury Department regularly hedges open interest rate positions.

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Concentration risks

Akbank AG manages concentration risks by setting down various criteria within the risk-bearing capacity concept, in addition to the Banking Act rules limiting large exposures, those exceeding one million euros or more and loans to managers (Secs. 13-15, 19 (2) KWG), and the provisions of the German Regulation Governing Large Exposures and Loans of One Million Euros and More (GroMiKV), as well as the requirements of the CRR (Articles 387 to 403), which specify limits for various types of borrowers. Through limitation and parameterisation, these criteria are assigned significance limits for risk concentration, e.g., in terms of industry and country risks. For this, recognised procedures and models (Herfindahl index) are used for the assessment of concentration risks in terms of risk-bearing capacity.

Liquidity risks

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

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

Liquidity management is primarily the responsibility of the Treasury Department. The daily management of liquidity and the monitoring of compliance with external and internal parameters is based on specifically developed instruments.

Helped by its membership in the deposit insurance fund of Bundesverband Deutscher Banken, the Bank is in a position to acquire high-volume customer deposits in the short term by using the services of various brokers who negotiate cash investments on behalf of potential investors. In the past, this ensured adequate liquidity at all times.

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

The part of the bank's lending or securities portfolio that meets the lending requirements of Deutsche Bundesbank and the ECB is used for hedging the daily use of Deutsche Bundesbank funds or to participate in the Bundesbank's open market operations.

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

Additionally, there is the option of selling part of the securities portfolio, as well as of selling selected (as a rule syndicated) loans on the secondary market to external investors or related parties (e.g., Akbank T.A.Ş.) in order to cover any cash shortages.

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

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

Based on the current business model, the liquidity measurement and liquidity measures implemented are considered appropriate. Maturity transformation is used only to a limited extent.

Operational risks

Organizational and technical measures serve to prevent losses and limit losses in all operational risks. For instance, organisational instructions, employee training, quality management as well as contingency plans that are documented in various internal policies and regularly updated, are part of efficient risk limitation.

In this context, adherence to the dual control principle and the separation of input and release functions in the bank's IT systems are further essential measures to avoid operational risks.

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

The Bank works with the core banking system Flexcube by Oracle. The system is operated and maintained by Akbank T.A.Ş., Istanbul, according to outsourcing agreements.

In addition to the physical infrastructure (particularly the hardware), the system architecture (e.g., the multi-tier server structure, software) is of special significance for Akbank AG. As a rule, both have a redundant/modular structure to always ensure a high availability of all necessary systems or components. Within the scope of contingency planning for the IT segment, external service providers (e.g., Bank-Verlag) and their services in an emergency are taken into account.

The availability of the main IT systems, especially the Flexcube core banking system, was again very high - at 99.9% on average in the past financial year. In the event of total system failure and/or the premises of the Bank no longer being accessible, a service level agreement (SLA) has been concluded with a third company that enables the use of the facilities and IT systems leased by the latter in an emergency.

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

With regard to personnel risks, management seeks suitable professionals in the labour market when needed, and strives to employ personnel with prior banking experience.

Of the Bank's 45 employees at the end of 2017, 16 have worked for more than five years at the Bank. Key competencies are therefore retained over an extended period (previous year: 42 employees, 15 of whom had been working for the Bank for more than five years).

To avoid or minimise legal risks, all legal transactions of the Bank must be concluded on the basis of unequivocal and properly documented agreements. If possible, the Bank uses standard form contracts for the banking industry which are tested and recommended by the Cologne-based bank publisher. The Bank Verlag forms are continuously updated in accordance with the legal requirements and are available via web-based online systems. In the event that the use of externally acquired document templates is not appropriate, agreements of significant legal importance are reviewed by external attorneys. The responsible department head determines to what extent this is required together with the Managing Board if necessary. In addition, in the case of particularly important documents, the Bank provides employees in the Credit Department with interactive PDF documents for secure use. Shortcomings, errors or other events occurring during business operations that could cause losses of any kind for the Bank are recorded in a loss database and notified to the Managing Board on a regular basis.

The following monitoring measures and safeguards, among others, are in place:

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

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Business risks

Business risks encompass the risks from unexpected losses due to income or expense figures deviating from the target figures defined as part of the budgeting process.

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

Continuous monitoring and control is also performed by means of daily balances, profit and loss accounts on a daily basis, and other daily reports and evaluations prepared by financial control or the other respective operating departments that are submitted regularly to the Bank's Managing Board and, in individual cases, to the Supervisory Board.

Other risks

The Bank's other risks include strategic risks, which are related to previous and future decisions regarding the business model, and reputational risks, which could result from a potential loss of reputation for the Bank due to negative public perception. As part of managing these risks, emphasis is put on aspects of the business planning, the competitive situation and the positioning of Akbank AG within the Akbank Group. Decisions regarding the business model are made by the Managing Board with the approval of the Supervisory Board on the basis of appropriate analyses. The processing and preparation of such decisions is performed, depending on the nature of the decision, in the responsible departments and, if necessary, also with the support of external consultants.

Stress tests

The Bank conducts stress tests based on both (macro) scenarios and on sensitivities of risk factors, taking into account all relevant risk types, whereby risks relating to Turkey play an important role in keeping with the focus of Akbank AG's business activities. The stress tests analyse the effects of exceptional but plausible events on the Bank's asset, financial and earnings situation in order to estimate the risk potential of such changes for the Bank's risk-bearing capacity and, if necessary, its ability to take timely control measures. For the stress tests conducted in 2017, risk-bearing capacity was tested on a going concern basis.

In addition, reverse stress tests were carried out in order to identify risk scenarios based on the current positioning that could force the Bank to discontinue its business model. However, the probability of these combinations of changes in risk factors occurring is deemed by the Bank to be extremely low. The stress tests for liquidity risks are not taken into account in the framework of the risk-bearing capacity concept, as they cannot reasonably be limited by the risk coverage potential due to their specific nature (AT 4.1 Tz 4 MaRisk). The Bank therefore considers the stress tests for liquidity risks from the perspective of liquidity contingency planning.

Risk assessment

Based on a conservative business policy and due to conscientious implementation of our principles for lending business, stringent compliance with internal risk parameters, proactive and prudent risk management, and the stable economic situation in our borrowers' markets, Akbank AG did not record any loan losses in 2017, as in previous years. Overall, it can be said that there were no risks that could have put the continued existence of Akbank AG at risk in the reporting year.

FORECAST

In 2017, Akbank AG's total assets decreased by 7.8% mainly due to divesting parts of a lower margin business. While the Bank did not reach its initial growth target of 15% in 2017, the Bank expects growth of 10-13% in 2018.

The Bank will continue to refinance itself mainly by means of corporate and retail deposits in 2018. Deposits are secured by the Compensation Fund of German Banks ["Entschädigungseinrichtung deutscher Banken GmbH"] and the deposit insurance fund of the Federal Association of German Banks ["Bundesverband deutscher Banken e.V."] within the upper limits agreed with these protection schemes. As in previous years, institutional deposits supplement the corporate and retail deposits.

The Bank expects the general interest level to remain low in 2017.

The broad-based medium-term economic growth in Turkey is in the upper range compared to the European and OECD countries. The Bank expects to continue to participate in this development and meet the growing credit needs of its clients, especially in trade financing. In 2017, Akbank AG noticeably increased its share in trade financing compared to working capital financing.

The main risks for the Turkish economy in 2018 could lie in the volatility of the Turkish currency in relation to the interest rate policy of the US Federal Reserve and in geopolitics.

The Bank considers the impacts of the volatility of the Turkish currency and geopolitics on its business to be manageable; as in the past as it pursues a very cautious lending policy, minimises its open currency positions, and monitors geopolitical developments very closely.

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

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

The Bank intends to increase the number of employees to 50 in the 2018 business year.

For the year 2018, Akbank AG expects the result from ordinary activities before national value adjustments and taxes to develop in line with growth in total assets.

RELATIONSHIPS WITH AFFILIATED COMPANIES

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

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

Frankfurt am Main,
March 6, 2018

The Managing Board

REPORT OF THE SUPERVISORY BOARD

ALL MEMBERS OF THE SUPERVISORY BOARD HAVE A PROFOUND KNOWLEDGE AND EXPERIENCE IN VARIOUS FIELDS OF THE BANKING BUSINESS.

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 2019
Eyüp Engin	Vice-Chairman	01.01.2012	Annual Shareholders' Meeting 2020
Hasan Anbarcı	Member	21.07.2017	Annual Shareholders' Meeting 2020
Şebnem Muratoğlu	Member	21.12.2017	Annual Shareholders' Meeting 2019
Ali Batu Karaali	Member	21.12.2017	Annual Shareholders' Meeting 2020
Türker Tunalı	Member	17.10.2017	Annual Shareholders' Meeting 2020
Burcu Civelek Yüce	Member	21.12.2017	Annual Shareholders' Meeting 2020

In 2017, Mr. Ahmet Fuat Ayla, Mr. Kerim Rota, Mr. Atil Özus, Mr. Tolga Ulutas and Ms. Fatma Melek left the Supervisory Board. We would like to thank them for their outstanding contributions during their tenures.

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

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

MEETINGS AND COMMITTEES

Meetings in 2017

In 2017, the Supervisory Board held eight 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 2017, the Committee is composed of two members from the Supervisory Board, Mr. Eyüp Engin (Chairman) and Mr. Türker Tunalı (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. Eyüp Engin (Chairman), Mr. Türker Tunalı (Member), Mr. Ali Batu Karaali (Member), Mr. Hasan Anbarcı (Member) and Ms. Şebnem Muratoğlu (Member).

Adoption of Annual Accounts and Dividend

The Managing Board prepared the Bank's financial statements for the year ended on December 31, 2017. Those financial statements were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft; the auditors' report on the financial statements of Akbank A.G. is attached to the annual accounts of the Bank.

The Supervisory Board has reviewed the 2017 annual accounts and will propose its review during the Annual Shareholders' Meeting. 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 Shareholders' Meeting.

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 2017. 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: Eyüp Engin (Chairman) and Türker Tunalı (Member).

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

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

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

Eyüp Engin
Chairman of the
Audit Committee

Türker Tunalı
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 licences or issuing other administrative decisions, whereas Bundesbank is responsible for receiving and analysing data submitted by the banks. As well as supervising the banking sector, BaFin is 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 organisational duties regarding – amongst others – the institution's governance and its internal control systems.

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

The Investment 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 implement the Basel III framework into German law. Basel III was implemented and has been in force since January 2014.

Details on capital requirements are set out in the Solvability Regulation.

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

Detailed provisions on large-scale exposures and "Millionenkredite" (loans totalling 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.

REGULATORY ENVIRONMENT

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 organisation, 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 incentivise the employees and directors to assume inadequate risks. In addition, all institutions must disclose the structure of their remuneration systems to the public.

Anti-Money Laundering and Terrorism Financing (Geldwäschegesetz - "GWG")

The 4th European Anti-Money Laundering Directive has been implemented in Germany by amendment of the GWG in 2017. 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 € 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.

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 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 (12%) than the regulatory required minimum (10.25%).

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 analysed.

Important system-integrated controls are:

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

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

HR Committee

The Committee is responsible for the preparation of decisions regarding remuneration and nomination of employees.

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. Hasan Anbarcı (Chairman), Mr. Levent Çelebioğlu (Vice-Chairman) 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, usually held on a bi-monthly basis. Business and strategic risks are generally addressed within the Managing Board.

This Board ensures the setting-up of risk management systems that define key policies, identifying, quantifying, mitigating and monitoring all risk categories in an efficient and effective manner. The 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 analysed and evaluated.

RISK MANAGEMENT GOVERNANCE

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 analyses that are used in evaluating business decisions, new product launches, changes in the macroeconomic environment, and new regulatory requirements that entail dynamic risk management models. Thanks to its experienced risk management team, the Bank is able to develop innovative in-house risk models while enjoying the strong support and banking expertise of its parent, Akbank T.A.Ş. with regard to all risk management matters.

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

Compliance Department (CD)
The Compliance Department (CD) performs control activities independent from 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.

— 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 Procedures

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

Internal Audit

FINANCIAL STATEMENTS FOR THE BUSINESS YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT

To Akbank AG, Frankfurt am Main

REPORT ON THE AUDIT OF THE ANNUAL FINAN CIAL 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 December 31, 2017 and the statement of profit and loss for the financial year from January 1, 2017 to December 31, 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Akbank AG, Frankfurt am Main, for the financial year from January 1, 2017 to December 31, 2017.

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 December 31, 2017 and of its financial performance for the financial year from January 1, 2017 to December 31, 2017 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 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: 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") and 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 fulfilled 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 January 1, 2017 to December 31, 2017. 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 Matter and issue

Within the financial statements of Akbank AG an amount of € 4,220 million is shown under Loans and advances to banks and Loans and advances to customers (approx. 83.4% of total assets). For the credit portfolio a risk provision resulting from valuation allowances for country risks in an amount of T€ 52,218 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 Audit approach and findings

During our audit, we first evaluated the design and effectiveness of the Company's relevant internal control system. In this connection, we also 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 riskoriented sample, in which we, among other things, 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 valuations performed by the appraisers in terms of their suitability and methodology. 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 disclosures of the Company regarding risk provisioning in credit business are reflected within the Notes.

Responsibilities of the Executive Directors and 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.

INDEPENDENT AUDITOR'S REPORT

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 safeguards.

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 March 15, 2017. We were engaged by the supervisory board on November 24, 2017. We have been the auditor of 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 Eva Handrick.

Frankfurt am Main, March 6, 2018
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Eva Handrick	**sgd. Fatih Agirman**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

AKBANK AG

BALANCE SHEET AS OF DECEMBER 31, 2017
OF AKBANK AG, FRANKFURT AM MAIN

ASSETS		EUR	31.12.2017 EUR	31.12.2016 TEUR
1. Cash Reserve				
a) Cash on hand		1.768,15		2
b) Balances at central banks		335.873.866,80		111.842
thereof: at Deutsche Bundesbank			335.875.634,95	111.844
	EUR 335.873.866,80			-
	(Prior Year: TEUR 111.842)			
2. Loans and advances to banks				
a) Payable on demand		3.756.117,99		1.848
b) Other loans and advances		693.360.423,76		518.843
			697.116.541,75	520.691
3. Loans and advances to customers			**3.522.822.807,65**	**4.227.681**
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 thereof: eligible as collateral at Deutsche Bundesbank		42.642.405,25		35.687
	EUR 42.642.405,25			
	(Prior Year: TEUR 35.687)			
b) from other issuers thereof: eligible as collateral at Deutsche Bundesbank		407.039.912,13		586.441
	EUR 154.787.564,79			
	(Prior Year: TEUR 182.986)			
			449.682.317,38	622.128
5. Intangible assets			459.789,75	259
Purchased concessions, industrial rights and assets, and licences in such rights and assets				
6. Property and equipment			191.169,51	178
7. Other assets			50.182.317,03	4.062
8. Prepaid expenses			2.361.453,17	994
9. Deferred taxes			557.000,00	0
		Total Assets	**5.059.249.031,19**	**5.487.837**

AKBANK AG

BALANCE SHEET AS OF DECEMBER 31, 2017
OF AKBANK AG, FRANKFURT AM MAIN

LIABILITIES	EUR	31.12.2017 EUR	31.12.2016 TEUR
1. Liabilities to banks			
a) Payable on demand	1.826.228,12		2.314
b) with an agreed term or period of notice	741.003.729,87		761.574
		742.829.957,99	763.888
2. Liabilities to customers			
Other liabilities			
a) Payable on demand	448.247.669,28		274.090
b) with an agreed term or period of notice	3.220.158.574,36		3.824.683
		3.668.406.243,64	4.098.773
3. Other liabilities		1.031.968,89	32.593
4. Deferred income		1.349.174,29	1.256
5. Deferred Tax Provisions		0,00	10.411
6. Provisions			
a) Tax provisions	11.568.020,70		0
b) Other provisions	1.588.996,14		1.333
		13.157.016,84	1.333
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	221.329.926,09		173.058
d) Profit available for distribution	52.891.667,10		48.272
		632.474.669,54	579.583
Total Liabilities and Shareholders' Equity		**5.059.249.031,19**	**5.487.837**

	EUR	TEUR
1. Contingent liabilities		
Liabilities from guarantees and warranty agreements	29.140.987,05	23.132
2. Other obligations		
Irrevocable loan commitments	98.508.555,83	52.510

AKBANK AG

INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31, 2017 OF AKBANK AG, FRANKFURT AM MAIN

				31.12.2016
	EUR	EUR	EUR	TEUR
1. Interest income from				
a) Lending and money market business	141.926.039,55			138.452
b) Fixed-interest securities and government-inscribed debt	13.727.392,20			14.065
		155.653.431,75		152.517
2. Interest expenses		71.666.618,43		73.956
			83.986.813,32	78.561
3. Commission income		5.502.917,07		5.326
4. Commission expenses		1.072.808,84		799
			4.430.108,23	4.527
5. Other operating income			1.332.419,92	203
6. General and administrative expenses				
a) Personnel expenses				
aa) wages and salaries	4.298.715,29			3.671
ab) social security and other pension costs thereof: for old age pensions EUR 98.922,88 (previous year: TEUR 89)	608.318,29	4.907.033,58		535
b) Other administrative expenses		6.920.390,56		6.133
			11.827.424,14	10.339
7. Write-downs and adjustments to intangible assets and property, plant and equipment			237.743,94	189
8. Other operating expenses			42.117,00	3
9. Write-downs and allowances on loans and advances and certain securities and allocations to provisions for possible loan losses			392.830,45	6.030
10. Income from write-ups on participations, interests in affiliated companies and investment securities			1.569.743,39	2.919
11. Result from ordinary activities			78.818.969,33	69.649
12. Income taxes				
a) Tax expenses		36.895.302,23		18.356
b) Income from change of deferred taxes		10.968.000,00		0
c) Expenses from change of deferred taxes		0,00		3.021
			25.927.302,23	21.377
13. Net result for the year/ Profit available for distribution			**52.891.667,10**	**48.272**

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

1. General Information

Legal Form

AKBANK AG is headquartered in Frankfurt am Main and has been registered in the Commercial Registry of the District Court, Division B, under No. 78036 since 21 September 2006.

Shareholder

The sole shareholder of AKBANK AG, Frankfurt am Main, in the 2017 financial year is Akbank T.A.S., Istanbul, Turkey.

Memberships

AKBANK AG is a member of various banking associations and organizations, a member of the Bundesverband deutscher Banken e.V. and its Deposit Guarantee Fund. In addition, she is a member of the Bankverband Hessen e.V., the Verband der Auslandsbanken in Deutschland e.V., the Prüfungsverband deutscher Banken e.V. and the Vereinigung für Bankbetriebsorganistaion e.V.

2. Accounting, valuation and translation methods of AKBANK AG for December 31, 2017

The annual financial statements as at 31 December 2017 of AKBANK AG were prepared in accordance with the provisions of the german Handelsgesetzbuch and the Aktiengesetz. In addition to the general valuation requirements of §§ 252 et seq. HGB, the supplementary regulations for credit institutions are also the §§ 340 ff. HGB apply.

The list was prepared in compliance with the provisions of the Ordinance on the Accounting of Banks and Financial Services Institutions (RechKredV).

The cash reserve, loans and advances to customers and loans and advances to customers are stated at the lower of cost or principal plus accrued interest.

Individual, lumpsum and country value adjustments on loans and advances to banks and customers are deducted from these.

a) Specific bad debt allowances are formed on the occurrence of defined criteria taking into ac-count existing collateral.
b) Lump-sum adjustments are calculated on the basis of historical default data.
c) There are country risks for exposures in which borrowers are domiciled in countries with lower credit ratings. They include all risks from the lending business, causes which derive from the economic, social or political environment of a particular country. They include in detail Country-specific economic risks, sovereign default risks, transfer risks, risks from financial crises, legal risks and socio-political risks.

As in the previous year, as at the balance sheet date, the method for determining the maximum permitted country risk provision according to the draft of the BMF letter (IV C6 - S2174 / 0) from 2009 is applied. In general, the recommendations of the Federal Tax Office derived from this are taken into account as maximum value adjustments.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

Country value adjustments are made whenever a country risk exists with respect to a borrower and no defined collateral exists. The allocation of transactions to a specific country risk is based on the risk domicile. Which means that the allocation is based on the country of domicile of the borrower. If the transfer risk according to the motherland principle (registered office of the parent company) is lower than according to the country of domicile principle and if there is co-liability of the parent company, an allocation to the parent country takes place. If there is a risk liability or other security from a third country whose transfer risk is lower than under the home country principle, the procedure is analogous to the parent country principle.

Receivables with an original maturity of less than one year are not taken into account as the assessment basis for the country value adjustments.

In the year under review, the bank's own assessment of country risks is below the highest permitted bandwidths of the Federal Central Tax Office.

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

Intangible assets and property, plant and equipment are stated at cost, less scheduled deprecia-tion according to applicable Tax regulation. In the case of permanent impairments, extraordinary write-downs are made to the lower, attributable value. Low-value assets are fully depreciated in the year of acquisition. Pursuant to Section 6 (2a) of the EStG, fixed assets with an acquisition value of EUR 150 to EUR 1,000 are entered in a year-specific collective item and amortized on a straight-line basis over 5 years.

The other assets are valued according to the lowest value principle.

If there are differences between the commercial values of assets, liabilities and deferred income and their tax valuations, which are expected to decrease in later financial years, any resulting tax relief is recognized as deferred tax assets in the balance sheet. The resulting total tax charge is recognized by the Bank as a deferred tax liability on the balance sheet. Tax losses carried forward are to be taken into account in the calculation of deferred tax assets in the amount of the expected loss offset 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 tax rates at the time the differences are reduced and not discounted. The expelled items are to be dissolved as soon as the tax levy or tax relief occurs or can no longer be expected. The expense or income from the change in recognized deferred taxes is shown separately in the income statement under "Income taxes".

The liabilities are recognized at settlement amounts plus accrued interest.

Provisions for Tax are recognized with the potential settlement amount. The settlement amount is calculdated based on the expected tax duties as of year end less upfront tax payments. In the calculation taxes not paid for the current and previous years are factored in.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

The other provisions take into account all discernible risks and contingent liabilities as well as imminent losses from pending transactions and are recognized in the amount of the settlement amount required by sound commercial judgment.

Accrued interest on receivables and payables are allocated to the corresponding balance sheet items.

The foreign currency receivables and liabilities (including accrued interest) included in each position are valued at the reference rates of the European Central Bank (ECB) as at 31 December 2017.

Unexercised foreign exchange swaps are also valued at the reference rates of the ECB as at 31 December 2017. Unrealized gains from foreign exchange swaps, which are subject to special cover pursuant to Section 340h HGB, are capitalized and reported under other assets.

The forward rates are split into the two elements spot rate and swap rate and these are taken into account separately in the results analysis. The agreed swap amounts are accrued pro rata temporis. Changes in spot prices are determined in the context of foreign 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.

Open forward contracts are valued at market prices. Unrealized losses from the difference between forward and market prices are recognized as liabilities and reported under other liabilities.

The bank manages the general interest rate risk in the banking book centrally as part of asset / liability management. As part of the loss-free valuation of interest rate risks in the banking book, it determines whether the value of the defined benefit obligations, taking future administrative expenses into account, is sufficiently high, bearing in mind appropriate risk provisioning. Insofar as a surplus of obligations results from the entire interest position of the banking book, the precautionary principle of commercial law is taken into account by forming a provision in accordance with section 249 (1) sentence 1 no. 2 HGB (provision for impending losses). The need for a provision for impending losses did not arise at the balance sheet date.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

3. Notes to the balance sheet and the income statement

Balance Sheet

Preliminary Note

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

Cash reserve

As at the balance sheet date, the bank had cash reserves of TEUR 335,876 (previous year: TEUR 111,844). Thereof, TEUR 335,874 (previous year: TEUR 111,842) were accounted for by the German Federal Bank and TEUR 2 (previous year: TEUR 2) by the cash on hand of the petty cash.

Loans and advances to banks

Broken down by maturity, loans and advances to banks are composed as follows:

	31.12.2017 TEUR	31.12.2016 TEUR
Daily payables	3,756	1,848
Remaining maturity		
- up to three months	151,915	87,660
- more than three months to a year	501,043	408,068
- more than a year to five years	40,178	22,942
- more than five years	225	173
	697,117	**520,691**

The value adjustment for the country risks of loans and advances to banks amounts to TEUR 300 (previous year: TEUR 0).

Loans and advances to customers

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

	31.12.2017 TEUR	31.12.2016 TEUR
Daily payables	9,210	14,779
Remaining maturity		
- up to three months	540,095	833,188
- more than three months to a year	416,550	541,215
- more than a year to five years	2,355,942	2,728,879
- more than five years	201,026	109,620
	3,522,823	**4,227,681**

There are no specific allowances (previous year: TEUR 0).

The lump-sum allowance of EUR 6 thousand existing in the previous year to cover the latent default risk was released.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

The value adjustment for the country risks of the receivables from customers amounts to TEUR 51,918 (previous year: TEUR 51,819).

As of the balance sheet date, customer deposits in the amount of TEUR 614,016 (previous year: TEUR 1,184,656) had been pledged as collateral for receivables from customers amounting to TEUR 614,016 (previous year: TEUR 1,184,656).

Bonds and other fixed income securities

The bonds and other fixed-income securities with a book value of TEUR 449,682 (previous year: TEUR 622,128) are all listed on the balance sheet date.

They are fully allocated to fixed assets as of the balance sheet date. The development of securities held as fixed assets is shown in the schedule of assets (Appendix I of the Annex).

Hidden reserves exist in the amount of TEUR 3,384 (previous year: TEUR 3,358), hidden liabilities in the amount of TEUR 1,175 (previous year: TEUR 4,676). In view of the fact that the bonds are assigned to the fixed assets and the lower market values were not based on expected permanent impairments but only due to the usual market volatilities, the bank did not write down the lower market values in the case of hidden charges.

In the financial year 2018, bonds and other fixed-income securities amounting to TEUR 134,145 (previous year: TEUR 199,194) will become due.

The bonds and other fixed income securities are shown in the following matrix by rating class.

	31.12.2017	31.12.2016	31.12.2015
Borrowable bonds and fixed income securities of the Bundesbank		**(in %)**	
AA+ and AA	21,60	16,32	0
A+ and A-	0	20,79	24,98
BBB+, BBB and BBB-	78,40	62,89	62,34
BB+, BB and BB-	0	0	12,68
B+; B and B-	0	0	0
No Rating	0	0	0
	100,00	**100,00**	**100,00**
Debt securities and fixed-interest securities that can not be lent from the Bundesbank		**(in %)**	
AA+ and AA	0	0	0
A+ and A-	0	0	0
BBB+, BBB and BBB-	7,29	6,99	65,61
BB+, BB and BB-	90,54	90,06	31,09
B+; B and B-	2,17	0	0
No Rating	0	2,95	3,30
	100,00	**100,00**	**100,00**

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

Bonds and fixed income securities - Total		**(in %)**	
AA+ and AA	9,48	5,74	0
A+ and A-	0	7,31	10,60
BBB+, BBB and BBB-	38,51	26,64	64,22
BB+, BB and BB-	50,79	58,40	23,28
B+; B and B-	1,22	0	0
No Rating	0	1,91	1,90
	100,00	**100,00**	**100,00**

Intangible Assets

Intangible assets (IT standard software) totaling TEUR 460 (previous year: TEUR 260) were held in the year under review. In financial year 2017, as in the previous year, no extraordinary depreciation was required.

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

Fixed Assets

The breakdown of property, plant and equipment in the amount of TEUR 191 (previous year: TEUR 178) as of the balance sheet date is shown in the schedule of assets. In fiscal year 2017, no unscheduled depreciation was required (previous year: TEUR 0).

The development of the fixed assets is shown in the fixed assets schedule (Annex I of the Annex).

Other Assets

Other Assets are composed as follows:

	31.12.2017 **TEUR**	**31.12.2016** **TEUR**
Swap receivables and receivables from forward transactions	47,755	0
Refund receivables against the DNB	1,793	1,793
Sales Tax receivables	307	208
Corporation Tax receivables	0	1,074
Trade Tax receivables	0	921
Other	327	66
	50,182	**4,062**

Deffered Income

Deferred income in the amount of TEUR 2,682 (previous year: TEUR 994) includes accrued advance fees from the lending business amounting to TEUR 595 (previous year: TEUR 121).

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

Deffered Tax Assets

Deferred tax assets in the amount of TEUR 557 (previous year: deferred tax liabilities of TEUR 10,411) serve to offset the tax receivable from the temporary difference of TEUR 1,744 (previous year: liability balance of TEUR 32,610) between the tax balance sheet and the commercial balance sheet. The difference is due to the lower valuation of fixed assets in the commercial balance sheet compared to the tax balance sheet in the amount of TEUR 631 (previous year: increased value of fixed assets in the commercial balance compared to the tax balance sheet in the amount of TEUR 33,550) and lower provision values in the tax balance sheet trade balance in the amount of TEUR 1,113 (previous year: TEUR 940).

The calculation of deferred tax assets was based on the tax rate of 31.9% applicable at the balance sheet date. A distribution limit according to § 285 Nr. 6 is not applicable.

Liabilities to banks

Broken down by maturity, liabilities to banks are as follows:

	31.12.2017 TEUR	31.12.2016 TEUR
Daily payables	1,826	2,314
Remaining maturity		
- up to three months	428,517	626,645
- more than three months to a year	238,747	61,189
- more than a year to five years	73,740	73,740
	742,830	**763,888**

Liabilities to customers

Liabilities to customers are broken down by maturity as follows:

	31.12.2017 TEUR	31.12.2016 TEUR
Other liabilities		
Daily payable	448,248	274,089
Remaining maturity		
- up to three months	573,810	807,580
- from three months to a year	1,016,419	1,213,405
- more than a year to five years	1,495,735	1,674,974
- more than five years	134,194	128,725
	3,668,406	**4,098,773**

Of the liabilities to customers, EUR 753.5 million (previous year: EUR 349.7 million) are attributable to deposit business with private clients and EUR 2,914.9 million (previous year: EUR 3,749.2 million) to the deposit business with institutional clients.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

Other Liabilities

Other liabilities are made up as follows:

	31.12.2017 TEUR	31.12.2016 TEUR
Supplier and other liabilities	581	2,414
Withholding tax including solidarity surcharge	314	246
Payroll and church tax	105	53
Brokerage commissions	32	113
Swap liabilities and liabilities from forward transactions	0	29,767
	1,032	**32,593**

Deffered Income

Deferred income in the amount of TEUR 1,349 (previous year: TEUR 1,256) was recognized exclusively for accrued advance fees from the lending business.

Accruals

Tax provisions amounting to TEUR 11,568 exist in the amount of TEUR 5,730 for corporation tax and in the amount of TEUR 5,838 for trade tax. In the previous year, tax refund claims in the amount of TEUR 1,996, of which TEUR 1,074 for corporate income tax and TEUR 922 for trade tax, were reported under other assets.

The other provisions are made up as follows:

	31.12.2017 TEUR	31.12.2016 TEUR
Personnel expenses	642	540
Rent assignement	471	400
Audit and tax consulting costs	145	120
Pending invoices	135	108
Industry and Chamber of Commerce	108	69
Not used vacation days	36	32
Other	52	64
	1,589	**1,333**

Subscribed capital, capital reserve and net profit

The subscribed capital of EUR 200,000,000.00 is divided into 200,000,000 no-par bearer shares. The shares are bearer.

The capital reserve remains unchanged compared to the previous year at EUR 158,253,076.35.

The unappropriated profit for the 2016 financial year amounting to EUR 48,271,711.19 was fully allocated to other retained earnings in accordance with the resolution of the Annual General Meeting on March 15, 2017.

The net income for the year 2017 is EUR 52,891,667.10.

The Company's Management Board proposes that the retained earnings of EUR 52,891,667.10 be transferred to other revenue reserves.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

Country risk provisions

Total risk provisioning due to country risks is broken down as follows among the individual balance sheet items:

	31.12.2017 TEUR	31.12.2016 TEUR
Loans and advances to banks	300	0
Loans and advances to customers	51,918	51,819
	52,218	**51,819**

Foreign currency assets and liabilities

The foreign currency items, translated into euros, are allocated to the individual balance sheet items as follows:

	31.12.2017 TEUR	31.12.2016 TEUR
Gross receivables from banks	97,030	15,466
Gross claims on customers	1,612,541	2,250,306
Bonds	246,762	378,563
Active accruals	21	37
Foreign currency assets	1,956,354	2,644,372
Liabilities to banks	339,954	407,373
Liabilities to customers	859,000	1,313,198
Other liabilities	33	385
Foreign currency liabilities	1,198,987	1,720,956
Balance	**757,367**	**923,416**

The euro equivalent value of the assets in foreign currency amounts to TEUR 1,956,354 (previous year: TEUR 2,644,372), that of the liabilities to TEUR 1,198,987 (previous year: TEUR 1,720,956).
The netted foreign currency position of TEUR 757,367 (previous year: TEUR 923,416) as of the balance sheet date is offset by currency hedges in the amount of TEUR 757,427 (previous year: TEUR 923,621).

Receivables and payables to affiliated companies

The affiliated companies are divided into two subgroups:

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

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

At the balance sheet date, the following receivables and liabilities exist with regard to these affiliated companies - the Akbank Group and the Sabancı Group:

Akbank-Group	**31.12.2017 TEUR**	**31.12.2016 TEUR**
Receivables from Banks		
- Daily payable	395	524
- Other receivables	447,699	316,620
Receivables from customers	15,012	40,214
Other assets	12,098	-
Receivables from Akbank-Group	475,204	357,358
Liabilities to Banks		
- Daily payable	136	389
- with agreed maturity or notice period	0	82,762
Liabilities to customers	0	0
Liabilities to the Akbank-Group	136	83,151
Balance	**475,068**	**274,207**

Sabancı Group	**31.12.2017 TEUR**	**31.12.2016 TEUR**
Receivables from Banks		
- Daily receivables	0	0
- Other receivables	0	0
Receivables from customer	10,147	17,019
Receivables from Sabancı-Group	10,147	17,019
Liabilities to banks		
- Daily payable	0	0
- With agreed maturity or notice period	0	0
Liabilities to customers	6	9
Liabilities to Sabancı-Group	6	9
Balance	**10,141**	**17,010**

Contingent Liabilities

Contingent liabilities consist of guarantees and letters of credit in the amount of TEUR 29,140 (previous year: TEUR 23,132). Of these, contingent liabilities to affiliated companies amount to TEUR 7,179 (previous year: TEUR 6,579) and to the members of the Managing Board of the Bank in the amount of TEUR 6 (previous year: TEUR 0). As part of the annual review of credit portfolios by the credit risk management department of the bank guarantees and letter of credits were also reviewed for any potential default risk. The risk of utilization is considered very low due to the good creditworthiness of the customers.

Other Commitments

As of the balance sheet date, there had been unused irrevocable credit commitments amounting to TEUR 98,509 (previous year: TEUR 52,510).

Disposal Restrictions

Liabilities to the Deutsche Bundesbank include assets transferred as collateral with a book value including accrued interest in the amount of TEUR 171,185 (previous year: TEUR 210,791).

The carrying amount of securities repurchased under genuine repurchase agreements with other banks, including interest accruals, amounts to TEUR 235,198 (previous year: TEUR 213,617).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

PROFIT AND LOSS ACCOUNTS

The interest income and expenses from lending and money market transactions and the commission income and expenses result to a large extent from business relationships with customers and banks in Turkey and Germany.

Interest income from lending and money transactions of TEUR 141,926 (pervious year: TEUR 138,452) includes negative interest in the amount of TEUR 810 (previous year: TEUR 632) out of which TEUR 753 (previous year: 548) results from deposits at Deutsche Bundesbank.

The other operating income amounts to TEUR 1,332 (previous year: TEUR 203). They mainly include income from the reversal of an interest rate swap of TEUR 1,227, the release of provisions in the amount of TEUR 9 (previous year: TEUR 7), currency gains of TEUR 19 (previous year: TEUR 68) and various expense reimbursements.

General administrative expenses in the year under review amounted to TEUR 11,827 (previous year: TEUR 10,340). Of this amount, TEUR 4,907 (previous year: TEUR 4,207) relate to personnel expenses and TEUR 6,920 (previous year: TEUR 6,133) to other administrative expenses. The high additional expenses for other administrative expenses are mainly due to the increase in ex-penses for deposit insurance in the amount of TEUR 336 (previous year: plus TEUR 204), increased rental expenses TEUR 175 (previous year: minus TEUR 4) and increased costs of the bank levy TEUR 110 (previous year: plus TEUR 776).

Depreciation and value adjustments on receivables and certain securities as well as allocations to provisions for lending business in the amount of TEUR 393 (previous year: TEUR 6,030) consist of the addition to value adjustments on receivables due to country risks in the amount of TEUR 399 (previous year: TEUR 7,030). The reversal of the lump-sum adjustment on receivables in the amount of TEUR 6 (previous year: TEUR 0). The previous year's expense item also included the net proceeds from the reversal of the specific allowance for the claims for reimbursement from the Dutch central bank (DNB), which as administrator of the Dutch bank DSB Bank N.V. in the amount of TEUR 1,000 and income from the reversal of provisions for off-balance-sheet credit risks in the amount of TEUR 47.

Income from write-ups on investments, shares in affiliated companies and securities treated as fixed assets in the amount of TEUR 1,570 (previous year: TEUR 2,919) stem from the sale of fixed asset bonds and are attributable to measures of liquidity management in the context of overall bank management.

Interest income, provision income, income from write-ups on participations, interests in affiliated companies and investment securities mainly and other operating income mainly result from foreign countries.

Total Fee of the Auditor

		31.12.2017 TEUR	31.12.2016 TEUR
a)	Audit fees	101	164
b)	Other Attestation Services	15	6
c)	Tax Services	0	0
d)	Other Services	0	5

The Other Attestation Services relate to the audit according to § 36 WpHG.

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Taxes on income and earnings

Taxes on income of TEUR 36,895 (previous year: TEUR 18,356) relate to corporation tax in the amount of TEUR 18,364 (previous year: TEUR 9,748) and trade tax of TEUR 18,531 (previous year: TEUR 9,925). In the previous year, there was an extraordinary reimbursement of Dutch corporate income tax for Akbank N.V., Amsterdam, which merged with AKBANK AG in 2012, amount-ing to TEUR 1,317.

The total amount of income from the change in deferred taxes in the amount of TEUR 10,968 (pre-vious year: expenses of TEUR 3,021) relates to the correction of tax expenditure booked in the reporting year (previous year: tax deduction expenses).

4. Other Specifications

Breakdown of the receivables from customers by economic sector

The allocation of receivables from customers by economic sector is based on the classification of the customer classification of the Deutsche Bundesbank.

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

Economic sector	**31.12.2017 in %**	**31.12.2016 in %**
Manufacturing	33,19	29,02
- Auto industry	6,95	6,24
- Textile industry	7,26	5,72
- Metal industry	5,32	4,65
- Chemical industry	4,81	4,27
- Food industry	1,47	3,52
- Electronics industry	0,97	0,95
- Other	6,41	3,68
Real estate and other	15,14	26,01
- Secured by cash deposits	14,42	25,74
- Other	0,72	0,28
Trade, Maintenance and repair of motor vehicles	8,78	9,63
Construction industry	3,67	6,96
Financial insurance services	9,13	6,36
Freelance, scientific and technical services	8,68	5,91
Transportation and storage	7,63	5,12
Mining and quarrying	5,62	4,68
Power supply	4,33	2,93
Other	3,83	3,38
	100,00	**100,00**

Other financial obligations

Other financial obligations mainly relate to future, contractually agreed rental payments for the Bank’s offices in Frankfurt am Main. The rental payments cumulatively amount to TEUR 6,540 by 2024 (previous year: TEUR 7,379).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

Derivatives

As at the balance sheet date, unused foreign currency swaps amounting to TEUR 486,562 (previous year: TEUR 672,792) and spot transactions amounting to TEUR 811 (previous year: TEUR 413) exclusively serve to cover currency risks. The fair value of the currency swaps as of the balance sheet date is TEUR 476,241 (previous year: TEUR 665,024), the fair value of spot transac-tions TEUR 811 (previous year: TEUR 413).

In order to hedge the general interest rate risk, interest rate swaps in the amount of TEUR 147,000 nominal (previous year: TEUR 274,434) were concluded at the latest by 2019. As of December 31, 2017, there was a negative present value (without accrued interest) in the amount of TEUR 1,168 (previous year: minus TEUR 3,079).

In order to simultaneously hedge the interest rate risk and the foreign currency risk, cross currency swaps in the amount of TEUR 270,054 (previous year: TEUR 250,416) were concluded until 2023 at the latest. As of December 31, 2017, there was a positive present value (without accrued interest) in the amount of TEUR 9,283 (previous year: TEUR 8,011).

As at the balance sheet date, currency swaps in the amount of TEUR 69,534 (previous year: TEUR 59,425) and cross currency swaps in the amount of TEUR 48,830 (previous year: TEUR 36,078) exist with affiliated companies. As in the previous year, there were no interest rate swaps with affiliated companies.

Personnel

On an annual average 2017, 46 people (including the Managing Board) were employed (previous year: 45). Out of the 46 employees 2 were executive employees and 44 were staff members.

Organs

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

- Ms. Kamile Banu Özcan, Frankfurt am Main, Chief Executive Officer with responsibility for Money and foreign exchange trading, Corporate Banking (market), Retail Banking (market), Private Banking, Financial Institutions, Project Management, IT security, Internal Audit and Strategic Planning
- Mr. Franz Hakan Elman, Oberliederbach, with responsibility for banking (back office), Operations, Financial Coordination, Risk management and IT

The areas to be jointly represented by the Board Managing are: personnel, prevention of money laundering, compliance, legal affairs, public relations, communication with group Internal Audit, data protection and coordination of German audits, including auditing requirements in accordance with KWG.

The company is represented jointly by two board members.

As of March 1, 2018 Mr. Alper Özsoy, Oberursel, was appointed to the Board Managing. He takes over the responsibility for Corporate Banking, Private Banking and Retail Banking.

The Supervisory Board consisted of 7 members in the financial year and was composed as follows:
- Mr. Levent Celebioglu, Chairman (Executive Vice President Corporate, Investment Banking and Financial Institutions of Akbank T.A.S., Istanbul, Turkey
- Mr. Kerim Rota, Deputy Chairman (Executive Vice President Treasury and Financial Institutions of Akbank T.A.S., Istanbul, Turkey) until 5. of December 2017
- Mr. Eyüp Engin, Member – Deputy Chairman from 5. of December 2017 (Head of Internal Audit of Akbank T.A.S., Istanbul, Turkey)
- Mr. Atil Özus (Executive Vice President, Chief Financial Officer of Akbank T.A.S., Istanbul, Turkey) until 10. October 2017
- Mr. Türker Tunali (Executive Vice President, Chief Financial Officer of Akbank T.A.S., Istanbul, Turkey) from 10. October 2017
- Mr. Ahmet Fuat Ayla (Executive Vice President Credit Allocation of Akbank T.A.S., Istanbul, Turkey) until 21. July 2017

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017 FROM 1 JANUARY TO 31 DECEMBER,FRANKFURT AM MAIN

- Mr Hasan Anbarci (Executive Vice President Credit Allocation of Akbank T.A.S., Istanbul, Turkey) from 21. July 2017
- Mr Tolga Ulutas (Executive Vice President Direct Banking of Akbank T.A.S., Istanbul, Turkey) until 21. December 2017
- Ms. Sebnem Muratoglu (Chief Risk Officer of Akbank T.A.S., Istanbul, Turkey) from 21. December 2017
- Ms. Fatma Melek (Chief Economist of Akbank T.A.S., Istanbul, Turkey) from 15. March until 21. December 2017
- Ms. Burcu Civelek Yüce (Executive Vice President Human Resources and Strategy of Akbank T.A.S., Istanbul, Turkey) from 21. December 2017
- Mr. Ali Batu Karaali, (Executive Vice President Treasury of Akbank T.A.S., Istanbul, Turkey) from 21. December 2017

Remuneration of the Members of the Board

The total remuneration of the Management Board in the financial year amounted to TEUR 756 (previous year: TEUR 758).

The Supervisory Board does not receive compensation.

Relationships with affiliates

Akbank T.A.S., Istanbul, Turkey, was the sole shareholder of AKBANK AG during the reporting period.

The Akbank T.A.S. As of December 31, 2017, 48.9% of Haci Ömer Sabanci Holding A.S., Istanbul, its subsidiaries and members of the Sabanci family, is in free float, with a 51.1% free float.
Affiliated companies of the Company are Haci Ömer Sabanci Holding A.S., Istanbul and its subsidiaries. In the year under review, there were business relationships with various affiliated companies, whereby all legal transactions were concluded on terms that are common among third parties.

Supplementary Report

After the balance sheet date, no material events and developments of particular significance occurred that could influence the annual financial statements for the 2017 financial year.

Consolidated financial statements

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

Frankfurt am Main, March 6, 2018

The Managing Board

Kamile Banu Özcan   Franz Hakan Elman   Alper Özsoy

CONTACT INFORMATION

AKBANK AG - MANAGING BOARD

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

AKBANK AG - DEPARTMENTS

Name	Group
R. Didem Öget	Executive Vice President & CFO – Financial Coordination, Risk Management & Strategy, Operations
Mustafa Korkmaz	Senior Vice President – Treasury & Financial Institutions
Murat Gündoğdu	Senior Vice President – Corporate Banking
Gökhan Biber	Senior Vice President- Risk Management, Strategy, AML and Compliance Officer
Osman Yüce	Senior Vice President – Information Technologies
Güzin Yalıngök Yıldırım	Vice President – Credit Analysis
Mahmut Ayric	Vice President- Operations

HEAD OFFICE

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AKBANK AG