ANNUAL REPORT 2018

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.

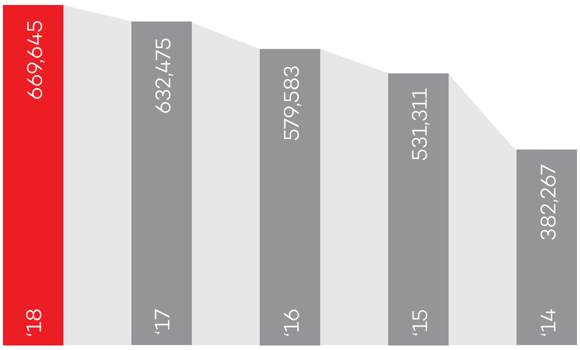
The Bank is a voluntary member of the Deposit Protection Fund of the Association of German Banks, Einlagensicherungsfond des Bundesverband Deutscher Banken, and offers protection to both corporate and retail deposit holders up to a level of 20% of its shareholders' equity on an individual basis.

KEY FIGURES

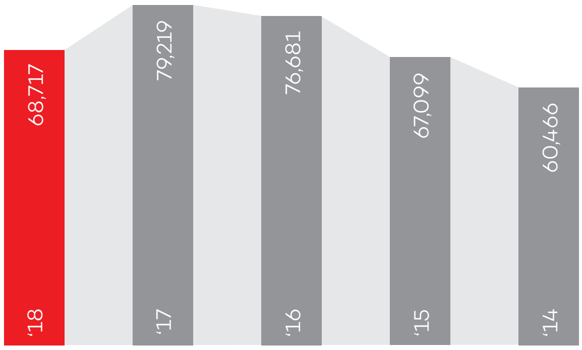
Key Figures (EUR 000)	2018	2017	2016	2015	2014
Net profit	37,170	52,892	48,272	49,044	40,080
Profit before tax	55,791	78,819	69,652	72,596	58,941
Profit before tax (w/o country provision)	68,717	79,219	76,681	67,099	60,466
Total assets	4,476,974	5,059,249	5,487,837	4,774,341	4,360,288
Paid-in capital	200,000	200,000	200,000	200,000	100,000
Total shareholders' equity	669,645	632,475	579,583	531,311	382,267
Interest-bearing assets	4,431,487	5,005,497	5,482,344	4,768,886	4,357,021
Interest-bearing liabilities	3,799,941	4,411,236	4,862,661	4,150,888	3,879,148

Key Ratios	2018	2017	2016	2015	2014
Solvency (%)	17.54	14.07	12.60	14.38	12.29
Return (w/o country provision) on average own funds including country provision (%)	6.66	8.29	9.01	8.91	10.05
Total assets/Own funds (times)	6.69	8.00	9.47	8.99	11.41
Cost/Income ratio (%)	16.61	13.17	12.21	12.64	11.98
Commission income/Operating expenses	22.16	45.78	50.59	32.19	40.78
Number of staff members	48	48	45	42	39
Profit before tax (w/o country provision) per staff member	1.432	1.650	1.704	1.597	1.550
Non-performing loans	-	-	-	-	-
Loans/Deposits (%)	106.97	109.44	108.06	111.33	110.5

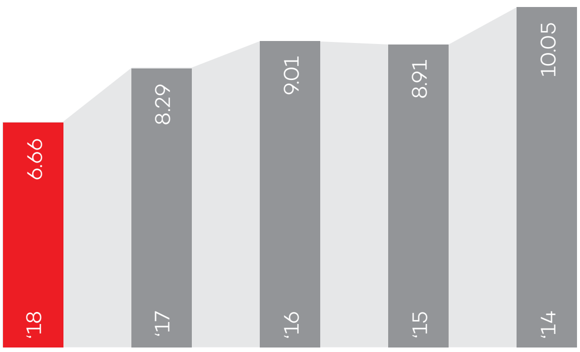
TOTAL SHAREHOLDERS' EQUITY (EUR 000)



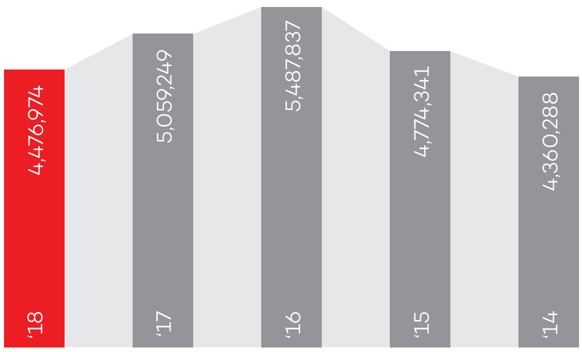
PROFIT BEFORE TAX (EUR 000)*



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



TOTAL ASSETS (EUR 000)



* Excluding the effect of country risk provisioning treatment.

SABANCI GROUP IN BRIEF

Sabancı Holding has a dynamic and strategic portfolio management approach that prioritizes the performance culture.

Hacı Ömer Sabancı Holding A.Ş., one of Turkey's leading conglomerates, is the parent company and manages Sabancı Group's companies with a strategic portfolio approach. Turkey's most 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's executive activities are carried out by the Executive Committee, consisting of the CEO, CFO, Strategic Business Unit Presidents and the President of Human Resources Group. The Executive Committee reports to the Board of Directors.

Sabancı Holding is responsible for:

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

In addition to the Audit, Corporate Governance and Early Risk Identification Committees which report to Sabancı Holding Board of Directors, the Portfolio Management Committee was established on March 30, 2017 to ensure a more balanced, dynamic portfolio management and capital allocation perspective. The Committee consists of Board Chairman Güler Sabancı; Vice Chairman Erol Sabancı, Board Members Suzan Sabancı Dinçer, Sevil Sabancı Sabancı, Serra Sabancı and CEO Mehmet Göçmen. The Committee convened five times in 2018 and submitted its assessments to the Board of Directors.

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

Sabancı Group companies currently operate in 13 countries and market their products in regions across Europe, the Middle East, Asia, North Africa, North and South America.

Turkey's most rapidly growing sectors are the main business areas of Sabancı Group.

Sabancı Group – thanks to its solid reputation, positive brand image, strong joint ventures, extensive experience and know-how about the Turkish market – has fostered its core businesses over the years. These enterprises collectively have also contributed significantly to the development of Turkey's economy.

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

In 2018, Sabancı Group posted combined sales revenue of TL 88 billion and consolidated net profit of TL 3.8 billion.

Sabancı Holding's own shares, as well as the shares of its 12 subsidiaries, are listed on Borsa Istanbul (BIST). The number of listed subsidiaries rose from 11 in 2017 to 12 this reporting year with the public offering of Enerjisa Enerji A.Ş., which began in early 2017 and ended in February 2018, where Sabancı Holding and E.ON sold an equal amount of shares. The Enerjisa Enerji initial public offering, oversubscribed by 4.8 times, set a record as Turkey's largest private sector IPO ever in Turkish Lira terms.

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.

TL 88 billion

In 2018, Sabancı Group posted combined sales revenue of TL 88 billion.

AKBANK T.A.Ş. IN BRIEF

With a strong and extensive domestic distribution network of 780 branches staffed by more than 13 thousand employees, Akbank operates from its headquarters in Istanbul and 21 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 Istanbul's Sirkeci district on July 14, 1950. In 1954, after relocating its headquarters to Istanbul, the Bank rapidly expanded its branch network and automated all its banking operations by 1963.

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

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

With a strong and extensive domestic distribution network of 780 branches staffed by more than 13 thousand employees, Akbank operates from its headquarters in Istanbul and 21 regional directorates across Turkey. In addition to providing services at branch locations, its traditional delivery channel, Akbank also serves more than 17.4 million customers via the Akbank Direkt Internet Branches, Akbank Direkt Mobile, the Call Center, 4,900 ATMs and more than 580 thousand POS terminals as well as other high-tech channels.

Delivering the banking of future today with its advanced technology investments, Akbank has launched a new transformation initiative that will give a new path forward to the industry, on its 70th anniversary. With its reliable, dynamic, lean, innovative and people-oriented approach, Akbank has offered all technological advances to its customers and implemented this new banking model at nearly 230 branch locations in 2018.

Akbank has grouped its digital banking services, which it pioneered in Turkey, under Akbank Direkt, providing solutions to clients' financial needs and delivering service at the most convenient points with an excellent customer experience. In a world of fast advancing technology and increasingly demanding customers, Akbank Direkt strives to satisfy client needs without time or physical location limitations while pioneering technological innovations both in the sector and in Turkey.

Akbank anticipates changes in trends and customer dynamics to develop new products and channels for meeting the individual financial needs of clients. With this approach, the Bank has introduced many innovations to Turkey's banking industry. Akbank has taken steps today to ready itself for tomorrow's technologies and to integrate these into the Bank's culture. For this purpose, Akbank Innovation Center "Akbank LAB" was established in 2016. Akbank LAB develops innovative projects to meet the needs of the Bank's various business units. In addition, it works to ensure that globally recognized financial solutions are integrated into the Bank's business processes to achieve the goal of delivering a perfect customer experience.

In 2018, in order to offer customers high-tech solutions, Akbank launched high added value, pioneering projects for the industry. These include login to Akbank Direkt Mobile with face-recognition technology, money transfer and cell phone bill payment with Chatbot, Robotic Process Automation, and international money transfer through collaboration with Ripple and Blockchain infrastructure.

Akbank Banking Center was inaugurated in 2010. Equipped with state-of-the-art technology, the Center is continuously boosting Akbank's productivity and service quality. In 2017, Akbank laid the foundations of Akbank Data and Life Center and continued its investments throughout 2018. The Center is expected to become operational in 2019. The complex comprises Akbank Data Center, which will constitute the core of Akbank's entire technology infrastructure, and Akbank Life Center, which will offer social services to 3,000 Akbank employees. The Center is Akbank's largest one-off investment to date.

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

Akbank continued to win major awards in 2018, a year when many banks felt squeezed by the global economic environment. In an important achievement for the Turkish banking sector, Akbank won "Turkey's Best Bank" award from Euromoney, Global Finance.

In addition to these accomplishments, for the seventh time in a row, the international brand rating firm Brand Finance named Akbank "Turkey's Most Valuable Banking Brand" in 2018.

As one of the most committed supporters of contemporary art in Turkey, Akbank engages in a wide variety of arts and culture activities with the aim of making art more accessible. Akbank is a visionary bank that makes social investments in many diverse areas, including jazz, theater, contemporary arts as well as environmental protection such as the Carbon Disclosure Project, for the advancement of society.

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

Committed to creating sustainable value for Turkey's economy, Akbank expanded its total loan portfolio in 2018 to TL 267 billion, of which TL 214 billion is cash loans. This reporting year, the support provided to the real sector through SME loans and corporate loans amounted to TL 226 billion. In 2018, a year marked by global and national market volatility, Akbank prioritized protecting its asset quality. The Bank expended efforts to calculate and report risk in the healthiest manner with efficient and prudent risk management. During the year, Akbank kept close watch on financial and economic developments in our country and across world markets. In addition, the Bank improved existing practices by closely monitoring developments in risk management, such as TFRS 9 standard, Basel principles and other international regulations.

During a period when worldwide concerns toward emerging markets, including Turkey, are on the rise, Akbank successfully rolled over its highly popular and keenly-awaited syndication loan by 104%, thus securing USD 980 million in fresh funds for the Turkish economy. Along with other transactions throughout the year, thanks to its robust financials and solid reputation, Akbank secured total external resources worth USD 4.8 billion for the national economy in 2018.

With its capital increase decision in December 2018, Akbank further bolstered its already strong financial structure, created additional capacity for growth in the coming periods, and sharpened its competitive edge in the market. This crucial step was an important confirmation of Akbank shareholders' trust in our country and economy. As a result of the transaction, Turkey saw foreign direct investment inflow of USD 210 million at the beginning of 2019. In the face of global uncertainties, the Bank's capital adequacy ratio, which was already very high, has risen by about 80 basis points. Additional capacity has also been created for growth in the coming year.

Some 51.1% of Akbank's shares are listed on Borsa Istanbul (BIST). Overseas, the Bank's Level 1 ADR depository receipts are traded on the US OTC market. Akbank's market capitalization stood at USD 5.2 billion as of December 31, 2018.

OUR VALUES

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

OUR VISION

To be the leading Turkish Bank in Europe

OUR MISSION

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

OUR STRONG FOUNDATIONS

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

STRATEGIES

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

SUPERVISORY BOARD

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

EYÜP ENGİN (UNTIL 16 APRIL 2019)
Eyüp Engin joined Akbank T.A.Ş. in 1978 as an Assistant Internal Auditor, later serving as a Department Head in Treasury, International Banking and Overseas Financial Institutions. He was appointed as Executive Vice President in charge of Corporate Banking in 1996 and, after 1998, continued to serve as Executive Vice President in charge of International Banking and Overseas Financial Institutions Marketing.
He was appointed Head of Internal Audit in 2007 and between 2007-2019 he served on the Boards of Directors of the Bank's subsidiaries as President of the Audit Committee. He currently serves as Vice Chairman at Türk Telekomünikasyon A.Ş., in addition to serving as a Board member at TT Mobil A.Ş. and TT Net A.Ş. and as Chairman of Argela Yazılım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş. Mr. Engin is a graduate of Middle East Technical University, Faculty of Economics and Business Administration.

TÜRKER TUNALI
Türker Tunalı joined Akbank T.A.Ş. in September 2008 as Senior Vice President in charge of Financial Coordination and International Reporting. From 1999, he served in various managerial positions. He was appointed as Executive Vice President (CFO) in charge of Financial Coordination in October 2017. He currently serves as Vice Chairman at Ak Asset Management and as a Board member at AkLease and Akbank AG. Mr. Tunalı is a graduate of Boğaziçi University, Department of Business Administration and has been a CFA (Chartered Financial Analyst) since 2006.

BURCU CİVELEK YÜCE
Burcu Civelek Yüce joined Akbank T.A.Ş. in 2006. She served as Senior Vice President of Strategic Management and in May 2014 was appointed 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. Ms. Yüce has a B.Sc. degree in Industrial Engineering and an MBA degree from Boğaziçi University, both first in rank. She also participated in courses at Harvard Business School and at Koç University.

YUNUS EMRE ÖZBEN
Yunus Emre Özben joined Akbank T.A.Ş. in October 2005 as Assistant Manager in Project Finance Division, after working at various companies from 1996, and was appointed as Senior Vice President in charge of Investment Banking in March 2011. In August 2018, he was appointed as Executive Vice President in charge of Credit Allocation. He is also a Board member at Ak Asset Management. Mr. Özben is a graduate of Marmara University Business Administration and holds an executive MBA degree from Sabancı University.

ŞEBNEM MURATOĞLU
Şebnem Muratoğlu joined Akbank T.A.Ş. in April 1995 as Management Trainee. Muratoğlu has been working at the Risk Management since 2002 and appointed as Vice President in charge of Risk Management in November 2003, Senior Vice President responsible from Risk Management in November 2006 and CRO in March 2017. Lastly, she was appointed as Executive Vice President in charge of Treasury in January 2019. Muratoğlu is a graduate of University of Kent Economics and holds a Master's degree from Macquarie University and FRM (Financial Risk Manager) certificate holder since 2003.

İLKER ALTINTAŞ (AS OF 19 MARCH 2019)
İlker Altıntaş joined Akbank T.A.Ş in March 2012 as Vice President of IT Enterprise Architecture and later became Senior Vice President of the IT Architecture and Core Banking Department. In January 2017, he was appointed as Executive Vice President in charge of Technology and Operations. Before joining Akbank, İlker Altıntaş completed two banking transformation projects during his career as an executive of technology companies, involved in the development of finance/ banking products and led engineering processes. İlker Altıntaş is a graduate of Middle East Technical University, Department of Computer Engineering and holds a PhD degree of software engineering from the same university. İlker Altıntaş has published many technical articles for international conferences, journals and is a committee member for various national and international conferences.

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

Our direct banking model, with no branch network and a lean organization, ranks Akbank AG among the most efficient financial institutions operating in Germany.

In 2018, our key focus was on asset quality, effective liquidity management and profitability. We sustained a financially healthy balance sheet, strong corporate governance and robust risk management.

Thanks to our prudent and effective risk management culture, we continued to maintain our non-performing loan ratio at zero level. All our capital components are comprised of Tier 1 elements, reflecting a very strong capital ratio of 17.3%. Our direct banking model, with no branch network and a lean organization, ranks Akbank AG among the most efficient financial institutions operating in Germany.

This year we also further invested into building a robust and diversified corporate client base and continued to deliver a strong trade-finance-asset volume business.

In line with our funding strategy, we accomplished considerable liability growth in retail and private banking business lines and have further diversified our deposit base.

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

In 2019, our vision will continue to be value creation for all 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 further technological development and operational efficiency. Our commitment to operate as a highly productive and efficient franchise will be the principal driver behind our success as we move forward.

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

Yours sincerely,

LEVENT ÇELEBİOĞLU
Chairman of the Supervisory Board

MESSAGE FROM THE CEO AND CHAIRMAN OF THE MANAGING BOARD

In 2019, Akbank AG will continue investing in sophisticated, efficient and innovative applications of digital technologies.

To Our Esteemed Clients,

Firstly, I would like to thank you for taking the time and effort to read this year's letter. I am proud to announce that in 2018 Akbank AG has once again recorded a strong net income performance. Our net profit of EUR 37 million coupled with total assets of over EUR 4.5 billion and a zero non-performing loan ratio reflect healthy and efficient operations across the Bank.

We are well aware that the business environment surrounding financial institutions is undergoing a major transition. To that end, Akbank AG continued to take major steps to improve its operational processes throughout 2018. We have successfully upgraded our core banking system in line with state-of-the-art financial software technologies.

We have achieved asset growth of 38% on a CAGR basis between 2013 and 2018 while maintaining our historical non-performing loan ratio of zero in the fiscal year 2018. Across all business segments, Akbank AG's asset quality has remained sound and strong in line with the successful track record it has sustained since its founding. 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 even faster in these areas in the coming period. We are on course to achieve a prominent position in the market in the near future.

In 2019, Akbank AG will continue investing in sophisticated, efficient and innovative applications of digital technologies. We plan to step up our efforts to provide services and products that are in the best interest of our customers. While further optimizing and reallocating our management and work force, the Bank will focus on its core competencies and establish a stronger financial position. With these initiatives, Akbank AG aims to move forward toward its goal of becoming a top financial services institution.

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

Yours sincerely,

Banu Ejder Özcan
Chief Executive Officer &
Chairman of the Managing Board

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2018

PRELIMINARY NOTE
The sole shareholder of Akbank AG in the financial year 2018 was Akbank T.A.Ş., Istanbul.

As in previous years, 2018 was a successful financial year. The Bank has reduced its exposure to Turkey due to political and economic uncertainties; as a result, the balance sheet total fell by 11.5% from EUR 5.06 billion to EUR 4.48 billion compared with the balance sheet of the previous year. For the year as a whole, the average balance sheet total of EUR 4.85 billion in 2018 was also lower than in the previous year (EUR 5.04 billion).

The Bank's share capital amounted to EUR 200 million on the balance sheet date. The net profit of the previous year was allocated in full to retained earnings. Profit after tax fell from EUR 52.89 million to EUR 37.17 million in the year reported, mainly due to the lower volume of business and the increase in country risk provisions. The Bank's equity base increased from EUR 632.47 million to EUR 669.64 million.

In 2018, the Bank can report that it has not had a single loan default for more than 10 years.

THE OWNERS OF THE BANK
As of December 31, 2018, the sole shareholder of Akbank AG, Akbank T.A.Ş., Istanbul is Hacı Ömer Sabanci Holding A.S., Istanbul, its subsidiaries and the Sabancı family, with 48.9% of the shares; 51.1% were in free float.

BANK RATING
The rating agency Fitch gives the subsidiaries of Turkish banks the same rating as that of their parent company. It therefore gave Akbank AG a "B+" rating (with a negative outlook) in October 2018.

THE CORE BUSINESS
Akbank AG concentrates on traditional corporate banking with renowned and internationally active companies. The following corporate groups are among the preferred target customers:

- ↗ Turkish companies with excellent creditworthiness,
- ↗ Turkish subsidiaries of international groups,
- ↗ Subsidiaries or branches of Turkish companies in Germany and Central Europe of a certain size,
- ↗ Companies that have regular business relations (import/export) with Turkey,
- ↗ Companies and banks with an undisputed credit rating in selected countries (including emerging markets),
- ↗ Renowned international factoring companies.

At the end of 2018, customers in Turkey accounted for about 65.5% (previous year: 62.0%) of Akbank AG's customer lending volume, while customers in Germany accounted for about 27.3% (previous year: 24.5%). The other major credit exposures are spread across Italy, France, Spain, Switzerland and Austria.

THE ECONOMIC ENVIRONMENT

Worldwide
The year 2018 was one of increased market volatility due to trade issues between the US and China, fiscal uncertainties in Italy, the normalisation of the Fed's monetary policy and geopolitical uncertainties. It was a year marked by protectionist tendencies worldwide. Although some progress has been made in the trade negotiations between the US and China, many uncertainties remain.

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2018

Global economic growth slowed in 2018 and inflation has not yet reached the desired level. Global growth for 2018 is estimated to be just under 4%; however, unconventional factors such as new fuel emission standards in Germany have weighed on activities in the major economies. These developments took place against a background of weakening financial sentiment, trade uncertainties and concerns about China's prospects.

The financial conditions in the industrialized countries have tightened since autumn. Concerns regarding a deadlock by the US government continued to weigh on the outlook of the financial sector towards the end of 2018. The major central banks also appear to be more cautious. While the US Federal Reserve raised the target range for the key interest rate to 2.25-2.50% in December, it signalled a slower pace of interest rate hikes in 2019 and 2020.

The financial framework conditions in the emerging markets have tightened slightly since autumn 2018, with a clear differentiation according to country-specific factors. Concerns about the inflationary impact of past oil price hikes and, in some cases, the closure of output gaps or the passing on of currency devaluations, have prompted central banks in many emerging markets to raise key interest rates since autumn 2018. In contrast, the central banks in China and India kept key interest rates on ice and worked to ease domestic refinancing conditions. Foreign currency government bond spreads have widened for most countries and have risen significantly for some frontier markets.

In addition to government bonds, credit spreads for US corporate bonds widened due to lower optimism and concerns in the energy sector about lower oil prices.

The Euro Area and Germany

The German economy recorded weak growth in 2018. Germany's gross domestic product grew by 1.5%in 2018, compared with 2.2% in 2017, according to the latest statistics. The figures point to the weakest growth rate in recent years. The below-average growth is likely to be partly attributable to the ongoing difficulties in the automotive sector.

In line with previous announcements, the European Central Bank terminated its bond purchases in December 2018.

Increasing risk aversion, coupled with a deteriorating sentiment about growth prospects and changes in political expectations, have contributed to a decline in sovereign yields - particularly on US government bonds, German government bonds and British government bonds. Among the Euro Area economies, Italian government bonds fell from their highest level in mid-October after a solution to the budget bottleneck with the European Commission, but remain at a high level. Spreads for other Euro Area economies have remained broadly unchanged over this period.

Turkey

The Turkish economy is in a phase of rebalancing from the second half of 2018 onwards. In the third quarter, the Turkish economy grew by 1.6%, partly due to the volatility of the financial markets. While private consumption weakened significantly, growth was adversely affected by the decline in investments. On the other hand, declining imports and the rise in exports and tourism revenues led to a positive net export contribution to growth.

In 2018, inflation rose to its highest level since mid-2003, reflecting the sharp depreciation of the Turkish lira and high oil prices. Towards the end of the year, inflation slowed somewhat and closed at 20.3% in the year due to the stabilization of the Turkish lira, the decline in oil prices after October, and some sectoral tax cuts.

EARNINGS, FINANCIAL AND ASSET POSITIONS

RESULTS OF OPERATIONS

Business results:
In the financial year 2018, the Bank generated net income of EUR 37.17 million. Due to the lower business volume and an increased risk provisioning of EUR 15.72 million, it is below the net income for 2017 of EUR 52.89 million.

The original growth target of 10-13% for net income in 2018 could therefore not be achieved.

Earnings development:
At EUR 79.96 million, net interest income in 2018 was down 4.8% on the previous year's figure of EUR 83.99 million, mainly due to the lower average volume of business compared with the previous year. Approximately 93% (previous year: 91%) of interest income resulted from lending and money market transactions, while approximately 7% (previous year: 9%) resulted from bond interest.

At EUR 2.30 million, the Bank's net commission income in the financial year was significantly below the previous year's figure of EUR 4.43 million due to lower commission income from letters of credit and syndicated loans.

Expenses development:
General administrative expenses amounted to EUR 13.34 million (previous year: EUR 11.83 million).

The personnel expenses of EUR 5.67 million included in this figure are EUR 0.77 million higher than the previous year (EUR 4.91 million), mainly due to the increase in the number of employees.

Other administrative expenses rose by EUR 0.75 million from EUR 6.92 million to EUR 7.67 million. The increase is mainly attributable to the higher costs of the bank levy (plus EUR 0.70 million), higher IT and auditing costs, and a simultaneous reduction in contributions to deposit protection due to the lower business volume (minus EUR 0.54 million).

Depreciation on operating and office equipment and intangible assets increased to EUR 0.37 million (previous year: EUR 0.24 million) due to the acquisition of various software. A very small amount (EUR 0.06 million) had to be written off.

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

In the 2018 financial year, there were write-downs and value adjustments on receivables and certain securities as well as allocations to provisions in the lending business amounting to EUR 12.93 million (previous year: EUR 0.40 million). These expenses relate exclusively to net allocations to country valuation allowances.

There were allocations to country value adjustments for Turkey, while Bahrain, Kazakhstan, Bulgaria and Jordan saw reductions. When forming country value adjustments, the Bank's risk assessment of country risks is below the maximum permissible risk ranges of the Federal Tax Office.

In the year under review, the Bank increased the country risk adjustment for Turkish risks from 3% to 4%. This is due to the country's deteriorating macroeconomic performance in the medium term.

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2018

In 2018, the Bank generated income of TEUR 16 (previous year: EUR 1.57 million) from write-ups on investments, shares in affiliated companies and securities treated as fixed assets. The income results exclusively from bond sales of fixed assets.

FINANCIAL POSITION

The refinancing structure of Akbank AG underwent some significant changes in the 2018 financial year. The following table does not take into account the cash collateral received by the Bank as collateral for customer receivables.

Refinancing structure	2018	2017
Equity	17.7%	14.2%
Borrowed Capital	82.3%	85.8%
Corporate Clients	40.8%	51.7%
Private Clients	29.0%	17.0%
Banks	12.3%	16.7%
Other	0.2%	0.4%
Balance Sheet Total	100.0%	100.0%

The equity ratio rose from 14.2% to 17.7% due to the retention of net profit in 2017 and the lower balance sheet total in 2018.

In the private customer segment, Akbank AG in Germany also offers attractive deposit interest rates in the low-interest phase. In addition, the Bank also offers interesting investment opportunities to private customers from Turkey. The private customer ratio therefore rose from 17.0% to 29.0% over the course of 2018.

Deposit interest rates for corporate customers are also above the market average. Nevertheless, the deposit ratio fell from 51.7% to 40.8%. On the one hand, this is due to the strong growth in deposits in the private customer segment, which has somewhat reduced the demand for corporate customers and, on the other hand, to the fact that from 1 October 2017, public-sector deposits will no longer be subject to the protection of deposit insurance; and many federal states and municipalities will therefore be forced to invest their own deposits at negative interest rates with institutions that are subject to a different protection scheme.

The decline in bank deposits from 16.7% to 12.3% is primarily because Akbank AG did not renew a syndicated loan of EUR 173.5 million in 2018.

Akbank AG is a member of the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.) in Cologne, through which liabilities to non-banks are hedged up to a deposit of 20% of the liable equityof the bank in accordance with § 6 of the Statute of the Deposit Guarantee Fund. This membership, which guarantees customers high security for their investment, has always enabled the Bank to increase the portfolio of customer deposits in the short term and to adjust liquidity to the respective refinancing requirements without delay.

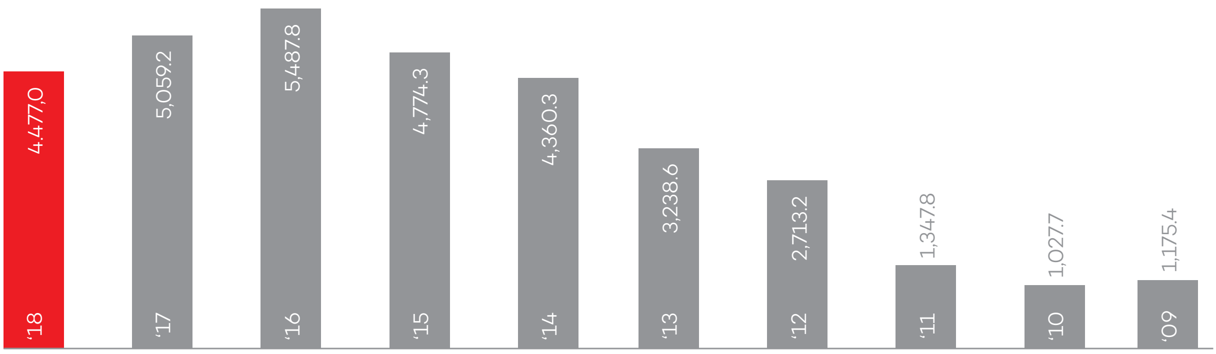
The solvency of Akbank AG was guaranteed at all times in the year under review. The minimum reserve obligations to Deutsche Bundesbank were complied with, as was the liquidity principle under LiqV.

ASSETS POSITION

Total assets amounted to EUR 4,476.97 million as of 31 December 2018 and were thus 11.5% lower than in the previous year (EUR 5,059.25 million). The decline is primarily due to the Bank's prudent lending policy to minimise the risks arising from political and economic uncertainties in Turkey. This conservative business approach led to a reduction of EUR 297.14 million in loans and advances to banks, EUR 89.06 million in loans and advances to customers and EUR 106.37 million in bonds and other fixed-income securities.

The original growth target of 10-13% for the balance sheet total in 2018 was therefore not achieved.

DEVELOPMENT OF TOTAL ASSETS IN THE 10 - YEAR OVERVIEW MILLION EUR



The balance sheet total for the years 2009 to 2018 developed as follows:

The cash reserve decreased from EUR 335.88 million in 2017 to EUR 254.42 million in 2018.

At the same time, loans and advances to banks decreased from EUR 697.12 million in 2017 to EUR 399.98 million in 2018.

Loans and advances to customers decreased in the same period from EUR 3,522.82 million to EUR 3,433.76 million. They account for 76.7% of the balance sheet total (previous year: 69.6%).

All bonds and other fixed-income securities, amounting to EUR 343.33 million (previous year: EUR 449.68 million), are allocated to the investment portfolio under commercial law.

Intangible assets and property and equipment of EUR 1.05 million increased from EUR 0.65 million in the previous year due to IT investments.

Other assets amounting to EUR 43.05 million (previous year: EUR 50.18 million) mainly relate to swap receivables and receivables from forward transactions amounting to EUR 35.45 million (previous year: EUR 47.76 million) from currency- hedging of the foreign currency items included in different balance sheet items. In addition, there are refund claims after value adjustments of EUR 1.79 million (previous year: EUR 1.79 million) against the Dutch central bank, De Nederlandsche Bank (DNB), which acts as administrator of the Dutch DSB Bank N.V., which became insolvent in 2009. Other assets also include corporate income tax and trade tax receivables of EUR 5.28 million (previous year: corporate income tax and trade tax provisions of EUR 11.57 million) and sales tax receivables of EUR 0.37 million (previous year: EUR 0.31 million).

Prepaid expenses of EUR 1.39 million (previous year: EUR 2.36 million) include EUR 0.14 million (previous year: EUR 0.60 million) in deferred advance fees from the lending business.

At the balance sheet date, liabilities to banks amounted to EUR 466.14 million (previous year: EUR 742.83 million) or 10.4% (previous year: 14.7%) of total assets. This amount includes German Central Bank refinancing of EUR 108.74 million (previous year: EUR 140.45 million), refinancing through repo transactions of EUR 81.00 million (previous year: EUR 208.44 million) and liabilities from margin calls of EUR 46.55 million (previous year: EUR 37.31 million). The prior-year amount also included syndicated liabilities of EUR 173.5 million.

Liabilities to customers amount to EUR 3,333.80 million (previous year: EUR 3,668.41 million). This corresponds to 74.5% (previous year: 72.5%) of the balance sheet total. Of the liabilities to customers, EUR 1,099.98 million (previous year: EUR 753.47 million) relate to deposit business with private customers and EUR 2,226.25 million (previous year: EUR 2,914.94 million) to deposit business with corporate customers; these mainly include municipalities, social insurance institutions, public corporations and companies.

Other liabilities, deferred income and other provisions increased from EUR 3.97 million in 2017 to EUR 6.87 million in 2018.

Deferred tax liabilities of EUR 0.51 million (previous year: deferred tax assets of EUR 0.56 million) were recognized in 2018.

Equity rose from EUR 632.47 million in 2017 (12.5% of total assets) to EUR 669.64 million at the 2018 reporting date (15.0% of total assets), an increase of EUR 37.17 million from the net profit for the 2018 financial year (12.5% of total assets).

Contingent liabilities amount to EUR 27.86 million (previous year: EUR 29.14 million) and mainly result from guarantees and indemnity agreements.

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2018

The amount of irrevocable loan commitments decreased from EUR 98.51 million to EUR 0.13 million in the year under review, as a material commitment was not extended.

IMPORTANT BALANCE SHEET ANALYTICAL INDICATORS

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

Key figures	2018	2017	2016
Average equity ratio (excluding cash-secured loans)[1]	16.02%	14.28%	15.27%
Total capital ratio[2] as of balance sheet date	17.54%	14.07%	12.60%
Profit after tax as a percentage of average equity (ROAE)[3]	5.68%	8.73%	8.67%
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) (excluding cash-secured loans)[4]	1.05%	1.17%	1.31%
Interest margin (excluding cash-secured loans)[5]	1.84%	1.85%	1.94%
Cost-income ratio (CIR)[6]	16.63%	13.17%	12.17%
Credit default rate[7]	0.00%	0.00%	0.00%

[1] The average equity ratio is the quotient of the average end-of-month equity of 2018 divided by the average end-of-month balance sheet total less the cash-secured loans of 2018.
[2] The regulatory total capital ratio of own funds, 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.
[3] Profit after tax as a percentage of average equity (ROAE) is calculated as the HGB profit for 2018 after tax divided by average equity at the end of 2018.
[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 2018 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 2018.
[5] The interest margin is calculated as the net interest result for 2018 excluding the net interest on the cash-secured loans divided by the average end-of-month balance sheet total less the cash-secured loans for 2018.
[6] The cost-income ratio (CIR) is the ratio of operating expenses to operating income. In detail, the margin is calculated as the sum of administrative expenses and depreciation divided by the sum of net interest income, net commission income, other net income and income from the 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 15 years.

OVERALL ASSESSMENT OF EARNINGS, FINANCIAL POSITION AND NET ASSETS

Despite the slight decline in lending to Turkish credit customers, Akbank AG's earnings have developed positively and, thanks to the Bank's conservative risk policy, are unaffected by loan defaults 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 position fully complies with regulatory and operational requirements.

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

RISK REPORT

The overall bank management of Akbank AG focuses on achieving growth and value enhancement with risks controlled at all times. All strategic and operational measures are subject to careful consideration of opportunities and risks. These are reassessed at regular intervals, taking into account current market and corporate developments as well as the regulatory framework. Targets set by shareholders and the requirements and regulations of banking supervision and the German Deposit Protection Association are also taken into consideration.

Organization of risk management
Akbank AG considers clearly defined tasks and responsibilities, which are documented in written regulations, to be an essential prerequisite for successful risk management and effective risk control. The risks associated with transactions entered into are controlled by the overall Managing Board. To support entrepreneurial decision-making, the Managing Board discusses current issues relating to the business and risk situation in various internal committees. At the supervisory level, the Audit Committee (AC), the Risk Committee (RC), the Credit Committee (CC) and the HR Committee (HRC), and at the management level, the Asset and Liability Committee (ALCO), the internal Credit Committee (iCC) and the internal Risk Committee (iRC), are the various committees in which the relevant information is prepared and discussed.

The separation of functions between front office and back office is ensured from an organisational point of view. The market-independent Risk Management, Credit, Accounting & Reporting and Operations Departments perform risk control. The Supervisory Board monitors and advises the Managing Board within the framework of the legal and statutory requirements and with the help of the AC and the RC, thus ensuring that the management of Akbank AG is carried out within the framework of the business and risk strategy and the regulatory regulations.

The Internal Audit Department of Akbank AG reviews the Bank's risk management on an annual basis. The audit for 2018 did not reveal any significant objections.

Risk-bearing capacity, risk limits and risk parameters
Akbank AG's business model, which essentially focuses on financing large corporate customers, involves the risk of loan defaults, which can have a negative impact on the Bank's assets, earnings and liquidity position. This type of potential loss must be constantly covered by sufficient capital resources in order to ensure the Bank's ability to continue as a going concern.

The Bank's overall risk results from the sum of individual decisions and business transactions subject to risk. Therefore, from both an economic and a regulatory perspective, the Bank must ensure, based on its overall risk profile, that the material risks can be continuously covered by the risk coverage potential.

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

In order to maintain risk-bearing capacity, guidelines are assigned to the individual risk types. These serve to monitor risks so that any risks that arise do not exceed the available cover funds. At the same time, the sum of all risks may not exceed the risk cover amount in relation to the sum of all benchmarks. Risk quantification does not currently take into account the risk-reducing effects of correlations between different risk types.

The limits and parameters relevant for the monitoring and control of risks, as well as the control mechanisms for compliance with them, are defined in the risk strategy.

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

When assessing individual borrower risks, the primary risks analysed and quantified are those which could lead to loan defaults as a result of credit rating deterioration and thus negatively impact the income statement.

Another key control feature for borrower risks are the provisions for limiting potential risks, taking into account the granularity of the loan portfolio (cluster risks) and size classes.

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

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

Limits with regard to default probabilities, concentrations of creditors, countries, and industries are used as additional quantitative control elements.

Adequate collateralisation of the credit exposure, where necessary, is another instrument for risk mitigation.

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

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2018

External sources of information are also used in the review and monitoring of risks and in reporting (e.g., reports on the classification of borrowers according to various criteria such as rating, default rate, country or sector).

The functional separation between the market units (Corporate Clients, Private Clients and Treasury) and the back office units (credit risk management, risk control and payment transactions) 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.

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

In the year under review, the Bank's own assessment of country risks for Turkey was below the permissible maximum ranges of the Federal Central Tax Office. Country value adjustments increased by a total of EUR 12.92 million to EUR 65.14 million in the year under review (previous year: EUR 52.22 million). In this total, the country value adjustment for Turkey is the largest single item, at EUR 64.65 million (previous year: EUR 51.30 million).

To calculate the country risk for Turkey, it is decisive that Akbank AG - as a subsidiary of Akbank T.A.Ş., one of the leading banks in Turkey - is in a position to identify developments in the Turkish market and emerging crises at an early stage, and can take appropriate and timely management measures if necessary.

As part of its risk inventory, the Bank has identified further risk types and sub-risks in addition to counterparty default risks, and analysed them with regard to their relevance to the net assets, earnings and liquidity. These risks and the associated measures for prevention and control are described 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, in order to safeguard market opportunities, there is an option to enter into market price risks to a limited extent and within the framework of defined parameters.

The development of open foreign currency positions in 2018 was as follows:

in TEUR	31.12.2017	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Short Position	84	182	46	106	550
Long Position	24	22	108	47	184

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

Interest rate risks (interest margin risks)
Interest rate risks with regard to credit assets and the securities portfolio are avoided or reduced by refinancing maturities largely corresponding to the liabilities side or by interest rate hedging instruments. The remaining interest rate risk is subject to permanent monitoring and may not exceed certain internal risk parameters specified by the Management Board and Supervisory Board.

In addition to the requirements of the BaFin Circular 9/2018, interest rate risks in the banking book are examined daily using an internal model (stress tests) for a spontaneous change in the yield curve of +200 bps for hard currencies and +600 bps for soft currencies (interest rate shock) and a change in the spreads for transactions dependent on Turkey of +200 bps (spread shock). Even in such a simulated stress scenario, the market value of equity should not change by more than ± 20%.

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

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

No limits were exceeded during the 2018 financial year.

The development of interest rate risk in relation to the BaFin Circular 9/2018 was as follows:

	4Q2017	1Q2018	2Q2018	3Q2018	4Q2018
Interest book value in TEUR	959,158	1,005,003	920,864	892,352	809,457
Interest coefficient for interest rate increase in (%)	-0.43%	0.09%	-0.03%	-0.64%	0.11%
Interest rate coefficient for interest rate reduction in (%)	1.41%	0.62%	0.81%	0.28%	-0.14%

The Treasury Department regularly hedges open interest rate positions.

Concentration risks
Akbank AG manages concentration risks by defining various criteria as part of the risk-bearing capacity concept, in addition to the provisions of the German Banking Act (KWG) limiting large exposures, loans in the millions and loans to governing bodies (sections 13-15; 19 (2)), the provisions of the GroMiKV and the provisions of the CRR (Articles 387-403), which proscribe specific 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 Recognised procedures and methods (Herfindahl index) are used to assess concentration risks with regard to risk-bearing capacity.

Liquidity risks
Liquidity risks include sub-risks such as 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 andinternal parameters is based on specifically developed instruments.

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2018

Supported by its membership in the Deposit Protection Fund of the Association of German Banks, the Bank is in a position to acquire high-volume customer deposits in the short term by making use of the services of various brokers who negotiate investments on behalf of potential investors. In the past, this ensured an adequate supply of liquidity at all times.

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

The portion of the Bank's loan or securities portfolio that meets the lending requirements of the Deutsche Bundesbank or the ECB is used to hedge the daily drawdown of Bundesbank funds or to participate in open market operations of the Bundesbank.

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

In principle, it is also possible to sell part of the securities portfolio and selected (usually syndicated) loans at short notice via the secondary market to external or related investors (e.g., Akbank T.A.Ş.) in order to cover any cash shortages.

As a security measure, the Bank has prepared a contingency plan for cash shortages and monitors liquidity using the following parameters, among others.

- Liquidity ratio according to LiqV;
- Internal bank stress test of cash inflows and outflows, taking into account forward risks, refinancing risks, call-off risks and default risks;
- Ratio of cash reserves to total assets;
- Ratio of overnight money accounts to total customer deposits;
- LCRDR and NSFR according to Basel III;
- Ratio of reserves, free lines at Deutsche Bundesbank and free limits at Akbank T.A.Ş. to total deposits (excluding cash collateral and liabilities to Akbank T.A.Ş.).

Based on the current business model, the liquidity measurement and control procedures implemented are considered appropriate. Maturity transformation is carried out only to a limited extent.

As part of its liquidity management, the Bank operates systematic and balanced liquidity provision, strictly adhering to the Liquidity Coverage Ratio (LCR). The minimum LCR quota for 2018 of 100.0% set by the European Union within the framework of the Delegated Ordinance was clearly exceeded at all time during the year under review.

LCR quotas in %	31.12.2017	31.03.2018	30.06.2018	30.09.2018	31.12.2018
	489.30	640.22	396.09	240.77	280.47

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

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

Backup systems are maintained for key hardware and software, to limit operating risks. In order to ensure security in the event of software failure, suitable maintenance agreements are concluded with external IT support providers, as well as with IT support providers belonging to the Akbank Group, who can be called upon if necessary.

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

In addition to the physical infrastructure (particularly the hardware), the system architecture (e.g., multi-tier server structure, software) is of vital importance for Akbank AG. Both are usually redundant or modular in design in order to ensure a high availability of all necessary systems or components at all times. External service providers (e.g., Bank-Verlag) and their contingency plans are also taken into account as part of contingency planning for IT.

The availability of the main IT systems, particularly the Flexcube core banking system, remained at a very high average level of 99.9% in the past financial year. In the event of a total system failure, or in the event that the Bank's business premises can no longer be accessed, a Service Level Agreement (SLA) was concluded with a third-party company to enable the Bank, in an emergency, to use the premises and IT systems leased from this third-party company.

After regular consultation with the Supervisory Board, the Management Board ensures that enough and sufficiently qualified personnel are employed to facilitate smooth business operations even during vacation periods and in the event of the unexpected absence of employees.

With regard to personnel risks, Management searches for suitable specialists on the labour market when necessary and endeavours to hire employees who already have some professional experience in the banking business.

Of the Bank's 48 employees at the end of 2018, including the Board of Managing Directors, 16 have worked at the Bank for more than five years, ensuring that key competencies are retained over a long period (previous year: 48 employees including the Board of Managing Directors, 16 of whom had been with the Bank for more than five years).

To avoid or minimise legal risks, the Bank ensures that all legal transactions are conducted based on clear and properly documented agreements. For these purposes, the Bank uses, where possible, standard agreements that are commonly used in the banking business and that are reviewed and recommended by the Cologne-based Bank-Verlag. These forms are constantly updated by Bank-Verlag in accordance with 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 head of department, together with the Executive Board if necessary, determines the extent to which this is necessary. In addition, the Bank provides access to particularly important documents, as interactive PDF documents for secure use, to employees of the Credit Department.

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

Subsequent monitoring and security measures are available, for example:

- Audits by Internal Audit,
- Contingency planning and emergency office,
- System and process documentation (e.g., credit guidelines),
- IT backup systems,
- Job descriptions/representation regulations,
- Incident database

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2018

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

Range	Probability of occurrence	Amount of loss	Risk amount in TEUR
Risk Management	Remedy	Low	500
Financial Coordination	Low	Low	250
Credits	Low	Low	250
Corporate Banking	Low	Low	250
Operations	Low	Low	250
Treasury	Low	Low	250
Private Banking	Low	Low	250
Retail Banking	Remedy	Low	500
IT	Remedy	Remedy	1,000
Compliance	Low	Remedy	500
Sum			4,000

However, when calculating the regulatory total capital ratio, the Bank quantifies operational risks using the basic indicator approach. The risks according to the basic indicator approach as of 31 December 2018 are valued at TEUR 12,397 and are thus far above the self-estimated value.

Other risks
Other risks comprise the strategic risks associated with past and future decisions on the business model, as well as reputational risks that could arise from possible damage to the Bank's reputation due to negative public perception. The management of these risks focuses on aspects of corporate planning, the competitive situation and the positioning of Akbank AG within the Akbank Group. Decisions on the business model are made by the Executive Board with the approval of the Supervisory Board, based on suitable analyses. The processing and preparation of such questions takes place in the responsible departments depending on the subject of the decision and, if necessary, with the support of external consultants.

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

Based on the budgeted figures, the Bank's actual business performance is monitored promptly by means of monthly target/actual comparisons. Earnings and productivity management is the direct responsibility of the Executive Board.

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

Stress tests
The Bank carries out stress tests based both on (macro) scenarios and on the sensitivities of individual risk factors, taking into account all relevant risk types, with Turkey risks playing an important role in accordance with Akbank AG's business focus. The stress tests analyse the effects of exceptional but plausible events on the net assets, financial position and results of operations in order to assess the risk potential of such changes for the Bank's risk-bearing capacity and its ability to take timely control measures, if necessary. In the stress tests carried out in 2018, the risk-bearing capacity was reviewed on a going-concern basis.

In addition, so-called inverse stress tests were implemented to determine risk scenarios, based on the current positioning, that could force the Bank to discontinue its business model. However, the Bank considers the likelihood of these combinations of risk factor changes occurring to be extremely low.

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

Risk assessment
As in previous years, Akbank AG did not record any defaults in 2018, based on a conservative business policy and the conscientious implementation of its principles for the lending business, strict adherence to internal risk parameters, proactive and prudent risk management and the stable economic situation of borrowers. Overall, it should be noted that there were no risks in the year under review that could have jeopardised the Bank's continued existence.

FORECAST

Economic environment
The German GDP is expected to rise by slightly more than 1% in 2019. Capacity utilization in Germany will remain at a high level. The German unemployment rate will continue its secular decline, suggesting that negotiated wages will rise to almost 2018 levels in 2019. The main headwind comes from foreign demand, which has prompted companies to significantly lower their expectations. Even if the trade conflict does not escalate further, world trade is likely to lose further momentum. Since the global investment cycle is lagging behind previous expectations, German exports will be hit hard due to their capital-intensive structure.

It is also expected that key interest rates will not be raised until at least summer 2019, and that full reinvestment in maturing securities will not be completed even after the first interest rate hike.

Growth in the euro area is expected to slow from 2019, as the benefits from the tailwind of the past diminish. Downward risks continue to exist in Italy, from global trading spreads and from Brexit. An extension of the negotiations under Article 50 may prove necessary and the risk of a disorderly Brexit remains; these risks have increased since the summer. The broader populist challenge for the political mainstream of Europe will continue - also in the European Parliament elections in May 2019.

Turkey is expected to show negative growth in at least two quarters in 2019 and thus fall into a technical recession. The currency devaluation, combined with high inflation, will continue to slow consumption. Inflation is expected to remain at around 20% until mid-2019, before falling to an estimated 14% in December 2019. Given the recent announcement by the Central Bank of Turkey that it will maintain a tight stance for as long as necessary, the monetary policy interest rate is expected to remain at least 24% until the second quarter. This should be sufficient to avoid a further depreciation of the currency and to create the conditions for a further improvement in market sentiment. While higher interest rates have stabilised the exchange rate and dampened inflation, they have also led to a sharp decline in credit growth and negative investment growth. In view of the increased write-downs at banks and tougher external financing conditions, credit growth will remain subdued in the short term and thus weigh on both investment and consumer demand.

The Bank sees the following factors as the main risks for the Turkish economy in 2019:

1) that no balance is found between inflation, interest rates and exchange rates,
2) that budgetary discipline will not be upheld,
3) that there are capital outflows due to the monetary policy and the interest rate policy of the USA.

In particular, if points 1 and 2 are not complied with, there is a risk of a slowdown in economic growth, reduced demand for credit and an increased risk of credit default.

Forecast for the Bank
Given the expected debt reduction and stabilisation process in Turkey, the Bank expects Turkey to grow at a slower pace than in previous years. The lower growth is expected to be more export-oriented and less investment- and consumption-oriented.

The Bank plans to participate in this development and anticipates a growing need for credit on the part of many of its customers, particularly in the area of trade finance. In 2019, Akbank AG intends to significantly increase the share of trade and factoring financing compared to working capital financing.

The Bank considers the impact of the volatility of the Turkish currency on its business to be manageable, as it pursues a very prudent lending policy, minimises its open currency positions, and monitors economic 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.

REPORT OF THE MANAGING BOARD FOR BUSINESS YEAR 2018

In its planning, the Bank assumes that the political and economic environment in Turkey will gradually improve in 2019, and therefore expects its balance sheet total to grow by 15% compared to 2018.

In 2019, the Bank will continue to refinance itself mainly through corporate and retail deposits. In order to achieve a balanced deposit base, the Bank plans to further expand its private customer business.

In addition, the portfolio of corporate bonds or borrower's note loans eligible for central banks or repurchase agreements is to further increase in order to use them as part of measures to secure and optimise liquidity (loan-to-value transactions).

The Bank expects the general interest rate level in the euro zone to remain low in the course of 2019. Deposit interest rates will therefore remain low for the Bank, and the Bank's interest margin will increase slightly due to higher interest rates on loans to Turkish customers.

At the end of 2018, the Bank had 48 employees, including the Managing Board, and had originally planned 50 employees. The Bank intends to increase the number of employees to 50 in the 2019 financial year, incurring insignificant cost increases.

In 2019, Akbank AG expects a business result, before country value adjustments and taxes, that will develop in line with the balance sheet growth of 15%.

RELATIONS WITH AFFILIATED COMPANIES

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

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

Acknowledgement

The Executive Board would like to take this opportunity to thank all employees for their extraordinary commitment. We are proud of the high level of professional and personal competence, without which the Bank's success would not be possible.

Our thanks also go to our Supervisory Board, which has always constructively accompanied and promoted us in the past year and has always been committed to the employees of Akbank T.A.Ş. Thanks is due in particular to the staff departments and branches, which made a significant contribution to our success.

Frankfurt am Main, 8 March 2019

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, and 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 Çelebioglu	Chairman	30.06.2015	Annual Shareholders' Meeting 2019
Eyüp Engin(**)	Vice-Chairman	01.01.2012	Annual Shareholders' Meeting 2020
Türker Tunali	Member	17.10.2017	Annual Shareholders' Meeting 2020
Burcu Civelek Yüce	Member	21.12.2017	Annual Shareholders' Meeting 2020
Yunus Emre Özben	Member	28.08.2018	Annual Shareholders' Meeting 2020
Şebnem Muratoglu	Member	21.12.2017	Annual Shareholders' Meeting 2019
Ali Batu Karaali (*)	Member	21.12.2017	Annual Shareholders' Meeting 2020

(*) Mr. Ali Batu Karaali resigned from the Supervisory Board on 07.01.2019.

(**) Mr. Eyüp Engin resigned from the Supervisory Board on 16.04.2019.

REPORT OF THE SUPERVISORY BOARD

In 2018 Mr. Hasan Recai Anbarcı and subsequently in 2019 Mr. Ali Batu Karaali and Mr. Eyüp Engin left the Supervisory Board. We would like to thank them for outstanding contribution 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 2018

In 2018, the Supervisory Board held seven 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 2018, the Committee is composed of two members from the Supervisory Board, Mr. Eyüp Engin (Chairman) and Mr. Türker Tunali (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 Tunali (Member), and Ms. Şebnem Muratoglu (Member).

Adoption of Annual Accounts and Dividend

The Managing Board prepared the Bank's financial statements for the year ended on 31 December 2018. 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 2018 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 2018. Additionally, this year's success could not have been achieved without the significant contribution and great dedication of all 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 Tunali (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 Tunali
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 set out 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 - among others - implements the MifID II/MifiR.

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

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

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.

Details on liquidity requirements are 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 – among 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 3 November 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
- Outsourcing and third-party 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 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 in cases 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.

REGULATORY ENVIRONMENT

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

Apart from the statutory protection scheme, deposits of customers are also protected by voluntary deposit protection schemes. Most private banks in Germany participate in the Deposit Protection Fund of the Association of German Banks ("GDPF"). The GDPF is a voluntary scheme aimed at protecting the deposits of banks' customers beyond the protection level provided under the statutory deposit protection scheme. The GDPF is held and administered by the Association of German Banks (Bundesverband deutscher Banken – "BdB"), and is financed by contributions from all participating banks. Currently both corporate and retail depositors are covered up to a level of 20% of the shareholders' equity of the credit institution on an individual basis.

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

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

Within the context of the implementation of the joint EBA and ESMA guideline "Guidelines for complaints-handling for the securities (ESMA) and banking (EBA) sectors" BaFin published two circulars:

- Circular 5/2018 MaComp (Minimum Requirements on Compliance)
- Circular 6/2018 MaBesch (Minimum Requirements on Complaint Management)

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

RISK MANAGEMENT GOVERNANCE

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

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

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

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

The basis for maintenance of an adequate capital endowment – related to Pillar 1 as well as Pillar 2 perspective of CRD IV and CRR - is an integrated part of the "Internal Capital Adequacy Assessment Process" of the Bank. This process aims to stipulate processes and procedures for identifying and monitoring the risks (in business as usual, as well as stress situations) and their coverage with existing capital. The Bank has internally set a higher capital adequacy level (13%) than the regulatory required minimum (10.879%).

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 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 MANAGEMENT GOVERNANCE

RISK GOVERNANCE

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

Supervisory Board

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

Audit Committee

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

The Committee is composed of two members from the Supervisory Board and meets regularly with the Managing Board, representatives from external auditors, internal auditors and the Internal Control & Compliance Department. At these meetings, detailed 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, and 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. Yunus Emre Özben (Chairman), Alper Özsoy (EVP & Member of MB) and Mrs. Banu Ejder Özcan (Member).

Managing Board and its Sub-committees

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

The Managing Board ensures the setting-up of risk management systems that define key policies, and 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.

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, the 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.

RISK MANAGEMENT GOVERNANCE

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

RISK MANAGEMENT

Strategies
1. Business Strategy
2. Risk Strategy

Risk-bearing Capacity (Solvency)

Internal Control Procedures

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

Internal Control Procedures

FINANCIAL STATEMENTS FOR THE BUSINESS YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT

To AKBANK AG, Frankfurt am Main

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

Audit Opinions

We have audited the annual financial statements of AKBANK AG, Frankfurt am Main, which comprise the balance sheet as at December 31, 2018, and the statement of profit and loss for the financial year from 1 January to 31 December 2018, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of AKBANK AG for the financial year from 1 January to 31 December 2018.

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, 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have 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 1 January to 31 December 2018. 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. Provision for possible loan losses

Our presentation of this key audit matters has been structured in each case as follows:

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

Hereinafter we present the key audit matter:

1. Provision for possible loan losses

1 Facts and problems

In the financial statements of AKBANK AG, loans and advances amounting to € 3,834 million (85.6 % of total assets) are reported under the balance sheet items "Loans and advances to customers" and "Loans and advances to banks". As at 31 December 2018, the loan portfolio was subject to a risk provision in the amount of € 65,144 thousand consisting of a country value adjustment. The measurement of risk provisioning in the lending business is determined in particular by the estimates of the legal representatives with regard to future loan defaults, the structure and quality of the loan portfolios and, in particular, macroeconomic influencing factors in various countries. Country value adjustments are formed as general value adjustments for borrowers for whom there is an increased country risk. Existing collateral is taken into account to determine the assessment basis. The value adjustments in the lending business are of great significance for the net assets and results of operations of the Company in terms of amount and also involve considerable discretionary scope on the part of the legal representatives. In addition, the valuation parameters applied, which are subject to significant uncertainties, have a significant influence on the formation and amount of any necessary value adjustments. Against this background, this matter was of particular importance in our audit.

2 Auditing procedure and findings

As part of our audit, we first assessed the appropriateness of the design of the controls in the Company's relevant internal control system and tested the effectiveness of the controls. We have taken into account the business organization, the IT systems and the relevant valuation models. In addition, we assessed the valuation of loans and advances to banks and customers, including the appropriateness of estimated values, on the basis of random samples of credit exposures. Among other things, we assessed the Company's available documents with regard to the economic situation and the value of the corresponding securities. Furthermore, in assessing the country value adjustments made, we have assessed the calculation methods applied by the Bank and the underlying assumptions and parameters, whereby we have focused in particular on the Turkey country value adjustment. On the basis of the audit we performed, we were able to satisfy ourselves overall of the appropriateness of the assumptions made by the legal representatives in the impairment test of the loan portfolio and of the appropriateness and effectiveness of the processes implemented by the Company.

3 Reference to further information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related 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 16th, 2018. We were engaged by the supervisory board on December 18, 2018. We have been the auditor of the AKBANK AG, Frankfurt, 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 (longform audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Frankfurt am Main, March 8, 2019

Fatih Agirman Wirtschaftsprüfer (German Public Auditor)	Benjamin Kunz Wirtschaftsprüfer (German Public Auditor)

AKBANK AG

BALANCE SHEET AS OF DECEMBER 31, 2018 OF AKBANK AG, FRANKFURT AM MAIN

ASSETS

		EUR	31.12.2018 EUR	31.12.2017 TEUR
1. Cash Reserve				
a) Cash on hand		4.944,04		2
b) Balances at central banks		254.418.469,53		335.874
thereof: at Deutsche Bundesbank			254.423.413,57	335.876
EUR	254.418.469,53			
	(Prior Year: TEUR 335.874)			
2. Loans and advances to banks				
a) Payable on demand		9.493.360,38		3.756
b) Other loans and advances		390.487.826,72		693.361
			399.981.187,10	697.117
3. Loans and advances to customers			3.433.756.154,05	3.522.823
thereof: secured by				
property charges EUR	0,00			
	(Prior Year: TEUR 0)			
Municipal loans EUR	0,00			
	(Prior Year: TEUR 0)			
4. Debentures and other fixed-interest securities				
Bonds and debentures				
a) from public sector		41.715.137,51		42.642
thereof: eligible as collateral at Deutsche Bundesbank				
EUR	41.715.137,51			
	(Prior Year: TEUR 42.642)			
b) from other issuers		301.611.116,63		407.040
thereof: eligible as collateral at Deutsche Bundesbank				
EUR	30.221.198,74			
	(Prior Year: TEUR 154.788)			
			343.326.254,14	449.682
5. Intangible assets			925.445,32	460
Purchased concessions, industrial rights and assets, and licences in such rights and assets				
6. Property and equipment			120.429,33	191
7. Other assets			43.050.734,70	50.182
8. Prepaid expenses			1.390.043,57	2.361
9. Deferred taxes			0,00	557
Total Assets			**4.476.973.661,78**	**5.059.249**

AKBANK AG

BALANCE SHEET AS OF DECEMBER 31, 2018 OF AKBANK AG, FRANKFURT AM MAIN

LIABILITIES

	EUR	31.12.2018 EUR	31.12.2017 TEUR
1. Liabilities to banks			
a) Payable on demand	1.971.406,95		1.826
b) with an agreed term or period of notice	464.172.466,41		741.004
		466.143.873,36	742.830
2. Liabilities to customers			
Other liabilities			
a) Payable on demand	499.102.983,78		448.248
b) with an agreed term or period of notice	2.834.693.751,27		3.220.158
		3.333.796.735,05	3.668.406
3. Other liabilities		731.945,79	1.032
4. Deferred income		4.153.242,88	1.349
5. Deferred Tax Provisions		514.000,00	0
6. Provisions			
a) Tax provisions	0,00		11.568
b) Other provisions	1.989.251,40		1.589
		1.989.251,40	13.157
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	274.221.593,19		221.330
d) Profit available for distribution	37.169.943,76		52.892
		669.644.613,30	632.475
Total Liabilities and Shareholders' Equity		**4.476.973.661,78**	**5.059.249**

	EUR	TEUR
1. Contingent liabilities		
Liabilities from guarantees and warranty agreements	27.861.620,64	29.141
2. Other obligations		
Irrevocable loan commitments	133.217,15	98.509

AKBANK AG

INCOME STATEMENT FROM JANUARY 1 TO DECEMBER 31, 2018 OF AKBANK AG, FRANKFURT AM MAIN

				31.12.2017
	EUR	EUR	EUR	TEUR
1. Interest income from				
a) Lending and money market business	154.006.846,40			141.926
b) Fixed-interest securities and government-inscribed debt	10.959.383,25			13.727
		164.966.229,65		155.653
2. Interest expenses		85.002.884,13		71.666
			79.963.345,52	83.987
3. Commission income		3.038.248,78		5.503
4. Commission expenses		740.033,12		1.073
			2.298.215,66	4.430
5. Other operating income			147.207,08	1.332
6. General and administrative expenses				
a) Personnel expenses				
aa) wages and salaries	4.995.117,77			4.299
ab) social security and other pension costs thereof: for old age pensions EUR 111.647,39 (previous year: TEUR 99)	679.069,77	5.674.187,54		608
b) Other administrative expenses		7.665.186,27		6.920
			13.339.373,81	11.827
7. Write-downs and adjustments to intangible assets and property, plant and equipment			368.585,85	238
8. Other operating expenses			722,00	42
9. Write-downs and allowances on loans and advances and certain securities and allocations to provisions for possible loan losses			12.925.791,61	393
10. Income from write-ups on participations, interests in affiliated companies and investment securities			16.339,95	1.570
11. Result from ordinary activities			55.790.634,94	78.819
12. Income taxes				
a) Tax expenses		17.549.691,18		36.895
b) Income from change of deferred taxes		0,00		10.968
c) Expenses from change of deferred taxes		1.071.000,00		0
			18.620.691,18	25.927
13. Net result for the year/ Profit available for distribution			**37.169.943,76**	**52.892**

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

1. General Information

Legal form

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

Associate

The sole shareholder of AKBANK AG, Frankfurt am Main, in the 2018 financial year is Akbank T.A.S., Istanbul, Turkey.

Memberships

AKBANK AG is a member of various banking associations and organisations. It is a member of the Bundesverband deutscher Banken e.V. and its Deposit Protection Fund. It is also a member of the Bankenverband Hessen e.V., the Association of Foreign Banks in Germany, the Auditing Associa-tion of German Banks e.V. and the Vereinigung für Bankbetriebsorganisation e.V. (Association for Bank Operation Organisation).

2. Accounting, valuation and translation methods of AKBANK AG for the financial year from 1 January to 31 December 2018

The annual financial statements of AKBANK AG for the financial year from 1 January to 31 December 2018 were prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act. In addition to the general valuation regulations of §§ 252 ff. HGB, the supplementary provisions for credit institutions in §§ 340 ff. of the German Commercial Code (HGB) also apply.

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

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

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

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

a) Individual value adjustments are made when defined criteria are met, taking into account existing collateral.
b) General value adjustments are calculated on the basis of historical default data.
c) Country risks exist for receivables in which borrowers are domiciled in countries with lower credit ratings. They include all risks from lending business whose causes arise from the economic, social or political environment of a particular country. In detail, they include country-specific economic risks, sovereign default risks, transfer risks, risks from financial crises, legal risks and socio-political risks.As in the previous year, the method used to determine the maximum permissible country risk provision in accordance with the draft of the BMF letter (IV C6 - S2174/0) from 2009 was applied as of the balance sheet date. In general, the resulting recommendations of the Federal Central Tax Office are taken into account as maximum permissible value adjustments. This means that the actual value adjustment rates may also be below the maximum ranges recommended for tax purposes.

Country value adjustments are made whenever a country risk exists with respect to a borrower and no defined collateral exists. Transactions are allocated to a specific country risk according to the risk domicile principle, which means they are generally allocated according to the borrower's country of domicile. If the transfer risk is lower according to the motherland principle (domicile of the parent company) than according to the domicile principle, and if the parent company is jointly liable, the transfer risk is allocated to the motherland. If there is a risk liability or other security from a third country whose transfer risk is lower than according to the country of domicile principle, the procedure is analogous to the mother country principle.

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

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

In the year under review, the Bank's own assessment of country risks was below the maximum permissible ranges of the Federal Central Tax Office.

Bonds and notes held as fixed assets are accounted for on the basis of the diluted lower of cost or market principle. The difference between the higher acquisition cost and the nominal value is distributed pro rata temporise over the remaining term of the bonds.

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

Intangible assets and property, plant and equipment are carried at cost less scheduled depreciation in accordance with tax regulations. The useful life is between 3 and 13 years. In the case of permanent impairments, unscheduled write-downs are made to the lower fair value. Low-value assets are written off in full in the year of acquisition. In accordance with Section 6 (2a) EStG, fixed assets with an acquisition value of EUR 150 to EUR 1,000 are allocated to an annual collective item and depreciated on a straight-line basis over 5 years.

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

If there are differences between the carrying amounts of assets, liabilities and prepaid expenses under commercial law and their tax base which are expected to be reduced in subsequent financial years, the resulting tax relief is recognised as deferred tax assets in the balance sheet. Any resulting overall tax burden is recognised by the Bank as a deferred tax liability in the balance sheet. When calculating deferred tax assets, tax loss carry forwards must be taken into account 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 company tax rates at the time the differences are reduced and are not discounted. The items shown must be reversed as soon as the tax burden or relief arises or is no longer expected to arise. The expense or income from changes in deferred taxes recognized in the balance sheet is shown separately in the income statement under the item "Taxes on income".

Liabilities are stated at settlement amounts plus accrued interest.

Provisions for tax liabilities are recognised at the expected payment amount. The payment amount is measured on the basis of the expected tax liability on the balance sheet date less the tax prepayments made. The calculation includes unpaid taxes from current and prior periods.

Other provisions take into account all identifiable risks and contingent liabilities as well as impending losses from pending transactions and are stated at the settlement amount required in accordance with prudent business judgment.

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

The currency assets and liabilities (including accrued interest) included in the individual items are valued at the reference rates of the European Central Bank (ECB) applicable on 31 December 2018.

The outstanding foreign exchange swaps are also valued at the reference rates of the ECB as at 31 December 2018. Unrealised gains from currency swaps for which there is special cover in accordance with § 340h HGB are capitalised and shown under other assets. A special cover exists if a special relationship is established between assets and liabilities in the same currency or if forward exchange transactions are concluded as special hedging transactions for assets or liabilities denominated in foreign currencies as part of currency position management.

Insofar as special cover exists, expenses and income from currency translation are netted and recognised in the income statement.

The forward rates are split into the two elements spot rate and swap rate and these are taken into account separately in results analysis. The agreed swap amounts are deferred pro rata temporis. Changes in spot rates are determined in the context of currency translation by comparing 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 transactions 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 within the framework 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 benefit obligations as a whole, including future administrative expenses, is offset by a sufficiently high counter-performance claim, taking into account appropriate risk provisioning. If the entire interest position in the banking book results in a surplus of obligations, the principle of prudence under commercial law is taken into account by forming a provision in accordance with section 249 (1) sentence 1 no. 2 of the HGB (provision for impending losses). There was no need for a provision for onerous contracts at the balance sheet date.

3. Notes to the balance sheet and income statement

BALANCE SHEET

Preliminary remark

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

Cash reserve

At the balance sheet date, the Bank held cash reserves of TEUR 254,423 (previous year: TEUR 335,876). Of this amount, TEUR 254,418 (previous year: TEUR 335,874) related to credit balances with the Deutsche Bundesbank and TEUR 5 (previous year: TEUR 2) to euro cash at the post office.

Loans and advances to banks

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

	31.12.2018 TEUR	31.12.2017 TEUR
Payable on demand	9.493	3.756
Remaining term		
- up to three months	62.469	151.915
- more than three months and up to one year	308.173	501.043
- more than one year and up to five years	19.621	40.178
- more than five years	225	225
	399.981	**697.117**

The value adjustment for country risks of receivables from banks amounts to TEUR 400 (previous year: TEUR 300).

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

Loans and advances to customers

Loans and advances to customers break down as follows, broken down by residual term:

	31.12.2018 TEUR	31.12.2017 TEUR
Payable on demand	1.298	9.210
Remaining term		
- up to three months	538.840	540.095
- from three months to one year	1.272.597	416.550
- more than one year and up to five years	1.606.953	2.355.942
- more than five years	14.068	201.026
	3.443.756	**3.522.823**

There are no specific valuation adjustments or general valuation adjustments to cover the latent default risk (previous year: TEUR 0).

The value adjustment for country risks of receivables from customers amounts to TEUR 64,744 (previous year: TEUR 51,918).

As collateral for receivables from customers amounting to TEUR 684,755 (previous year: TEUR 614,016), customer credit balances amounting to TEUR 684,755 (previous year: TEUR 614,016) were pledged as of the balance sheet date.

Bonds and other fixed-income securities

Bonds and other fixed-income securities with a carrying amount of TEUR 343,326 (previous year: TEUR 449,682) are all listed on the stock exchange as of 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 statement of changes in fixed assets (Appendix I to the Notes).

There are hidden reserves of TEUR 649 (previous year: TEUR 3,384) for bonds and other fixed-income securities with a carrying amount of TEUR 72,346 (previous year: TEUR 330,976), and hidden charges of TEUR 17,351 (previous year: TEUR 1,175) for bonds and other fixed-income securities with a carrying amount of TEUR 270,980 (previous year: TEUR 118,706). In view of the fact that the bonds are classified as fixed assets and that the lower market values were not due to expected permanent impairments, but only to normal market volatility, the Bank did not write down the lower market values in the case of hidden charges.

Bonds and other fixed-income securities in the amount of TEUR 47,920 (previous year TEUR 134,145) will mature in fiscal year 2019.

The book value of assets sold under repurchase agreements in accordance with § 340b HGB amounted to TEUR 107,752 (previous year: TEUR 252,252) as of the balance sheet date, including accrued interest.

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

	31.12.2018	31.12.2017	31.12.2016
Debt securities and fixed-interest securities eligible as collateral at the Central Bank		**(in %)**	
AA+ and AA	57,99	21,60	16,32
A+ and A-	0	0	20,79
BBB+, BBB and BBB-	42,01	78,40	62,89
BB+, BB and BB-	0	0	0
B+; B and B-	0	0	0
no rating	0	0	0
	100,00	**100,00**	**100,00**
Debt securities and fixed-income securities not eligible as collateral at the Central Bank		**(in %)**	
AA+ and AA	0	0	0
A+ and A-	15,15	0	0
BBB+, BBB and BBB-	5,59	7,29	6,99
BB+, BB and BB-	18,91	90,54	90,06
B+; B and B-	60,35	2,17	0
no rating	0	0	2,95
	100,00	**100,00**	**100,00**
Bonds and fixed-interest securities Securities - total		**(in %)**	
AA+ and AA	12,16	9,48	5,74
A+ and A-	11,98	0	7,31
BBB+, BBB and BBB-	13,22	38,51	26,64
BB+, BB and BB-	14,95	50,79	58,40
B+; B and B-	47,69	1,22	0
no rating	0	0	1,91
	100,00	**100,00**	**100,00**

Intangible assets

In the year under review, intangible assets (EDP standard software) amounting to TEUR 925 (previous year: TEUR 460) were held. In fiscal year 2018, impairment losses of TEUR 61 (previous year: TEUR 0) had to be recognised.

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

Property, plant and equipment

The classification of property, plant and equipment in the amount of TEUR 120 (previous year: TEUR 191) as of the balance sheet date is shown in the statement of changes in fixed assets (Appendix I to the Notes). In the 2018 financial year, no unscheduled depreciation was required (previous year: TEUR 0).

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

Other assets

Other assets break down as follows:

	31.12.2018 TEUR	31.12.2017 TEUR
Swap receivables and receivables from forward transactions	35.450	47.755
Corporate income tax claim	2.719	0
Trade income tax claim	2.556	0
Reimbursement claims against DNB	1.793	1.793
VAT claim	367	307
Other	166	327
	43.051	**50.182**

Accrued income and prepaid expenses

Prepaid expenses of TEUR 1,390 (previous year: TEUR 2,682) include TEUR 142 (previous year: TEUR 595) deferred advance fees from lending business.

Liabilities towards banks

Liabilities to banks are broken down by residual term as follows:

	31.12.2018 TEUR	31.12.2017 TEUR
Payable on demand	1.971	1.826
Remaining term		
- up to three months	272.406	428.517
- more than three months and up to one year	118.027	238.747
- more than one year and up to five years	73.740	73.740
	466.144	**742.830**

Liabilities towards customers

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

	31.12.2018 TEUR	31.12.2017 TEUR
Payable on demand	499.103	448.248
Remaining term		
- up to three months	632.508	573.810
- from three months to one year	1.200.727	1.016.419
- more than one year and up to five years	912.509	1.495.735
- more than five years	88.950	134.194
	3.333.797	**3.668.406**

Of the liabilities to customers, EUR 1,100.0 million (previous year: EUR 753.5 million) relate to deposit business with private customers and EUR 2,233.8 million (previous year: EUR 2,914.9 million) to deposit business with institutional customers.

Other liabilities

Other liabilities break down as follows:

	31.12.2018	31.12.2017
	TEUR	TEUR
Interest income tax incl. solidarity surcharge	394	314
Trade and other payables	248	581
Wage and church tax	80	105
Commissions	10	32
	732	**1.032**

Accrued expenses and deferred income

Deferred income in the amount of TEUR 4,153 (previous year: TEUR 1,349) was formed exclusively for deferred advance fees from lending business.

Deferred tax liabilities

Deferred tax liabilities in the amount of TEUR 514 (previous year: deferred tax assets in the amount of TEUR 557) serve to offset the tax liability from the temporary difference of TEUR 1,608 (previous year: deferred tax assets of TEUR 1,744) between the tax balance sheet and the commercial balance sheet. The difference results from increased valuations of fixed assets in the commercial balance sheet compared to the tax balance sheet in the amount of TEUR 2,720 (previous year: reduced valuations of fixed assets in the commercial balance sheet compared to the tax balance sheet in the amount of TEUR 631) and from lower provision values in the tax balance sheet compared to the commercial balance sheet in the amount of TEUR 1,112 (previous year: TEUR 1,113).

The calculation of deferred tax assets was based on the Bank's tax rate of 31.9% applicable on the balance sheet date. In the previous year, the deferred tax assets (TEUR 557) included amounts blocked from being distributed as defined by Section 268 (8) of the German Commercial Code (HGB), which were matched by free reserves in the corresponding amount.

Accruals

In the previous year there were tax provisions of TEUR 11,568, of which TEUR 5,730 were for corporation tax and TEUR 5,838 for trade tax. In the year under review, tax refund claims were reported under other assets.

Other provisions break down as follows:

	31.12.2018	31.12.2017
	TEUR	TEUR
Personnel costs	834	642
Rent accrual	401	471
Outstanding invoices	370	135
Audit and tax consultancy costs	164	145
Vacation not taken	123	36
Chamber of industry and commerce	73	108
Other	24	52
	1.989	**1.589**

AKBANK AG
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

Subscribed capital, capital reserves and retained earnings

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

The capital reserve is EUR 158,253,076.35, unchanged from the previous year.

The balance sheet profit for the 2017 financial year of EUR 52,891,667.10 was allocated in full to other revenue reserves in accordance with the resolution of the Annual General Meeting on 16 March 2018.

The profit for the year 2018 amounts to EUR 37,169,943.76.

The Management Board of the Company proposes to transfer the balance sheet profit of EUR 37,169,943.76 to other revenue reserves.

Country value adjustments

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

	31.12.2018 TEUR	31.12.2017 TEUR
Loans and advances to banks	400	300
Loans and advances to customers	64.744	51.918
	65.144	**52.218**

Foreign currency assets and liabilities

The foreign currency items, translated into euros, are broken down as follows by individual balance sheet item:

	31.12.18 TEUR	31.12.17 TEUR
Gross loans and advances to banks	67.323	97.030
Gross loans and advances to customers	1.438.105	1.612.541
Bonds	209.836	246.762
Accrued income and prepaid expenses	27	21
Foreign currency assets	1.715.291	1.956.354
Liabilities to banks	176.296	339.954
Due to customers	963.807	859.000
Other liabilities	97	33
Accrued expenses and deferred income	834	0
Foreign currency liabilities	**1.141.034**	**1.198.987**
Balance	**574.257**	**757.367**

The net foreign currency position as of the balance sheet date amounting to TEUR 574,257 (previous year: TEUR 757,367) is offset by currency hedging transactions amounting to TEUR 574,623 (previous year: TEUR 757,427).

Receivables from and liabilities to affiliated companies

The affiliated companies are divided into two subgroups:

a) Akbank T.A.S., Istanbul, and its subsidiaries (Akbank Group) and
b) 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 FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

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

Affiliated companies - Total	**31.12.2018 TEUR**	**31.12.2017 TEUR**
Loans and advances to banks		
- Payable on demand	126	395
- Other demands	170.889	447.699
Loans and advances to customers	36.029	25.159
Other assets	6.819	12.098
Receivables from affiliated companies	**213.863**	**485.351**
Liabilities to banks		
- Payable on demand	219	136
- With agreed term or period of notice	133.572	0
Due to customers	6	6
Liabilities to affiliated companies	**133.797**	**142**
Balance	**80.066**	**485.209**

Akbank Group	**31.12.2018 TEUR**	**31.12.2017 TEUR**
Loans and advances to banks		
- Payable on demand	126	395
- Other demands	170.889	447.699
Loans and advances to customers	22.027	15.012
Other assets	6.819	12.098
Receivables from affiliated companies	**199.861**	**475.204**
Liabilities to banks		
- Payable on demand	219	136
- With agreed term or period of notice	133.572	0
Due to customers	0	0
Liabilities to affiliated companies	**133.791**	**136**
Balance	**66.070**	**475.068**

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

Sabancı Group	**31.12.2018 TEUR**	**31.12.2017 TEUR**
Loans and advances to banks		
- Payable on demand	0	0
- Other demands	0	0
Loans and advances to customers	14.002	10.147
Other assets	0	0
Receivables from affiliated companies	**14.002**	**10.147**
Liabilities to banks		
- Payable on demand	0	0
- With agreed term or period of notice	0	0
Due to customers	6	6
Liabilities to affiliated companies	6	6
Balance	**13.996**	**10.141**

Contingent liabilities

Contingent liabilities consist of guarantees and letters of credit in the amount of TEUR 27,862 (previous year: TEUR 29,140). There are contingent liabilities of TEUR 6,667 (previous year: TEUR 7,179) to affiliated companies, but none to members of the Bank's Management Board (previous year: TEUR 6). As part of the annual credit risk management reviews of the Bank's loan portfolio, guarantees and letters of credit were also examined for possible default risks. The risk of recourse is considered to be very low due to the good creditworthiness of the customers.

Other commitments

As of the balance sheet date, irrevocable loan commitments in the amount of TEUR 133 (previous year: TEUR 98,509) had not been utilized.

Restraints on disposal

The liabilities to Deutsche Bundesbank are secured by assets with a carrying amount including accrued interest of TEUR 140,337 (previous year: TEUR 171,185).

The book value of securities sold under repurchase agreements with other banks, including accrued interest, amounts to TEUR 107,752 (previous year: TEUR 235,198).

AKBANK AG

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

PROFIT AND LOSS ACCOUNT

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

Interest income and expenses from lending and money market transactions and commission income and expenses are largely attributable to business relationships with customers and banks in Turkey and Germany.

Interest income from lending and money market transactions of TEUR 154,007 (previous year: TEUR 141,926) includes negative interest of TEUR 1,085 (previous year: TEUR 810), of which negative interest of TEUR 1,056 (previous year: TEUR 753) relates to deposits with the German Central Bank.

Other operating income amounted to TEUR 147 (previous year: TEUR 1,332). They mainly include income from the reversal of provisions of TEUR 17 (previous year: TEUR 9), currency gains of TEUR 121 (previous year: TEUR 19) and various expense reimbursements. In the previous year there was additional income of TEUR 1,227 from the reversal of an interest rate swap.

General administrative expenses amounted to TEUR 13,339 in the year under review (previous year: TEUR 11,827). Of this amount, TEUR 5,674 (previous year: TEUR 4,907) relates to personnel expenses and TEUR 7,665 (previous year: TEUR 6,920) to other administrative expenses. The higher additional expenses for other administrative expenses are mainly due to the increase in expenses for the bank levy of TEUR 704 (previous year: plus TEUR 110), irregular audit costs of TEUR 124, increased consulting costs in the IT area of TEUR 101 and the decline in expenses for deposit protection of TEUR 541 (previous year: plus TEUR 336).

The write-downs and value adjustments on receivables and certain securities as well as allocations to provisions in the lending business amounting to TEUR 12,926 (previous year: TEUR 393) are exclusively attributable to allocations to value adjustments on receivables due to country risks, as the country value adjustment rate for Turkey was increased from 3% to 4% in the year under review.

Income from write-ups on investments, shares in affiliated companies and securities treated as fixed assets amounting to TEUR 16 (previous year: TEUR 1,570) resulted from the sale of bonds held as fixed assets.

Total fee of the auditor of the financial statements

		31.12.2018	31.12.2017
		TEUR	TEUR
a)	Audit services	120	101
b)	Other certification services	0	15
c)	Tax consultancy services	0	0
d)	Other services	0	0

The other confirmation services of the previous year relate to the audit in accordance with § 36 WpHG.

Taxes on income and earnings

Income taxes of TEUR 17,550 (previous year: TEUR 36,895) relate to corporate income tax of TEUR 8,693 (previous year: TEUR 18,364) and trade tax of TEUR 8,857 (previous year: TEUR 18,531).

The total amount of expenses from the change in deferred taxes in the amount of TEUR 1,071 (previous year: income of TEUR 10,968) relates to the correction of the tax reduction expens-es booked in the reporting year (previous year: additional tax expenses).

AKBANK AG
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

4. Other information

Breakdown of loans and advances to customers by economic sector

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

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

Economic sector	31.12.2018 in % of	31.12.2017 in % of
Manufacturing industry	38,37	33,19
- Textile industry	10,12	7,26
- Car industry	6,76	6,95
- Chemical company	5,70	4,81
- Metal industry	5,55	5,32
- Food industry	1,26	1,47
- Electrical industry	1,05	0,97
- Other	7,93	6,41
Wholesale and retail trade; repair of motor vehicles and motor-cycles	15,70	8,78
Real estate and housing	15,45	15,14
- Of which secured by cash contributions	15,45	14,42
- Other	0,00	0,72
Professional, scientific and technical activities	7,12	8,68
Transport and warehousing	7,10	7,63
Financial and insurance activities	4,29	9,13
Mining and quarrying	3,19	5,62
Power supply	3,24	4,33
Other	5,54	7,50
	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. Cumulative rental payments until 2024 amount to TEUR 5,746 (previous year: TEUR 6,540).

Derivatives

As of the balance sheet date, there were outstanding currency swaps in the amount of TEUR 403,170 (previous year: TEUR 486,56) and spot transactions in the amount of TEUR 3,308 (previous year: TEUR 811), which serve exclusively to cover currency risks. The fair value of the currency swaps as of the balance sheet date amounts to TEUR 390,520 (previous year: TEUR 476,241), the fair value of the spot transactions to TEUR 3,308 (previous year: TEUR 811).

In order to hedge the general interest rate risk, interest rate swaps with a nominal value of TEUR 30,000 (previous year: TEUR 147,000) were concluded until 2019 at the latest. As of December 31, 2018, the net present value (excluding accrued interest) was negative at TEUR 135 (previous year: minus TEUR 1,168).

In order to simultaneously hedge the interest rate risk and the foreign currency risk, cross currency swaps amounting to TEUR 174,761 (previous year: TEUR 270,054) were concluded until 2023 at the latest. As of December 31, 2018, the positive present value (excluding accrued interest) amounted to TEUR 46,746 (previous year: TEUR 9,283).

As of the balance sheet date, there were currency swaps with affiliated companies amounting to TEUR 157,540 (previous year: TEUR 69,534) and cross currency swaps amounting to TEUR 26,730 (previous year: TEUR 48,830). As in the previous year, there were no interest rate swaps with affiliated companies.

Staff

Including the Managing Board, the average number of employees in 2018 was 49 (previous year: 46). Of the 49 employees, 2 were executives and 47 were salaried employees.

Organs

The members of the Managing Board in the past fiscal year were as follows:

- Kamile Banu Özcan, Frankfurt am Main, Chairwoman of the Managing Board with responsibility for Corporate Banking, Retail Banking and Private Banking (until February 28, 2018), Money and Foreign Exchange Trading and Financial Institutions (until June 30, 2018), Project Management/MIS and Human Resources, IT Security, Internal Audit and Strategic Planning as well as Credit Analysis and Allocation, Credit Operations, Operations, Financial Coordination, Risk Management/Strategy and IT (from July 1, 2018)
- Mr Franz Hakan Elman, Oberliederbach, responsible for Credit Management (Back Office), Operations, Financial Coordination, Risk Management and IT (until 30 June 2018)
- Mr. Alper Özsoy, Oberursel, responsible for Corporate Banking, Private Banking and Retail Banking (from 1 March 2018), Money and Foreign Exchange Trading and Financial Institutions (from 1 July 2018).

The areas to be jointly represented by the entire management board are: money laundering prevention, compliance, legal matters, data protection, corporate auditing, public relations, audits by supervisory authorities and external audit firms.

The company is jointly represented by two members of the Managing Board.

The supervisory board consisted of 7 members in the fiscal year and was composed as follows:

- Herr Levent Celebioglu, Vorsitzender (Executive Vice President Corporate, Investment Banking and Financial Institutions der Akbank T.A.S., Istanbul, Türkei)
- Mr Eyüp Engin, Member Deputy Chairman (Head of Internal Audit of Akbank T.A.S., Istanbul, Turkey)
- Mr. Türker Tunali (Executive Vice President, Chief Financial Officer of Akbank T.A.S., Istanbul, Turkey)
- Mr Hasan Anbarci (Executive Vice President Credit Allocation of Akbank T.A.S., Istanbul, Turkey) until 14 August 2018
- Mr. Yunus Emre Özben (Executive Vice President Credit Underwriting of Akbank T.A.S., Istanbul, Turkey) as of 28 August 2018
- Ms Sebnem Muratoglu (Chief Risk Officer of Akbank T.A.S., Istanbul, Turkey)
- Frau Burcu Civelek Yüce (Executive Vice President Human Resources und Strategy der Akbank T.A.S., Istanbul, Türkei)
- Mr Ali Batu Karaali, (Executive Vice President Treasury of Akbank T.A.S., Istanbul, Turkey) until 7 January 2019

AKBANK AG
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018, FRANKFURT AM MAIN

Remuneration of Board Members

The total remuneration of the Managing Board in the fiscal year amounted to TEUR 886 (previous year: TEUR 756).
The Supervisory Board does not receive any remuneration.

Relations with affiliated companies

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

As of 31 December 2018, 48.9% of Akbank T.A.S. is owned by Haci Ömer Sabanci Holding A.S., Istanbul, its subsidiaries and members of the Sabanci family, and 51.1% is in free float.

Hacı Ömer Sabancı Holding A.S., Istanbul, and its subsidiaries are regarded as affiliated companies of the Company.

In the year under review there were business relationships with various affiliated companies, where by all legal transactions were concluded at conditions that are customary among third parties.

Supplementary report

No significant events or developments of particular significance occurred after the balance sheet date that could have an impact on the annual financial statements for the financial year 2018.

Consolidated financial statement

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

Frankfurt am Main, 08 March 2019

The Managing Board

Kamile Banu Özcan **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 (until 30.06.2018)
Alper Özsoy	Executive Vice President & Member of the Managing Board (as of 01.03.2018)

AKBANK AG - DEPARTMENTS

Name	**Group**
R. Didem Öget	Executive Vice President & CFO – Financial Coordination, Risk Management & Strategy, Operations, Credits
Murat Selamoğlu	Executive Vice President – Treasury & Financial Institutions
Murat Gündoğdu	Senior Vice President – Corporate Banking
Mustafa Korkmaz	Senior Vice President – Treasury & Financial Institutions
Serkan Gür	Senior Vice President – Private & Retail Banking
Gökhan Biber	Senior Vice President- Risk Management, Strategy, AML and Compliance Officer
Osman Yüce	Senior Vice President – Information Technologies
Özgür Öztürk	Senior Vice President – Project Management & Human Resources
Güzin Yalıngök Yıldırım	Senior Vice President – Credits
Mahmut Ayric	Vice President- Operations

HEAD OFFICE

Akbank AG
Taunustor 1
60310 Frankfurt am Main Germany
T: +49 69 29717100
F: +49 69 29717188

www.akbank.de

AKBANK AG