

# Risk Management

## INTRODUCTION

The Sabancı Group experienced another successful year in 2005 in terms of risk management. The Integrated Enterprise Risk Management approach, presented and initiated at the end of 2003, has been systematically improved during 2005. Our companies' successful business results clearly show the level of accomplishment of risk management skills. Our risk management approaches aim to assure that our companies meet their legal liabilities, sustainable growth objectives and target the provision of the maximum attainable value to the shareholders. As important components of our risk management approach, establishment and improvement activities for management and control systems were maintained throughout 2005 as planned.

## RISK MANAGEMENT IN OUR NON-FINANCIAL COMPANIES

Risks encountered by our companies are identified and assessed in line with the Sabancı Holding Risk Model and Management Standards under the responsibility of the related companies' senior management. The probability of occurrence and the possible extent of impact are taken into account while assessing the risks. The possible extent of impact is generally stated in terms of the size of potential effect on operating profit. The related executives and managers have the responsibility of developing and implementing risk management actions required to eliminate, reduce or avoid risks.

Risks encountered and the risk management actions identified to control these risks are systematically monitored. In addition to regular reporting, there are also internal reporting and monitoring systems within the Group for unexpected risks. The Central Risk Management Department functioning within the Holding's organizational structure informs the Board of Directors and the Supervisory Board of Sabancı Holding when necessary.

Within this framework, our efforts will continue in 2006 to improve our Enterprise Risk Management approach to detect critical risks that may significantly affect our Group at an early stage and to establish appropriate management strategies to avoid or reduce these risks.

Overall, our companies successfully managed expected or unexpected risks that arose in 2005. Our main business strategies were established and implemented according to pre-determined Risk/Return profiles at all industries we were operating. A similar approach will be pursued in 2006 without any compromises.

## Our companies' successful business results clearly show the level of accomplishment of risk management skills

### RISK MANAGEMENT IN OUR FINANCIAL SERVICES COMPANIES

2005 was a successful year in terms of risk management for our financial services companies which constitute a substantial part of our business portfolio. The risk management strategy which is conservative, yet based on exploiting reasonable opportunities in a timely manner, has been successfully implemented. Akbank has achieved considerable improvements in risk management and Basel II compliance.

Akbank Risk Management Group's main objectives are to form a risk management system totally in line with Basel II regulations and to be the bank with the best risk management practices within the emerging countries. Our goal is to establish and continuously improve the most appropriate systems in managing credit, market and operational risks.

The basic characteristics of the risk management philosophy that differentiates Akbank from other financial institutions are:

- To detect at an early stage, manage and monitor market, credit, operational and other banking-related risk in a proactive manner and to appropriately allocate capital among business units,
- To establish a risk management system as an independent structure separate from business units,
- To report all risks,
- To be open to learning and change in order to cope with new market conditions,
- To provide the highest value to shareholders, clients and employees,
- To be financially sound and reliable, establishing long-term business relationships with our shareholders and clients with the help of our long-term commitment to delivering the best, and
- To comply with Basel II regulations and other international guiding principles.

Our conservative approach toward risk is also in line with our long-term banking strategies. A substantial part of the risk management work is handled by various sophisticated models for market, credit, operational and asset/liability risks. These models are Basel II compliant and have been developed and/or validated by leading consulting companies.