#### IMPORTANT NOTICE

Dear Sirs

Proposed offering of U.S.\$205,000,000 Tier 1 Capital Certificates (the "Certificates") issued by Bereket One Ltd. (the "Trustee").

The Trustee and Albaraka Türk Katılım Bankası A.Ş. ("Albaraka" or the "Bank") are proposing to undertake an offering (the "Offer") of the Certificates on the terms set out in a prospectus dated 13 February 2018 (the "Prospectus") which is being sent to you with this letter. This letter contains important information relating to restrictions with respect to the offer and sale of the Certificates (including pursuant to the PI Rules (as defined below) to retail investors).

#### Restrictions on marketing and sales of the Certificates to retail investors

The Certificates are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Certificates to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "FCA") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "PI Instrument").

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "PI Rules"): (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Certificates, must not be sold to retail clients in the EEA (as defined in the PI Rules) and (ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or any beneficial interests in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

Standard Chartered Bank and the other managers (and/or their affiliates) (the "Managers") are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Certificates (or a beneficial interest in such Certificates) from the Trustee, the Bank and/or the Managers, you represent, warrant, agree with and undertake to the Trustee, the Bank and each of the Managers that:

- (a) you are not a retail client in the EEA (as defined in the PI Rules);
- (b) whether or not you are subject to the PI Rules, you will not:
  - (i) sell or offer the Certificates (or any beneficial interests therein) to retail clients in the EEA; or
  - communicate (including the distribution of this Prospectus) or approve any invitation or inducement to participate in, acquire or underwrite the Certificates (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than (i) in relation to any sale or offer to sell Certificates (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Certificates (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) you have conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Certificates (or any beneficial interests therein) and is able to bear the potential losses involved in an investment in the Certificates (or any beneficial interests therein) and (b) you have at all times acted in

relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (Directive 2014/65/EU (as amended, "MiFID II")) to the extent it applies to you or, to the extent MiFID II does not apply to you, in a manner which would be in compliance with MiFID II if it were to apply to you; and

(c) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Certificates (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Certificates (or any beneficial interests therein) by investors in any relevant jurisdiction.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Certificates (or any beneficial interests therein), including the PI Rules.

Where you are acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Certificates (or any beneficial interests therein), the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both you as agent and your underlying client(s).

You acknowledge that each of the Trustee, the Bank and the Managers will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth herein and are entitled to rely upon this letter and are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby. This letter is additional to, and shall not replace, the obligations set out in any pre-existing general engagement terms entered into between you and any one of the Managers relating to the matters set out herein.

Capitalised but undefined terms used in this letter shall have the meaning given to them in the Prospectus.

This document is not an offer to sell or an invitation to buy any Certificates.

Your offer or agreement to buy any Certificates will constitute your acceptance of the terms of this letter and your confirmation that the representations and warranties made by you pursuant to this letter are accurate.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law. The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this letter (including a dispute relating to the existence or validity of this letter or any non-contractual obligations arising out of or in connection with this letter) or the consequences of its nullity.

Should you require any further information, please do contact us.

Yours faithfully

### STANDARD CHARTERED BANK

and the other Managers

cc: Albaraka Türk Katılım Bankası A.Ş.

#### IMPORTANT NOTICE

THIS PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.

**IMPORTANT**: You must read the following disclaimer before continuing. The following disclaimer applies to the prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached prospectus (the "**Prospectus**"). In accessing this Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Bereket One Ltd. (the "**Trustee**") or Albaraka Türk Katılım Bankası A.Ş. ("**Albaraka**" or the "**Bank**") as a result of such access.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE JOINT LEAD MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THIS PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 12, ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS PROSPECTUS MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of Your Representation: By accessing this Prospectus you confirm to Arab Banking Corporation (B.S.C.), Emirates NBD Bank PJSC, Noor Bank PJSC, QInvest LLC and Standard Chartered Bank as joint lead managers (together the "Joint Lead Managers"), Albaraka and the Trustee that: (i) you understand and agree to the terms set out herein; (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions; (iii) you consent to delivery by electronic transmission; (iv) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Joint Lead Managers; and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation, *Shari'a*-related or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in this Prospectus.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, Albaraka, the Trustee or any person who controls or is a director, officer, employee or agent of the Joint Lead Managers, Albaraka, the Trustee or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Joint Lead Managers, Albaraka and the Trustee to inform themselves about, and to observe, any such restrictions.



(incorporated as an exempted company with limited liability in the Cayman Islands)

#### U.S.\$205,000,000 Tier 1 Capital Certificates

The U.S.\$205,000,000 Tier 1 Capital Certificates (the "Certificates") of Bereket One Ltd. (in its capacity as issuer and in its capacity as trustee, as applicable, the "Trustee") will be constituted by a declaration of trust (the "Declaration of Trust") dated 20 February 2018 (the "Issue Date") entered into between the Trustee, Albaraka Türk Katılım Bankasi A.Ş. (the "Bank" or "Albaraka") and BNY Mellon Corporate Trustee Services Limited as the delegate of the Trustee (the "Delegate"). The Certificates confer on the holders of the Certificates from time to time (the "Certificateholders") the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "Trust") over the Trust Assets (as defined in the terms and conditions of the Certificates (the "Conditions")) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the Conditions.

If a Non-Viability Event (as defined in the Conditions) occurs, a Non-Viability Event Write-down (as defined in the Conditions), as more particularly described in Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event). In such circumstances, the Certificates shall be cancelled (in the case of a write-down in my whole) or write-down in part on a pro ratus basis (in the case of a write-down in part of the Conditions) and the Certificates shall be cancelled (in the case of a write-down in part of a corresponding portion of the Mudaraba Capital Regulations (as defined in the Conditions) and the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally written-down in the same manner and in the same proportion as the Certificates. If a Trigger Event (as defined in the Conditions) occurs, a Trigger Event Write-down (as defined in the Conditions) shall occur on the Trigger Event Write-down Date, as more particularly described in Condition 12 (Loss Absorption upon the occurrence of a Trigger Event). In such circumstances, the Certificates shall, other than in the case of a Reinstatement as defined in the Conditions (and then only to the extent of such Reinstatement), be written-down in part on a pro-rata basis by the Truste as determined by the Bank in consultation with the Regulator and the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally written-down in the same manner and in the same proportion as the Certificates. See "Risk Factors — Certificateholders' right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be written-down (in whole or in part) upon the occurrence of a Non-Viability Event or in part only upon the occurrence of a Trigger Event"

Periodic Distribution Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 20 February 2023 (the "First Call Date") at a rate of 10.00 per cent. per annum from amounts of Rab-al-Maal Mudaraba Profit (as further described below). If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Call Date, Periodic Distribution Amounts shall be payable from (and including) the First Call Date subject to and in accordance with the Conditions or prior to the First Call Date and every five years thereafter, equal to the Relevant Five Year Reset Rate (as defined in the Conditions) plus a margin of 7.327 per cent per annum. Periodic Distribution Amounts will, if payable pursuant to the Conditions, be payable similar and a present of 20 August 2018. Payments on the Certificates will be made free and clear of and without deduction for, or on account of, taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (as defined in the Conditions) (the "Taxes") to the extent described under Conditions) Shall have paid Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (as applicable) (each as defined in the Conditions) equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement (as defined in the Conditions). Payments of such profit amounts under the Mudaraba Agreement are subject to mandatory cancellation if a Non-Payment Event (as defined in the Conditions) occurs, and payments of Rab-al-Maal Mudaraba Profit are otherwise at the sole discretion of the Bank (as Mudareb). Any Periodic Distribution Amounts not paid as aforesaid will not accumulate and neither the Trustee nor the Certificateholders shall have any claim in respect thereof.

The payment obligations of the Bank under the Mudaraba Agreement (including all payments which are the equivalent of principal and profit) (the "Relevant Obligations") will rank in priority only to all Junior Obligations (as defined in the Conditions), pari passu with all other Pari Passu Obligations (as defined in the Conditions) and junior to all Senior Obligations (as defined in the Conditions).

The Certificates are perpetual securities and have no fixed or final redemption date. Unless the Certificates have previously been redeemed or purchased and cancelled as provided for in the Conditions, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem all but not some only of the Certificates on the First Call Date or on any Periodic Distribution Date falling after the First Call Date in accordance with Condition 11.1(b) (Trustee's Call Option). In addition, upon the occurrence of a Tax Event or the occurrence and continuation of a Capital Event (each as defined in the Conditions), the Certificates may be redeemed in whole (but not in part), or the terms thereof may be varied by the Trustee (but only upon the instructions of the Bank (acting in its sole and absolute discretion)), in each case at any time on or after the Issue Date in accordance with Conditions 11.1(c) (Redemption or Variation due to Taxation) and 11.1(d) (Redemption or Variation for Capital Event). Any redemption or variation is subject to the conditions 6ascribed in Condition 11.1 (Redemption and Variation).

The Bank has been assigned a rating of "BB-" (long term) with a stable outlook and "B" (short term) by Standard & Poor's Credit Market Services Europe Limited ("S&P"). S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). The Certificates will not be rated by any rating organisation upon their issue.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see "Risk Factors".

This Prospectus has been approved by the Central Bank of Ireland (the "Central Bank of Ireland") as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the "Prospectus Directive"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to Certificates which are to be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive (2014/65/E) (as amended, "MiFID II")) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange") for the Certificates to be admitted to the official list (the "Official List") and to trading on its regulated market (the "Main Securities Market"). The Main Securities Market is a regulated market for the purposes of MiFID II. References in this Prospectus to Certificates being listed (and all related references) shall mean that such Certificates have been (a) admitted to the Official List and (b) admitted to trading on the Main Securities Market.

The Certificates will be represented by interests in a global certificate in registered form (the "Global Certificate") deposited on or before the Issue Date with, and registered in the name of, a nominee for a common depositary (the "Common Depositary") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

The Certificates are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors" on page vii of this Prospectus for information regarding certain restrictions on marketing and sales to retail investors.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Albaraka Türk Katılım Bankası A.Ş. Shari'a Advisory Board, the Shari'a Supervisory Committee of Noor Bank PISC, the Shari'a Supervisory Board of Qlnvest and the Shari'a Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction is in compliance with their individual standards of compliance with Shari'a principles.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Joint Lead Managers
Bank ABC Emirates NBD Capital

Noor Bank Standard Chartered Bank

QInvest

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive, in each case, for the purpose of giving information with regard to the Trustee, the Bank and its subsidiaries and affiliates taken as a whole and the Certificates which, according to the particular nature of the Trustee, the Bank and of the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and the Bank and of the Certificates. The Trustee and the Bank accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and the Bank, each having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Trustee and the Bank are honestly held by the Trustee and the Bank, have been reached after considering all relevant circumstances and are based on reasonable assumptions and are not misleading in any material respect.

None of the Joint Lead Managers, nor any of their directors, affiliates, advisers or agents, the Delegate or the Agents (as defined in the Conditions) or any of their respective affiliates has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or any other information provided by the Trustee or the Bank in connection with the Certificates nor is any responsibility accepted by them, for any acts or omissions of the Trustee, the Bank or any other person (other than the relevant Joint Lead Manager) in connection with the issue and offering of the Certificates.

To the fullest extent permitted by law, the Joint Lead Managers, the Delegate and the Agents accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Joint Lead Manager, the Delegate or any Agent or on its behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each Joint Lead Manager, the Delegate and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised by the Trustee, the Bank, the Delegate or the Agents to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the offering of the Certificates and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, the Bank, the Delegate, the Agents or any of the Joint Lead Managers.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Certificates shall, in any circumstances, constitute a representation or create any implication that the information contained in this Prospectus is correct subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Trustee or the Bank since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No comment is made, or advice is given by, the Trustee, the Delegate, the Agents, the Bank or the Joint Lead Managers or any of their respective directors, affiliates, advisers or agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The Certificates have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Albaraka Türk Katılım Bankası A.Ş. *Shari'a* Advisory Board, the *Shari'a* Supervisory Committee of Noor Bank PJSC, the *Shari'a* Supervisory Board of QInvest and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction is in compliance with their individual standards of compliance with *Shari'a* principles.

# Each prospective investor is advised to consult its own tax adviser, legal adviser and business adviser as to tax, legal, business and related matters concerning the purchase of any Certificates.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Joint Lead Managers, the Trustee, the Delegate, the Agents or the Bank makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, the Bank, the Joint Lead Managers, or any of their respective directors, affiliates, advisers, agents, the Delegate or the Agents represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Bank, the Joint Lead Managers, or any of their respective directors, affiliates, advisers, agents, the Delegate or the Agents which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus comes are required by the Trustee, the Bank and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Certificates in the United States, the EEA (including the United Kingdom), the Cayman Islands, the United Arab Emirates (the "UAE") (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the Kingdom of Saudi Arabia ("Saudi Arabia"), the State of Qatar, the Qatar Financial Centre, the State of Kuwait ("Kuwait"), Japan, Hong Kong, Malaysia, Singapore and Switzerland.

For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "Subscription and Sale".

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates and should not be considered as a recommendation by the Trustee, the Bank, the Delegate, the Agents, the Joint Lead Managers, or any of their respective directors, affiliates, advisers, agents or any of them that any recipient of this Prospectus or any other information supplied in connection with the issue of the Certificates should subscribe for, or purchase, the Certificates. Each recipient of this Prospectus should make, and shall be taken to have made, its own independent investigation and appraisal of the condition (financial or otherwise) and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Bank. None of the Joint Lead Managers, the Delegate or any Agent undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers, the Delegate or any Agent.

The Certificates may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

#### **STABILISATION**

In connection with the issue of the Certificates, Standard Chartered Bank (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates during the stabilisation period at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager shall act as principal and not as agent of the Trustee or the Bank. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. The Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) must conduct such stabilisation in accordance with all applicable laws and rules.

# CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position of the Bank, or the business strategy, management plans and objectives for future operations of the Bank, are forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Bank's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward looking statements. These forward looking statements are contained in the sections entitled "Risk Factors" and "Description of Albaraka Türk Katılım Bankası A.S." and other sections of this Prospectus. The Bank has based these forward looking statements on the current view of its management with respect to future events and financial performance. These forward looking statements are based on numerous assumptions regarding the Bank's present, and future, business strategies and the environment in which the Bank expects to operate in the future. Important factors that could cause the Bank's actual results, performance or achievements to differ materially from those in the forward looking statements are discussed in this Prospectus (see "Risk Factors").

Forward looking statements speak only as at the date of this Prospectus and, without prejudice to any requirements under applicable laws and regulations, the Trustee and the Bank expressly disclaim any obligation or undertaking to publicly update or revise any forward looking statements in this Prospectus to reflect any change in the expectations of the Trustee or the Bank or any change in events, conditions or circumstances on which these forward looking statements are based. Given the uncertainties of forward looking statements, the Trustee and the Bank cannot assure potential investors that projected results or events will be achieved and the Trustee and the Bank caution potential investors not to place undue reliance on these statements.

#### PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

#### **Accounting Records**

Albaraka maintains its books and prepares its consolidated and unconsolidated year-end financial statements in Turkish Lira ("TL") in accordance with the "Regulation on Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks published by the BRSA and circulars and interpretations published by the BRSA, (together referred to as "BRSA Principles") and Turkish Accounting Standards, except for the matters regulated by BRSA Principles.

Albaraka maintains its books and prepares its consolidated and unconsolidated quarterly and half-yearly interim financial statements in TL in accordance with the "Regulation on Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and BRSA Principles and Turkish Accounting Standard 34 "Interim Financial Reporting", except for the matters regulated by BRSA Principles.

#### **BRSA Financial Statements**

Albaraka prepares consolidated and unconsolidated annual accounts in accordance with BRSA Principles. Albaraka also prepares quarterly and half-yearly interim consolidated and unconsolidated accounts in accordance with BRSA Principles. The audited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish as at and for the year ended 31 December 2016 (the "December 2016 Audited BRSA Financial Statements") and the audited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish as at and for the year ended 31 December 2015 (the "December 2015 Audited BRSA Financial Statements" and, together with the December 2016 Audited BRSA Financial Statements, the "Audited BRSA Financial Statements") are included elsewhere in this Prospectus and have been prepared and presented in accordance with BRSA Principles. The December 2016 Audited BRSA Financial Statements were audited in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette No. 26333 dated 1 November 2006 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") by Albaraka's independent auditors KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of KPMG International Cooperative ("KPMG"). The December 2015 Audited BRSA Financial Statements were audited in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette No. 26333 dated 1 November 2006 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by POA by Albaraka's independent auditors Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member firm of Ernst & Young Global Limited ("EY").

The unaudited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish as at and for the nine month period ended 30 September 2017 (the "September 2017 Interim BRSA Financial Statements"), the unaudited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish as at and for the six month period ended 30 June 2017 (the "June 2017 Interim BRSA Financial Statements"), the unaudited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish as at and for the nine month period ended 30 September 2016 (the "September 2016 Interim BRSA Financial Statements") and the unaudited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish as at and for the six month period ended 30 June 2016 (the "June 2016 Interim BRSA Financial Statements") and, together with the September 2017 Interim BRSA Financial Statements and the June 2017 Interim BRSA Financial Statements, the "Interim BRSA Financial Statements" and, together with the Audited

BRSA Financial Statements, the "Financial Statements") are also included elsewhere in this Prospectus and have been prepared and presented in accordance with BRSA Principles. The Interim BRSA Financial Statements were reviewed in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by KPMG.

Except as otherwise indicated, the financial information presented in this Prospectus has been extracted from the December 2016 Audited BRSA Financial Statements and the Interim BRSA Financial Statements.

Where historical financial information of Albaraka has been translated from Turkish into English for the purposes of its inclusion in this Prospectus, the English translations included herein constitute convenience translations of the Turkish originals (which translations Albaraka confirms are direct and accurate).

### **BRSA Principles and International Financial Reporting Standards**

BRSA Principles differ from International Financial Reporting Standards ("IFRS"). For a discussion of the differences between BRSA Principles and IFRS, see "Summary of Differences between IFRS and BRSA Principles".

#### **Certain Conventions**

All references in this Prospectus to "U.S. dollars", "U.S.\$" and "\$" are to the lawful currency of the United States of America, all references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended and all references to "Turkish Lira" (in Turkish: Türk Lirası) and "TL" are to the lawful currency of the Republic of Turkey. Translations of amounts from U.S. dollars or euro to Turkish Lira and vice versa in this Prospectus are solely for the convenience of the reader.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

# Rounding

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

# Foreign Language

The language of this Prospectus is English. Certain legislative references and technical terms have been cited by reference to the original Turkish term in order that the correct technical meaning may be ascribed to them under Turkish law.

# **BRSA Tier 1 Approval**

The Bank has obtained a letter dated 03 October 2017 and numbered 43890421-101.02.01-E.13483 from the BRSA (the "BRSA Tier 1 Approval") approving the treatment of the Certificates as Tier 1 capital of Albaraka for so long as the Certificates comply with the requirements of the BRSA. The BRSA Tier 1 Approval is conditional upon the compliance of the Certificates with the requirements of the Capital Regulations. For a description of other regulatory requirements in relation to Tier 1 capital requirements, see "Overview of Turkish Banking Sector Regulations" in this Prospectus.

#### **Certain Defined Terms**

Capitalised terms which are used but not defined in any section of this Prospectus will have the meaning attributed thereto in the Conditions or any other section of this Prospectus. In addition, the following terms as used in this Prospectus have the meanings defined below:

- references to "BRSA" are to the Banking Regulation and Supervision Agency of Turkey;
- references to "Turkish Central Bank" are to the Central Bank of the Republic of Turkey; and

• references to a "Member State" herein are references to a Member State of the European Economic Area.

### Alternative Performance Measures ("APMs")

A number of the financial measures presented by the Bank in this Prospectus are not defined in the BRSA. However, the Group believes that these measures provide useful supplementary information to both investors and the Group's management, as they facilitate the evaluation of the Group's performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be seen as a substitute for measures defined in the BRSA. Unless otherwise stated, the table below presents alternative performance measures, along with, where necessary, cross-references to "Key Financial Information – Key Financial Ratios – Certain Financial Measures Used in Calculation of Key Financial Ratios" that contains information on certain financial measures used in calculation of such alternative performance measures, to the extent that such financial measures are not defined in the BRSA and not included in the Financial Statements:

# APM Definition

Non-performing loan ratio

Financial measure calculated as at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015 that expresses non-performing loans and receivables as percentage of Adjusted Loans and Receivables.

# Information necessary for reconciliation with the relevant Financial Statements

Non-performing loans and receivables

Information on non-performing loans and receivables is provided in line item "6.2 Non-performing loans" in the unconsolidated balance sheet (statement of financial position) in: (i) the September 2017 Interim BRSA Financial Statements with respect to 30 September 2017; (ii) the September 2016 Interim BRSA Financial Statements with respect to September 2016; and (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016 and 31 December 2015.

# Adjusted Loans and Receivables

"Adjusted Loans and Receivables" are calculated as the sum of the amounts in: (i) line item "6.1 Loans and Receivables"; (ii) line item "XI. LEASE RECEIVABLES (net)"; and (iii) "6.2 loans" Non-performing in unconsolidated balance sheet (statement of financial position) in: (i) the September 2017 Interim BRSA Financial Statements with respect to 30 September 2017; (ii) the September 2016 Interim BRSA Financial Statements with respect to September 2016; and (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016 and 31 December 2015. See "Key Financial Information – Key Financial Ratios – Certain Financial Measures Used in Calculation of Key Financial Ratios".

#### Definition

Net profit share margin

Financial measure calculated as at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015 that expresses net profit share income over the last 12 months as percentage of average earning assets calculated over the last four calendar quarters ("Average Earning Assets").

### Net profit share income

Information on net profit share income in 2016 and 2015 is provided in the December 2016 Audited BRSA Financial Statements. Net profit share income in the 12 months ended 30 September 2017 is calculated as net profit share income in the nine months ended 30 September 2017 as reported in the September 2017 Interim BRSA Financial Statements plus net profit share income in 2016 as reported in the December 2016 Audited BRSA Financial Statements minus net profit share income in the nine months ended 30 September 2016 as reported in the September 2017 Interim BRSA Financial Statements. Net profit share income in the 12 months ended 30 September 2016 is calculated as net profit share income in the nine months ended 30 September 2016 as reported in the September 2016 Interim BRSA Financial Statements plus net profit share income in 2015 as reported in the December 2016 Audited BRSA Financial Statements minus net profit share income in the nine months ended 30 September 2015 as reported in the September 2016 Interim Statements. See "Kev Financial Financial Information - Key Financial Ratios - Certain Financial Measures Used in Calculation of Key Financial Ratios".

### **Average Earning Assets**

Earning assets as at the last day of each relevant calendar quarter are calculated as the sum of the amounts in: (i) line item "II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)"; (ii) line item "III. BANKS"; (iii) line item FINANCIAL ASSETS-AVAILABLE FOR SALE (net)"; (iv) line item "VI. LOANS AND RECEIVABLES"; (v) line item "VII. INVESTMENTS HELD TO MATURITY (net); and (vi) line item "XI. LEASE RECEIVABLES (net)" in the relevant unconsolidated balance sheet (statement of financial position). Average Earning Assets as at 30 September 2017 are calculated as the average of earning assets as at 30

September 2017, 30 June 2017, 31 March 2017 and 31 December 2016. Average Earning Assets as at 31 December 2016 are calculated as the average of earning assets as at 31 December 2016, 30 September 2016, 30 June 2016 and 31 March 2016. Average Earning Assets as at 30 September 2016 are calculated as the average of earning assets as at 30 September 2016, 30 June 2016, 31 March 2016 and 31 December 2015. Average Earning Assets as at 31 December 2015 are calculated as the average of earning assets as at 31 December 2015, 30 September 2015, 30 June 2015 and 31 March 2015. See "Key Financial Information - Key Financial Ratios - Certain Financial Measures Used in Calculation of Key Financial Ratios".

Funded credits / total assets

Financial measure calculated as at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015 that expresses funded credits as percentage of total assets.

#### Funded credits

Information on funded credits is provided in section four (sub-section on explanations on liquidity risk), in which funded credits are presented as line item "Loans", with such loans also including leasing receivables, in: (i) the September 2017 Interim BRSA Financial Statements with respect to 30 September 2017; (ii) the September 2016 Interim BRSA Financial Statements with respect to 30 September 2016; (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016; and (iv) the December 2015 Audited BRSA Financial Statements with respect to 31 December 2015. Funded credits/loans amounted to TL 23,710,838 thousand as at 30 September 2017, TL 22,722,054 as at 31 December 2016, TL 20,331,255 thousand as at 30 September 2016 and TL 19,505,392 thousand as at 31 December 2015.

### Total assets

Information on total assets is provided in: (i) the September 2017 Interim BRSA Financial Statements with

respect to total assets as at 30 September 2017; (ii) the September 2016 Interim BRSA Financial Statements with respect to total assets as at 30 September 2016; and (iii) the December 2016 Audited BRSA Financial Statements with respect to total assets as at 31 December 2016 and 31 December 2015.

Return on equity

Financial measure calculated as at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015 that expresses net income over the 12 months preceding the date of calculation of such measure as percentage of average shareholders' equity calculated over the last four calendar quarters.

#### Net income

Information on net income in 2016 and 2015 is provided in the December 2016 Audited BRSA Financial Statements. Net income in the 12 months ended 30 September 2017 is calculated as net income in the nine months ended 30 September 2017 as reported in the September 2017 Interim BRSA Financial Statements plus net income in 2016 as reported in the December 2016 Audited BRSA Financial Statements minus net income in the nine months ended 30 September 2016 as reported in the September 2017 Interim BRSA Financial Statements. Net income in the 12 months ended 30 September 2016 is calculated as net income in the nine months ended 30 September 2016 as reported in the September 2016 Interim BRSA Financial Statements plus net income in 2015 as reported in the December 2016 Audited Financial Statements minus net income in the nine months ended 30 September 2015 as reported in the September 2016 Interim BRSA Financial Statements. See "Key Financial Information - Key Financial Ratios - Certain Financial Measures Used in Calculation of Key Financial Ratios".

# Average shareholders' equity

Average shareholders' equity as at 30 September 2017 is calculated as the average of shareholders' equity as at 30 September 2017, 30 June 2017, 31 March 2017 and 31 December 2016. Average shareholders' equity as at 31 December 2016 is calculated as the average of shareholders' equity as at 31 December 2016, 30 September 2016, 30 June 2016 and 31 March 2016. Average shareholders' equity as at 30 September 2016 is calculated as the average of shareholders' equity as at 30 September 2016 is calculated as the average of shareholders' equity as at 30 September

2016, 30 June 2016, 31 March 2016 and 31 December 2015. Average shareholders' equity as at 31 December 2015 is calculated as the average of shareholders' equity as at 31 December 2015, 30 September 2015, 30 June 2015 and 31 March 2015. See "Key Financial Information – Key Financial Ratios – Certain Financial Measures Used in Calculation of Key Financial Ratios".

Return on assets

Financial measure calculated as at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015 that expresses income before tax over the 12 months preceding the date of calculation of such measure as a percentage of average total assets calculated over the last four calendar quarters.

### Income before tax

Information on income before tax in 2016 and 2015 is provided in the December 2016 Audited BRSA Financial Statements. Income before tax in the 12 months ended 30 September 2017 is calculated as income before tax in the nine months ended 30 September 2017 as reported in the September 2017 Interim BRSA Financial Statements plus income before tax in 2016 as reported in the December 2016 Audited BRSA Financial Statements minus income before tax in the nine months ended 30 September 2016 as reported in the September 2017 Interim BRSA Financial Statements. Income before tax in the 12 months ended 30 September 2016 is calculated as income before tax in the nine months ended 30 September 2016 as reported in the September 2016 Interim BRSA Financial Statements plus income before tax in 2015 as reported in the December 2016 Audited BRSA Financial Statements minus income before tax in the nine months ended 30 September 2015 as reported in the September 2016 Interim BRSA Financial Statements. See Financial Information - Key Financial Ratios - Certain Financial Measures Used in Calculation of Key Financial Ratios".

#### Average total assets

Average total assets as at 30 September 2017 are calculated as the average of total assets as at 30 September 2017, 30 June 2017, 31 March 2017 and 31 December 2016. Average total assets as at 31 December 2016 is calculated as the average of total assets as at 31 December 2016, 30 September 2016, 30 June 2016 and 31 March 2016. Average

total assets as at 30 September 2016 is calculated as the average of total assets as at 30 September 2016, 30 June 2016, 31 March 2016 and 31 December 2015. Average total assets as at 31 December 2015 is calculated as the average of total assets as at 31 December 2015, 30 September 2015, 30 June 2015 and 31 March 2015. See "Key Financial Information – Key Financial Ratios – Certain Financial Measures Used in Calculation of Key Financial Ratios".

Net non-performing loan ratio

Financial measure calculated as at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015 that expresses net non-performing loans and receivables (non-performing loans and receivables minus specific provisions) as percentage of Adjusted Loans and Receivables.

# Net non-performing loans and receivables

Information on non-performing loans and receivables is provided in line item "6.2 Non-performing loans" and information on specific provisions is provided in line item "6.3 Specific Provisions" in: (i) the September 2017 Interim BRSA Financial Statements with respect to 30 September 2017; (ii) the September 2016 Interim BRSA Financial Statements with respect to 30 September 2016; and (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016 and 31 December 2015.

#### Adjusted Loans and Receivables

Adjusted Loans and Receivables are calculated as the sum of the amounts in: (i) line item "6.1 Loans and Receivables"; (ii) line item "XI. LEASE RECEIVABLES (net)"; and (iii) "6.2 Non-performing loans" in unconsolidated balance sheet (statement of financial position) in: (i) the September 2017 Interim BRSA Financial Statements with respect to 30 September 2017; (ii) the September 2016 Interim **BRSA** Financial Statements with respect to 30 September 2016; and (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016 and 31 December 2015. See "Key Financial Information - Key Financial Ratios - Certain Financial Measures Used in Calculation of Key Financial Ratios".

#### **Definition**

# Non-performing loan provisions ratio

Financial measure calculated as at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015 that expresses specific provisions as percentage of non-performing loans and receivables.

# Specific provisions and non-performing loans and receivables

Information on specific provisions is provided in line item "6.3 Specific Provisions" and information on nonperforming loans and receivables is provided in line item "6.2 Nonperforming loans" in: (i) the September 2017 Interim BRSA Financial Statements with respect to 30 September 2017; (ii) the September 2016 Interim BRSA Financial with respect to 30 Statements September 2016; and (iii) the December Audited BRSA Financial 2016 Statements with respect to 31 December 2016 and 31 December 2015.

### Capital adequacy ratio

In accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks", this financial measure expresses the total capital as percentage of total risk-weighted amounts as at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015.

Information with respect to "capital adequacy standard ratio" is provided in four section (sub-section explanations on capital adequacy standard ratio) in: (i) the September Interim **BRSA** Financial Statements respect to with September 2017; (ii) the September 2016 Interim **BRSA** Financial Statements with respect to 30 September 2016; and (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016 and 31 December 2015.

Specific provisions for loans and receivables with limited collectability

Financial measure calculated as at 30 June 2017, 30 June 2016, 31 December 2016 and 31 December 2015 that states specific for loans provisions and receivables classified as Group 3 loans (loans and other receivables with limited collectability) under BRSA's requirements. Loans classified by the Bank as BB under its internal classification system with respect to credit quality fall into the category of loans and receivables with limited collectability.

Information with respect to specific provisions for loans and receivables with limited collectability is provided in section five (sub-section on information non-performing loans receivables (net)/movements of nonperforming loans) in: (i) the June 2017 Interim BRSA Financial Statements with respect to 30 June 2017; (ii) the June 2016 Interim BRSA Financial Statements with respect to 30 June 2016; (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016; and (iv) the December 2015 Audited BRSA Financial Statements with respect to 31 December 2015.

#### **Definition**

Specific provisions for loans and receivables with doubtful collectability

Financial measure calculated as at 30 June 2017, 30 June 2016, 31 December 2016 and 31 December 2015 that states specific for provisions loans and receivables classified as Group 4 loans (loans and other receivables doubtful collectability) BRSA's requirements. under Loans classified by the Bank as B and CCC under its internal classification system with respect to credit quality fall into the category of loans and receivables with doubtful collectability.

Specific provisions for uncollectible loans and receivables

Financial measure calculated as at 30 June 2017, 30 June 2016, 31 December 2016 and 31 December 2015 that states specific provisions for loans and receivables classified as Group 5 loans (loans and other receivables identified as loss) under BRSA's requirements. Loans classified by the Bank as CC, C and D under its internal classification system with respect to credit quality fall into the category of uncollectible loans and receivables.

Above average (Category A) loans

Financial measure calculated as at 31 December 2016 and 31 December 2015 that expresses the total amount of loans and receivables classified by the Bank as AAA, AA and A under its internal classification system with respect to credit quality as a percentage of all above average (Category A), average (Categories B and C) and below average (Category D) loans.

Information with respect to specific provisions for loans and receivables with doubtful collectability is provided section five (sub-section on information on non-performing loans and receivables (net)/movements of non-performing loans) in: (i) the June  $2017^{-}$ Interim BRSA Financial Statements with respect to 30 June 2017; (ii) the June 2016 Interim BRSA Financial Statements with respect to 30 June 2016; (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016; and (iv) the December 2015 Audited BRSA Financial Statements with respect to 31 December 2015.

Information with respect to specific provisions for uncollectible loans and receivables is provided in section five (sub-section on information on nonperforming loans and receivables (net)/movements of non-performing loans) in: (i) the June 2017 Interim BRSA Financial Statements with respect to 30 June 2017; (ii) the June 2016 Interim BRSA Financial Statements with respect to 30 June 2016; (iii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016; and (iv) the December 2015 Audited BRSA Financial Statements with respect to 31 December 2015.

#### Above average (Category A) loans

The numbers are calculated by the Bank in line with its internal classification system with respect to credit quality.

As at 31 December 2016 and 31 December 2015, above average (Category A) loans amounted to TL 20,100.144 thousand and TL 17,754.205 thousand, respectively.

All above average (Category A), average (Categories B and C) and below average (Category D) loans

All above average (Category A), average (Categories B and C) and below average (Category D) loans amounted to TL 22,394,758 thousand as at 31

December 2016 and TL 18,835,289 thousand as at 31 December 2015.

Because some loans were unrated by the Bank, the sum of above average (Category A), average (Categories B and C) and below average (Category D) loans was smaller than the sum of the amount in line item "VI. LOANS AND RECEIVABLES" and the amount in line item "6.3 Specific Provisions" in the unconsolidated balance sheet (statement of financial position) in the December 2016 Audited BRSA Financial Statements, which was TL 22,421,580 thousand as at 31 December 2016 and TL 18,838,812 thousand as at 31 December 2015.

Average (Categories B and C) loans

Financial measure calculated as at 31 December 2016 and 31 December 2015 that expresses the total amount of loans and receivables classified by the Bank as BBB, BB and B (Category B) and CCC, CC and C (Category C) under its internal classification system with respect to credit quality as a percentage of all above average (Category A), average (Categories B and C) and below average (Category D) loans.

# Average (Categories B and C) loans

The numbers are calculated by the Bank in line with its internal classification system with respect to credit quality.

As at 31 December 2016 and 31 December 2015, average (Categories B and C) loans amounted to TL 1,786.189 thousand and TL 850.396 thousand, respectively.

All above average (Category A), average (Categories B and C) and below average (Category D) loans

All above average (Category A), average (Categories B and C) and below average (Category D) loans amounted to TL 22,394,758 thousand as at 31 December 2016 and TL 18,835,289 thousand as at 31 December 2015.

Because some loans were unrated by the Bank, the sum of above average (Category A), average (Categories B and C) and below average (Category D) loans was smaller than the sum of the amount in line item "VI. LOANS AND RECEIVABLES" and the amount in line item "6.3 Specific Provisions" in the unconsolidated balance sheet (statement of financial position) in the December 2016 Audited BRSA Financial Statements, which was TL 22,421,580 thousand as at 31 December 2016 and TL 18,838,812 thousand as at 31 December 2015.

Below average (Category D) loans

Financial measure calculated as at 31 December 2016 and 31 December 2015 that expresses the total amount of loans and receivables classified by the Bank as D under its internal classification system with respect to credit quality as a percentage of all above average (Category A), average (Categories B and C) and below average (Category D) loans.

# Average (Category D) loans

The numbers are calculated by the Bank in line with its internal classification system with respect to credit quality.

As at 31 December 2016 and 31 December 2015, below average (Category D) loans amounted to TL 508.425 thousand and TL 230.688 thousand, respectively.

All above average (Category A), average (Categories B and C) and below average (Category D) loans

All above average (Category A), average (Categories B and C) and below average (Category D) loans amounted to TL 22,394,758 thousand as at 31 December 2016 and TL 18,835,289 thousand as at 31 December 2015.

Because some loans were unrated by the Bank, the sum of above average (Category A), average (Categories B and C) and below average (Category D) loans was smaller than the sum of the amount in line item "VI. LOANS AND RECEIVABLES" and the amount in line item "6.3 Specific Provisions" in the unconsolidated balance sheet (statement of financial position) in the December 2016 Audited BRSA Financial Statements, which was TL 22,421,580 thousand as at 31 December 2016 and TL 18,838,812 thousand as at 31 December 2015.

Average liquidity coverage ratio

In accordance with "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 2014, this financial measure expresses the average Total High Liquid Assets (Total HQLA) as percentage of average Total Net Cash Outflows in the six months ended 30 June 2017 and the year ended 31 December 2016.

Information on average liquidity coverage ratio is provided in section four (sub-section on explanations on liquidity risk) in: (i) the June 2017 Interim BRSA Financial Statements with respect to 30 June 2017; and (ii) the December 2016 Audited BRSA Financial Statements with respect to 31 December 2016.

#### **Information Sourced from Third Parties**

Any information sourced from third parties contained in this Prospectus has been accurately reproduced and, as far as the Trustee and the Bank are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### Restrictions on marketing and sales to retail investors

The Certificates are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Certificates to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "FCA") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "PI Instrument"). Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "PI Rules"):

- (a) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Certificates, must not be sold to retail clients in the EEA (as defined in the PI Rules);
   and
- (b) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Joint Lead Managers are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Certificates (or a beneficial interest in such Certificates) from the Trustee, the Bank and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Trustee, the Bank and each of the Joint Lead Managers that:

- (a) it is not a retail client in the EEA (as defined in the PI Rules);
- whether or not it is subject to the PI Rules, it will not (A) sell or offer the Certificates (or any (b) beneficial interest therein) to retail clients in the EEA or (B) communicate (including the distribution of Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Certificates (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules), in any such case other than (i) in relation to any sale or offer to sell Certificates (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Certificates (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Certificates (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Certificates (or such beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (Directive 2014/65/EU (as amended, "MiFID II")) to the extent it applies to it or, to the extent MiFID II does not apply to it, in a manner which would be in compliance with MiFID II if it were to apply to it; and
- (c) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Certificates (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Certificates (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Certificates (or any beneficial interests therein) from the Trustee, the Bank and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

### NOTICE TO RESIDENTS OF THE UNITED KINGDOM

The Certificates represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 ("FSMA")) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Prospectus is not being distributed to and must not be passed on to the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates (a) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"); (ii) persons falling within any of the categories of persons described in Article 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (b) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "Promotion of CISs Order"); (ii) persons falling within any of the categories of person described in Article 22(a)-(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; or (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

### NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation whether directly or indirectly may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

### NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the "Capital Market Authority").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

#### NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain ("CBB") in the Kingdom of Bahrain where

such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Certificates, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

# NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Prospectus does not and is not intended to constitute an offer, sale or delivery of the Certificates under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Exchange or the Qatar Central Bank. The Certificates have not been, and will not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar, including the Qatar Financial Centre, in a manner that would constitute a public offering. The Certificates are not and will not be traded on the Qatar Exchange.

# NOTICE TO RESIDENTS OF THE STATE OF KUWAIT

Unless all necessary approvals from the Kuwait Capital Markets Authority (the "CMA") pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended) together with the various resolutions, regulations, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing and sale of the Certificates, the Certificates may not be offered for sale, nor sold, in Kuwait. This Prospectus is not for general circulation to the public in Kuwait nor will the Certificates be sold by way of a public offering in Kuwait. For the avoidance of doubt, no Certificates shall be offered, marketed and/or sold in Kuwait except on a private placement basis to Professional Clients (as defined in Module 1 of the executive bylaws of Law No. 7 of 2010 (each as amended)). Where the Certificates are intended to be purchased onshore in Kuwait, the same may only be so purchased through a CMA Licensed Person duly authorised to undertake such activity pursuant to Law No. 7 of 2010 of Kuwait, and its executive bylaws (each as amended)).

Investors from Kuwait acknowledge that the CMA and all other regulatory bodies in Kuwait assume no responsibility whatsoever for the contents of this Prospectus and do not approve the contents thereof or verify the validity and accuracy of its contents. The CMA, and all other regulatory bodies in Kuwait, assume no responsibility whatsoever for any damages that may result from relying (in whole or in part) on the contents of this Prospectus. Prior to purchasing any Certificates, it is recommended that a prospective holder of any Certificates seeks professional advice from its advisors in respect of the contents of this Prospectus so as to determine the suitability of purchasing the Certificates.

### NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Bank and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

### NOTICE TO RESIDENTS OF TURKEY

The Certificates (or beneficial interests therein) shall not be sold in Turkey in any circumstances which would constitute a sale or a public offering within the meaning of the Capital Markets Law without the approval of the Capital Markets Board of Turkey ("CMB"). No transaction that may be deemed as a sale of the Certificates (or beneficial interests therein) in Turkey by way of private placement or a public offering may be engaged in without the approval of the CMB. Additionally, no prospectus and other offering material related to the offering may be utilised in connection with any general offering to the public within Turkey for the purpose of the offer or sale of the Certificates without the prior approval of the CMB. However, pursuant to Article 15(d) (ii) of the Government Decree 32 on the Protection of the Value of the Turkish Currency, as amended ("Decree 32"), there is no restriction on the purchase or sale of the Certificates (or beneficial interests therein) in secondary markets by residents of Turkey; provided that they purchase or sell such Certificates (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through licensed banks and/or licensed brokerage institutions authorised pursuant to the CMB regulations and the consideration of the purchase of such Certificates has been or will be transferred through banks operating in Turkey.

### IMPORTANT – EEA RETAIL INVESTORS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS: The Certificates are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPS Regulation") for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

#### VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Bank, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates, makes any representation regarding: (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or; (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

# CONTENTS

	Page
RISK FACTORS	1
STRUCTURE DIAGRAM AND CASH FLOWS	27
OVERVIEW OF THE OFFERING	29
TERMS AND CONDITIONS OF THE TIER 1 CAPITAL CERTIFICATES	36
GLOBAL CERTIFICATE	
USE OF PROCEEDS	
DESCRIPTION OF THE TRUSTEE	78
KEY FINANCIAL INFORMATION	82
FINANCIAL REVIEW	87
DESCRIPTION OF ALBARAKA TÜRK KATILIM BANKASI A.Ş	102
CORPORATE GOVERNANCE	
TURKISH BANKING SYSTEM	137
OVERVIEW OF TURKISH BANKING SECTOR REGULATIONS	143
SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS	170
TAXATION	176
SUBSCRIPTION AND SALE	179
GENERAL INFORMATION	185
SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA PRINCIPLES	
INDEX TO FINANCIAL STATEMENTS	F-1

#### RISK FACTORS

The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of the Certificates should consider carefully, in light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Trustee and the Bank believes that the following factors may affect their ability to fulfil their respective obligations under the Certificates and the Transaction Documents. All of these factors are contingencies which may or may not occur and neither the Trustee nor the Bank is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Trustee and the Bank believe may be material for the purpose of assessing the market risks associated with the Certificates are also described below.

Each of the Trustee and the Bank believes that the factors described below represent the principal risks inherent in investing in the Certificates but the inability of the Trustee and the Bank to make payments on or in connection with the Certificates and the Transaction Documents may occur for other reasons and neither the Trustee nor the Bank represents that the statements below regarding the risks of holding any Certificate are exhaustive.

Although the Trustee and the Bank believe that the various structural elements described in this Prospectus lessen some of these risks for Certificateholders, there can be no assurance that these measures will be sufficient to ensure payment to Certificateholders of any Periodic Distribution Amount or the Dissolution Distribution Amount or any other amounts payable in respect of the Certificates on a timely basis or at all. There may also be other considerations, including some which may not be presently known to the Trustee or the Bank or which the Trustee or the Bank currently deems immaterial, that may impact any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in the Conditions and "Global Certificate" shall have the same meanings in this section.

# FACTORS THAT MAY AFFECT THE TRUSTEE'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THE CERTIFICATES

#### The Trustee has no operating history and no material assets

The Trustee is a special purpose company with limited liability incorporated under the laws of the Cayman Islands on 1 August 2017 and has no operating history. The Trustee has not as at the date of this Prospectus, and will not, engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents. As the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including the right to receive amounts paid by the Mudareb under the Mudaraba Agreement. Therefore, the Trustee is subject to all the risks to which the Bank is subject to the extent that such risks could limit the Bank's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents. See "Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents" below for a further description of these risks.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt by the Trustee from the Bank of amounts to be paid under the Mudaraba Agreement (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents).

# RISKS RELATING TO THE BANK AND ITS ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS

### **Risk Factors Relating to the Trustee**

# The Trustee has no material assets and will depend on receipt of payments from the Bank to make payments to Certificateholders

The Trustee is a company incorporated with limited liability under the laws of the Cayman Islands on 1 August 2017 and has no operating history other than as described in "Description of the Trustee". The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of Trust Assets described herein, and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets in respect of the Certificates, which will be held on its own behalf and for the account of the Certificateholders, will be the Trust Assets, including the obligation of the Bank to make payments under the Mudaraba Agreement in its capacity as Mudareb. Therefore, the Trustee is subject to all the risks to which the Bank is subject to the extent that such risks could limit the Bank's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. See "-Risks Factors Relating to the Bank's Business" below for a further description of these risks.

The ability of the Trustee to pay amounts due on any Certificates will primarily be dependent upon receipt by the Trustee from the Bank, of all amounts due under the Mudaraba Agreement, which may not be sufficient to meet all claims under the relevant Certificates and the Transaction Documents in the event that the Bank does not fully perform its obligations thereunder (as applicable).

# Risk Factors Relating to the Bank's Business

#### The Bank may not achieve its sustainable growth strategy

The Bank has experienced significant growth in recent years and the Bank's strategy is to continue expanding its business, both domestically and internationally (see "Description of Albaraka Türk Katılım Bankası A.Ş.-Strategy"). However, the rate of growth slowed in the nine month period ended 30 September 2017 and the Bank's market share among participation banks in Turkey decreased during this period. The Bank's share among participation banks was 24.7 per cent. by reference to assets, 27.3 per cent. by reference to collected funds and 25.7 per cent. by reference to credits as at 31 December 2016 (based on publicly available balance sheet information). These shares decreased to 23.8 per cent. by reference to assets, 27.1 per cent. by reference to collected funds and 24.8 per cent. by reference to credits as at 30 September 2017 (based on publicly available balance sheet information).

The Bank has in the past grown in line with its growth targets and it is possible that it will continue to achieve its growth targets plans. However, the management of the Bank's growth will require, among other things, continued development of the Bank's financial and concentration control in respect of sectors and customers, the ability to integrate new products and services (especially for small and medium-sized enterprises ("SMEs")), the presence of adequate supervision and the maintenance of consistent levels of customer service. If the Bank fails to manage its growth properly, such failure may have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# The Bank may experience credit defaults arising from adverse changes in credit and recoverability that are inherent in the Bank's businesses

The Bank's core banking businesses have historically been, and are expected to continue to be, loans to retail, commercial and corporate customers. As at 30 September 2017 and 31 December 2016, funded credits constituted 70.1 per cent. and 69.2 per cent., respectively, of the Bank's total assets, respectively. Many factors affect customers' ability to repay their loans or other obligations to the Bank. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, bankruptcy rates and increased market volatility, all of which may be difficult to anticipate and completely outside of the Bank's control. Other factors are dependent upon the Bank's strategy of loan growth (including sector focus) and the viability of the Bank's internal credit application and monitoring systems (see "— The Bank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks"). All of the aforementioned risks could have a material adverse impact on the Bank's ability to meet its obligations under the Certificates and could have

a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects and thereby affect the Bank's ability to perform its obligations under the Transaction Documents.

#### The Bank is dependent on short-term funding

In common with other Turkish banks, a significant portion of the Bank's funding requirements are met through short-term funding sources, primarily in the form of customer deposits, whereas its assets are generally medium- to long-term. As at 31 December 2016, customer deposits comprised 70.5 per cent. of the Bank's total liabilities and, of all customer deposits, 90.9 per cent. had maturities of three months or less.

As at 30 September 2017, customer deposits comprised 71.3 per cent. of the Bank's total liabilities and, of all customer deposits (including current accounts), 92.3 per cent. had maturities of three months or less. In the past, such deposits have been a stable source of funding, but it cannot be certain that customers will continue to roll over or maintain their deposits with the Bank. If customers fail to roll over short-term deposits with a substantial aggregate value upon maturity or withdraw their deposits from the Bank, the Bank's liquidity and financial position could be adversely affected and it may be required to seek funding from other, more expensive sources, which in turn could have a material adverse impact on the Bank's business, financial condition, results of operations and/or prospects.

Although the Bank believes that its level of access to domestic and international inter-bank markets and its liquidity risk management policy allows, and will continue to allow, the Bank to meet its short-term and long-term liquidity needs, any maturity mismatches between the Bank's assets and liabilities (including by reason of an unexpected withdrawal of funds by the Bank's customers) may have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

#### The Bank's loan and deposit portfolio has significant geographic, currency and sector concentration

The Bank has a high concentration of loans and deposits in terms of both currency and customer segment. The Bank's loans are concentrated in Turkish Lira (54.0 per cent. of funded loans as at 31 December 2016) and concentrated in commercial segment (SME) (43.9 per cent. of funded loans as at 31 December 2016 and 45.4 per cent. as at 30 September 2017). The Bank's deposits are highly concentrated in Turkish Lira accounts (54.2 per cent. of total funds collected as at 31 December 2016 and 52.6 per cent. of total funds collected as at 30 September 2017). Accordingly, the Bank is particularly exposed to any future downturn in the Turkish economy or the performance of the Turkish Lira.

The Bank has a high concentration of loans to customers in the construction sector (as at 31 December 2016, 17.5 per cent., of the Bank's total funded loans were to customers in this sector. A downturn in the construction industry in Turkey could, therefore, have a materially adverse effect on the business, results of operations, financial condition, cash flows and/or prospects of the Bank. In addition, a high concentration of the Bank's loan portfolio is to its 100 largest cash loan customers (as at 30 September 2017, the Bank's 100 largest cash loan customers accounted for 38.06 per cent. of the Bank's loan portfolio). Any decision by a material customer to move its business to another bank or any default by one or more such customers could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# The Bank has been, and will likely continue to be, negatively affected by the consequences of the 2008/2009 global financial crisis and concurrent economic slowdown

The 2008/2009 global financial crisis and related economic slowdown that has impacted the Turkish economy and economies around the world, including the principal external markets for Turkish goods and services, has had, and may continue to have, a negative impact on the business, financial condition, results of operations and/or prospects of the Bank.

Although there have been indications that the global economy has begun to recover from the economic deterioration in the aftermath of the 2008/2009 global financial crisis, the recovery may not continue and concerns about (amongst other things) the liquidity, the extent of budgetary deficits and even the solvency of certain countries (such as, for example, Greece,) could adversely affect the global economic recovery. Similarly, the current political crisis in Ukraine and the sanctions being imposed by certain governments and supra-national organisations on Russia, a major world economy, could adversely affect global economic conditions and the financial markets. A deterioration or worsening in the global economy or

continued uncertainty around the potential for such a relapse could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# The interests of the Bank's controlling shareholder may not coincide with the interests of the Certificateholders

Al Baraka Banking Group (B.S.C) ("ABG") owned 54.1 per cent. of the outstanding share capital of the Bank as at 30 September 2017. There can be no guarantee that the interests of ABG will align with those of the Certificateholders. By virtue of its shareholding, ABG has the ability to significantly influence the Bank's business through its ability to control actions that require shareholder approval. If circumstances were to arise where the interests of the major shareholders conflict with the interests of the Certificateholders, the Certificateholders may be disadvantaged by any such conflict. As at 30 September 2017, the Bank's outstanding cash and non-cash loans to its direct and indirect shareholders were TL 48.1 million and TL 11.1 million, respectively. As at the same date, direct and indirect shareholders of the Bank had current and profit sharing accounts in the aggregate amount of 649.8 million and wakala borrowings obtained from ABG and its subsidiaries through investment purpose wakala contracts amounted to US\$282.6 million and euro 114.0 million. As at 31 December 2016, the Bank's outstanding cash and noncash loans to its direct and indirect shareholders were TL 35.6 million and TL 24.2 million, respectively. As at the same date, direct and indirect shareholders of the Bank had current and profit sharing accounts in the aggregate amount of 470.7 million and wakala borrowings obtained from ABG and its subsidiaries through investment purpose wakala contracts amounted to US\$79.2 million and euro 127.2 million. Although it is the Bank's policy that transactions with or with parties related to, or affiliated with, ABG are priced at market rates, are otherwise undertaken on an arm's length basis, are in compliance with applicable Turkish legislation and are subject to the same loan or account approval procedures and limits as applied by the Bank to transactions with parties not related to, or affiliated with, ABG, there can be no assurance that such transactions with or with parties related to, or affiliated with, ABG have been or will be extended on the above basis and terms. See "Description of Albaraka Türk Katılım Bankası A.Ş. – Shareholders".

# The Bank is exposed to its counterparties' credit risk, which could have a material adverse effect on the Bank

As a large and diverse financial organisation, the Bank is subject to a broad range of general credit risks, including with respect to its retail, corporate and commercial customers and other third parties with obligations to the Bank. These parties include borrowers of loans from the Bank, issuers whose securities are held by the Bank, trading and hedging counterparties, beneficiaries of letters of credit provided by the Bank and other financial counterparties of the Bank, any of which might default on their obligations to the Bank due to bankruptcy, lack of liquidity, economic downturns, operational failures or other reasons.

The Bank's loan portfolio has historically consisted of, and as expected to continue to consist of, loans to retail, SME and corporate clients. Many factors affect customers' ability to repay their loans or other obligations to the Bank. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, bankruptcy rates and increased market volatility, may be difficult to anticipate and are outside of the Bank's control. Other factors are dependent upon the Bank's strategy for loan growth (including sector focus) and the viability of the Bank's internal credit application and monitoring systems (see "— The Bank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks"). All of these risks could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

The Bank's non-performing loans ("NPLs") at 30 September 2017, 30 September 2016, 31 December 2016 and 31 December 2015 amounted to 5.4 per cent., 4.5 per cent., 4.8 per cent. and 2.4 per cent., respectively. It is generally accepted that lending to the SME segment represents a higher degree of risk than comparable lending to other groups, and there can be no guarantee that the Bank's NPLs for SMEs, or any of its other customers, will not further materially increase in the near to medium term, in particular if there is a deterioration in the macroeconomic conditions in Turkey or globally or if the Bank is unable to accurately model the risk associated with SME or other borrowers to which it extends credit (see "— The Bank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks").

The Bank might not correctly assess the creditworthiness of credit applicants or other counterparties (or their financial condition may change) and, as a result, the Bank could suffer material credit losses even

though a significant portion of the Bank's credits are at least partially secured by collateral. If the value of the collateral securing the Bank's credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral), then the Bank will be exposed to greater credit risk and an increased risk of non-recovery. Estimates of the value of non-cash collateral are inherently uncertain and are subject to change as a result of market and other conditions, and may increase the credit risk of the Bank if such values decline. In addition, determining the amount of provisions and other reserves for possible credit losses involves the use of estimates and assumptions and an assessment of other factors that involve a significant amount of judgment. As a result, the level of provisions for credit losses and other reserves that the Bank has set aside (which take account of collateral where loans are secured) may not be sufficient and the Bank may have to create significant additional provisions for possible credit losses in future periods.

The Bank has a strong position in the still-developing mortgage market in Turkey and continues to seek to expand its lending activities, including in the expanding energy sector. The growth in these, or other business lines, or in the Bank's credit portfolio generally, could have a negative impact on the quality of the Bank's assets. Failure to maintain the Bank's asset quality could result in higher loan loss provisioning and higher levels of defaults or write-offs, which could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

The Bank focuses on rapidly expanding lending to SMEs, but the availability of accurate and comprehensive financial information and general credit information, on which to base credit decisions, is more limited for SMEs than is the case for large corporate clients

As a key part of its overall expansion strategy, the Bank is focusing on accelerating growth in the commercial (SME) segment, seeking to increase the share of this segment's cash credit risk within total funded credits to 30 per cent. by 2025. However, the availability of accurate and comprehensive financial information and general credit information, on which to base credit decisions, is more limited for SMEs than is the case for large corporate clients. Therefore, notwithstanding the credit risk determination procedures that the Bank has in place, it may be unable to accurately evaluate the current financial condition of each prospective SME borrower and to determine such borrower's long-term financial viability.

#### Changes in market interest rates could lead to a deterioration of the Bank's net profit share margin

The Bank's results of operations depend upon the level of its net profit share income, which is the difference between profit share income and profit share expenses. The difference between the Bank's average profit share income and its average profit share expense is its net profit share margin. Net profit share income contributed 25.8 per cent. and 42.5 per cent. of income before tax for the years ended 31 December 2016 and 31 December 2015, respectively, and the net profit share margin was 4.1 per cent. and 4.0 per cent., respectively, over the same periods, reflecting a decreasing trend in the Turkish Banking industry. Unlike conventional banks, the Bank's profit rate risk is considerably reduced through the operation of participation accounts, which do not pay a defined rate of return but instead pay a defined proportion of the net profit made by the Bank from the utilisation of the funds provided through the deposits. However, changes in market interest rates still affect the Bank indirectly because the economic factors that have an effect on market interest rates may also have a similar effect on the determination of the Bank's profit share rates.

Market interest rates are highly sensitive to many factors beyond the Bank's control, including monetary policies pursued by the Turkish government, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to market interest rate volatility, as further illustrated below. In particular, the Bank was adversely affected by the Turkish Central Bank's policy which saw a rapid reduction in market interest rates reaching the low of 4.5 per cent. in May 2013. Any similar interest rates changes in the future may adversely affect the Bank's profit share income and profit share expenses. (see "— The Turkish Central Bank's policy on reserve requirements and interest rates could materially and negatively affect the Bank's business, financial condition, results of operations and/or prospects")

If the Bank is unable for any reason to re-price its profit sharing assets and profit sharing liabilities in a timely or effective manner, or if market interest rates rise as a result of economic conditions or other reasons, and its profit sharing assets are not appropriately match-funded or hedged, then the Bank's net profit share margin will be adversely affected, as well as potentially its cost of funds, which could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects. In particular, the Bank's participation accounts pay returns based on the return earned by the Bank from an

underlying pool of loans in a prior period, which means that in times of falling market interest rates the Bank's profit share margin is reduced.

In addition, changes in special commission rate levels, spreads and maturity mismatches may affect the margin realised between the Bank's lending and investment activities and its borrowing costs, and the values of assets and investments that are sensitive to special commission rates and spread changes. Changes in debt, equity and commodity prices may affect the value of the Bank's investment portfolios. It is difficult to accurately predict changes in economic and market conditions and to anticipate the effects that such changes could have on the Bank's financial condition, results of operations and/or prospects. See "Description of Albaraka Türk Katılım Bankası A.S. – Risk Management – Market Risk".

# The Bank is exposed to foreign currency exchange rate fluctuations, which could have a material adverse effect on the Bank

The Bank is exposed to the effects of fluctuations in foreign currency exchange rates, principally the US\$ and euro, which can impact on its financial position, results of operations and/or prospects. These risks are both systemic (i.e., the impact of exchange rate volatility on the markets generally, including on the Bank's borrowers) and unique to the Bank (i.e., due to the Bank's own net currency positions). For example, from a systemic perspective, if the Turkish Lira were to depreciate materially against the US\$ or the euro, then it would be more difficult for the Bank's customers whose income is primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated loans. In addition, the Bank is exposed to exchange rate risk to the extent that its assets and liabilities are mismatched. The Bank seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency denominated loans against its foreign currency-denominated deposits or by entering into currency hedges.

Within this framework, all speculative foreign exchange ("FX") transactions are prohibited and FX transactions are made solely for the purpose of reducing open currency positions. In addition, regulatory limits set by the BRSA prohibit the Bank from having a net currency short or long position of greater than 20.0 per cent. of the total capital used in the calculation of its regulatory capital adequacy ratios. However, if the Bank is unable to manage the gap between its foreign currency-denominated assets and liabilities, then material volatility in exchange rates could lead to operating losses, which could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects. See "Description of Albaraka Türk Katılım Bankası A.Ş. – Risk Management – Market Risk".

# The Bank may have difficulty borrowing funds on acceptable terms, if at all

The Bank is exposed to liquidity risk, which is the risk that a company will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (such as short-term funding), changes in credit ratings or market-wide dislocation. Credit markets worldwide experienced a severe reduction in liquidity during the global financial crisis and liquidity remains more difficult to obtain on favourable terms. Perceptions of counterparty risk between banks also increased significantly, which led to further reductions in banks' access to traditional sources of liquidity such as the debt markets and asset sales. The Bank's access to these wholesale sources of liquidity has been, and may continue to be, restricted or available only at a high cost. In addition, the Bank's significant reliance on deposits as a funding source makes it susceptible to changes in customer perception of the strength of the banking sector and the Bank would be materially and adversely impacted by substantial customer withdrawals of deposits.

The Bank's primary source of funding is its customer deposits that are principally short-term in nature, although the Bank also obtains funding through loans from other banks and through the sale of securities in the capital markets. A mismatch between the maturity of the Bank's assets and liabilities may require the Bank to incur additional costs to liquidate assets at prices below what the Bank believes to be their values. In addition, the global demand for liquidity has increased following the global financial crisis, with increased competition for funds having reduced the Bank's ability to raise longer-term funding by way of securitisation, subordinated debt and other issuances. As a result, the Bank may find it difficult to diversify its funding sources and to increase the maturity of its funding profile.

A rising market interest rate environment could compound the risk of the Bank not being able to access funds at favourable rates. These and other factors could lead creditors to form a negative view of the Bank's

liquidity, which could result in less favourable credit ratings, higher borrowing costs and less access to funding. In addition, the Bank's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the sectors to which the Bank provides its loans. While the Bank continually monitors its liquidity requirements and the maturity profile of its funding base, and aims to maintain, at any given time, an adequate level of liquidity reserves, there can be no assurance that the Bank will not experience significant liquidity constraints and any such constraint could adversely affect the Bank's business, financial position, results of operations and/or prospects.

# Correlation of financial risks – the occurrence of a particular risk faced by the Bank could exacerbate other risks that the Bank faces

The exposure of the Bank's business to a market downturn in Turkey or the other markets in which the Bank operates, or any other risks, could exacerbate or trigger other risks that the Bank faces. For example, if the Bank incurs substantial trading losses due to market disruptions in Turkey, then its need for liquidity could rise sharply, while its access to liquidity and/or capital could be impaired. In addition, in conjunction with a market downturn, the Bank's customers could incur substantial losses of their own, thereby weakening their financial condition and increasing the credit risk related to the Bank's exposure to such customers. If this particular combination of risks, or any others, occur, then this could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# Third parties might use the Bank as a conduit for illegal or terrorist activities without the Bank's knowledge, which could have a material adverse effect on the Bank

The Bank is required to comply with applicable anti-money laundering and anti-terrorist financing laws and regulations and has adopted various policies and procedures, including internal control and "know your customer" procedures, aimed at preventing the use of the Bank for money laundering and/or terrorist financing. In addition, while the Bank reviews its correspondent banks' internal policies and procedures with respect to such matters, the Bank, to a large degree, relies upon its correspondent banks to maintain and properly apply their own appropriate anti-money laundering and anti-terrorist financing procedures. The Bank believes that it is in compliance with all applicable anti-money laundering and anti-terrorist financing laws and regulations. However, such measures and compliance procedures may not be completely effective in preventing third parties from using the Bank (and/or its correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without the Bank's (and/or its correspondent banks') knowledge. If the Bank is associated with, or even accused of being associated with, money laundering or terrorist financing, then its reputation could suffer and/or it could become subject to criminal or regulatory fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Bank), any one of which could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# The Bank's non-deposit obligations are not guaranteed by the Turkish or any other government and there may not be any governmental support in the event of illiquidity or insolvency

The non-deposit obligations of the Bank are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of such sovereign support have been seen in other countries during the 2008/2009 global financial crisis), this may not be the case in Turkey or for the Bank in particular. Investors should not place any reliance on the possibility of the Bank being supported by any governmental entity at any time, including providing liquidity or assisting to maintain the Bank's operations during periods of material market volatility. See "Turkish Regulatory Environment – The SDIF" for information on the limited government support available for the Bank's deposit obligations.

#### The Bank may become over-leveraged

One of the principal causes of the 2008/2009 global financial crisis was the excessive levels of debt prevalent in various sectors of the global economy, including the financial sectors of many countries. While there were many reasons for the over-leverage, important factors included the low cost of funding, the over-reliance by creditors (particularly investors in structured transactions and emerging markets companies) on the analysis provided by rating agencies (which reliance was often encouraged by regulatory and other

requirements that permitted capital to be applied based upon the debtor's rating) and the failure of risk management systems to identify adequately the correlation of risks and price risk accordingly. If the Bank becomes over-leveraged as a result of these or any other reasons, then it may be unable to satisfy its obligations in times of financial stress, and such failure could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# The Bank's continued success depends upon retaining key members of its senior management and its ability to recruit, train and motivate qualified staff

The Bank is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate and other relationships of members of senior management are important to the conduct of the Bank's business. In a rapidly emerging and developing market such as Turkey, demand for highly trained and skilled staff, particularly in the Bank's Istanbul headquarters, is very high and requires the Bank to continually re-assess its compensation and employment policies. If members of the Bank's senior management were to leave, then the relationships that those employees have formed and that have benefited the Bank may not continue with the Bank. In addition, the Bank's continuing success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Bank's failure to recruit and retain necessary personnel, or manage its personnel successfully, could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# The Bank's operations are highly dependent upon its information technology systems

The Bank's business, financial performance and ability to meet its strategic objectives (including rapid credit decisions, product rollout and growth) depend to a significant extent upon the functionality of its information technology systems ("IT Systems") and its ability to increase systems capacity. The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, is critical to the Bank's business and its ability to compete. If the Bank's IT Systems fail, even for a short period of time, then it could be unable to serve some or all customers' need on a timely basis and could lose their business or experience negative publicity as a result of such system failures. In addition, despite the Bank's investments in the infrastructure of its IT Systems, the Bank may fail to update and develop its existing IT Systems as effectively as its competitors. Although the Bank has developed back-up systems for emergency cases, a disruption (even short-term) to the functionality of the Bank's IT Systems, delays or other problems in increasing the capacity of the IT Systems or increased costs associated with such systems could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

No assurance can be given that such failures or interruptions will not occur or that the Bank will adequately address them if they do occur. Accordingly, the occurrence of such failures or interruptions could have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

# The Bank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks

There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against, all credit, liquidity, market and other risks. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate.

The Bank also cannot give assurances that all of its staff have adhered or will adhere to its policies and procedures. The Bank is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems, and fraud by employees or third parties. The Bank's risk management and internal control capabilities are also limited by the information tools and technologies available to it.

Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

As a financial services institution, the Bank is exposed to a wide spectrum of other risks including those arising from external events or from process errors, IT-related failures, fraud, systems failure, inadequate customer services protocols, inadequate staff skills and performance, product development and maintenance, unauthorised activities and security and physical protection. The materialisation of any such risks may have a material adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

#### Risks relating to the participation bank model

The growth of the Bank's business is dependent upon the continued development of the participation banking industry in Turkey and in countries where it operates. Accordingly, any adverse change in investor perception in relation to the participation banking model (whereby depositors participate in pools of financings made by the Bank to customers and their deposits are subject to the credit risks of financings included in such pools) or any fluctuation or decline in general market perception of the participation banking model may have an adverse effect on the Bank's business, financial condition, results of operations and/or prospects.

In 2013, the Turkish government announced the expansion of the participation banking sector in Turkey by establishing public participation banks by the state-owned banks. The Turkish Participation Banks Association hosted a workshop regarding participation banking and interest free financing in December 2013 in Kızılcahamam, Ankara and participants in the workshop discussed whether the establishment of participation banks by state-owned banks would create unfair competition for the existing five participation banks in Turkey. The new public participation banks may have a positive impact on overall market share enjoyed by participation banks, but it could also have a negative impact on the Bank by increasing the competition it faces and, at least temporarily, leading to a shortage of staff with experience working in the participation banking sector.

Ziraat Katılım Bankası A.Ş. officially began operating as Turkey's first state-owned participation bank on 29 May 2015 and Vakıf Katılım Bankası A.Ş., the second state-owned participation bank in Turkey, commenced operations on 17 February 2016. Halk Bankası A.Ş. also has plans to enter the participation banking market. Should this occur there will be six participation banks operating in Turkey. According to the March 2015 "*Turkish Participation Banking Strategy document 2015-2025*", market share of the participation banking sector may increase with the entrance of public banks into the market with projections of their combined market share reaching 15.0 per cent. by 2025.

# Increased competition from conventional Turkish banks and from foreign banks operating in Turkey could have a material adverse effect on the Bank

Although the main competition faced by the Bank is from the four other participation banks in Turkey (Kuveyt Türk Katılım Bankası A.Ş., Türkiye Finans Katılım Bankası A.Ş., Vakif Katılım Bankası A.Ş. and Ziraat Katılım Bankası A.Ş.), the Bank also faces competition from conventional Turkish banks and from foreign banks operating in Turkey. The principal areas, in which the Bank faces competition from these banks, are in relation to its corporate and retail banking activities and, in particular, in relation to its SME customers.

The level of competition in the Turkish banking sector has remained intense in the past several years as a result of the increased presence of public banks in the private sector and foreign bank interest in Turkey. According to the BRSA, as of 30 September 2017, the top seven banking groups in Turkey, three of which are state-controlled, held in aggregate, approximately 73.3 per cent. of the Turkish banking sector's total loan portfolio, approximately 74.3 per cent. of total banking assets in Turkey and approximately 78.5 per cent. of total deposits in Turkey (based on publicly available balance sheet information).

In addition to private conventional banks, the Bank also faces competition from state-owned financial institutions, such as HalkBank, Vakıfbank and Ziraat. These government-owned financial institutions historically focused on government and government-related projects, but are increasingly focusing on the private sector (including retail and SMEs), thereby increasing competition and pressure on margins. In particular, such government-owned institutions may have access to payroll accounts of state employees, low cost deposits (on which such institutions pay low or no interest) through state economic enterprises owned or administered by the Turkish government, which could result in a lower cost of funds that cannot be duplicated by private banks. Such actions by government-owned financial institutions, in addition to

ongoing competitive pressures from private financial institutions, have caused net interest margins to decline across the Turkish banking market.

During recent years, foreign banks have shown an increased interest in the banking sector in Turkey. Foreign banks such as BNP Paribas, Banco Bilbao Vizcaya Argentaria S.A., Industrial and Commercial Bank of China, Burgan Bank, ING, Qatar National Bank, Commercial Bank of Qatar, UniCredit, Bank of China and Sberbank have acquired interests in Turkish banks. In addition, various smaller-size banks such as Odeabank have also established their own franchises. The Bank believes that further entries into the Turkish banking sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could further increase competition in the market. In addition to direct investment, foreign banks are expanding their business presences in Turkey, further increasing competitive pressures. There can be no assurance that further competitive pressures will not result in continued margin compression, which may have a material adverse effect on the Bank's business, financial condition and/or results of operations.

#### RISK FACTORS RELATING TO THE TURKISH BANKING INDUSTRY

### Increased competition in the Turkish banking sector could have a material adverse effect on the Bank

The Bank faces direct competition from the four other participation banks in Turkey: Vakıf Katılım Bankası A.Ş., Türkiye Finans Katılım Bankası A.Ş., Kuveyt Türk Katılım Bankası A.Ş. and Ziraat Katılım Bankası A.Ş. Notwithstanding the fact that the Bank is a participation bank, it also competes in the wider Turkish banking sector and accordingly the Bank also faces significant and increasing competition from other participants in the Turkish banking sector, including both public and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. In addition to the five participation banks, there are currently 16 banks (excluding the Turkish Central Bank) licensed to operate in Turkey. A small number of these banks dominate the banking industry in Turkey. According to the BRSA, as at 30 June 2017, the top five banks in Turkey (in terms of asset size), one of which is state controlled, held 55.4 per cent. of the banking sector's total credit portfolio, 56.8 per cent. of total bank assets in Turkey and 58.9 per cent. of total depositors in Turkey.

In 2013, the Turkish government announced the expansion of the participation banking sector in Turkey by establishing public participation banks. The Turkish government's main intention was to increase the market share of participation banks which then stood at 5.1 per cent. in terms of asset size, 6.0 per cent. in terms of total credits and 6.2 per cent. in terms of deposits. In March 2015, the market share enjoyed by participation banks was 6.7 per cent. in terms of asset size, 6.4 per cent. in terms of total credits and 6.0 per cent. in terms of deposits. The new public participation banks may have a positive impact on overall the market share enjoyed by participation banks and human resources in the participation banking sector, but it could also have a negative impact on the Bank by increasing the competition which it faces. In Turkey, state controlled banks have historically had access to Turkish government and governmental entities deposits, which have provided such banks with a competitive advantage over private banks. This advantage gives these banks a competitive pricing on both deposit and loan products. Along with the strong capital base, they could engage the market more aggressively, expand their branch network and increase their customer base. It is common for Turkish customers to have more confidence in the state controlled banks than in private banks. The effect of this could be that the Bank's market share is negatively impacted.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, BNP Paribas, the National Bank of Greece, Sberbank, Citigroup, ING and Bank Hapoalim, Burgan Bank, Bank Audi, Bank of Tokyo and Mitsubishi UFJ, Commercial Bank of Qatar, Rabobank Pasha Bank, ICBC (Industrial and Commercial Bank of China Ltd.), Bank of China, Intesa Sanpaolo and Standard Chartered Bank are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. The entry of foreign competitors into the banking sector, either directly or in collaboration with existing Turkish banks, has increased competition in the market, and any further entry of foreign competitors is likely to further increase competition, especially given that some of these foreign competitors have significantly greater resources and less expensive funding sources than Turkish banks.

Competition has been particularly acute in certain sectors where state-controlled banks and foreign owned banks have been active, such as general purpose loans, for which state-controlled banks have lent funds at rates below those considered commercially viable by the Bank. Increased competition from such state-controlled banks or private international banks or otherwise could have a material adverse effect on the Bank's business, financial condition results of operations and/or prospects.

The Bank is subject to numerous banking and other laws and regulations that are subject to change and such changes may have a material adverse effect on the Bank

The implementation process of Directives of the European Community numbered 2006/48/EC and 2006/49/EC ("CRD") and Basel II became effective in July 2012 and Basel III became effective on 1 January 2014. Prior to the effectiveness of Basel II and Basel III, in order to monitor the implementation process of the banks on CRD/Basel II, the BRSA had requested banks to submit a progress survey on the adaptation of CRD/Basel II every six months. Potential changes relating to Basel III, once implemented by the BRSA in Turkey, may impact the manner in which the Bank calculates its capital adequacy ratios and may impose higher capital requirements. If the Bank is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, losses or otherwise), then it may be required to seek additional capital and/or sell assets (including subsidiaries) at commercially unreasonable prices, which could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Banking Law, which was approved by the Turkish Parliament on 19 October 2005 and published in the Official Gazette on 1 November 2005, replaced the previous Banks Act No. 4389 (the "Banks Act") and was designed to address the dynamic nature of the banking sector and international financial and economic developments and to operate in parallel with EU banking laws and regulations, as well as in parallel with international banking standards. Compared to its predecessor, the Banking Law is much more comprehensive and detailed. EU banking directives, international rules and standards and relevant country laws and applications were taken into account during the preparation of the Banking Law. The objective of the Banking Law is to maintain the safety and soundness of Turkish financial markets and the Turkish credit system and to protect the rights and interests of investors. Under the Banking Law, customers' rights are regulated with new principles, measures that are to be taken against systemic risk have been introduced, honesty, competence, transparency, confidentiality and ethical principles have been made legal obligations and an extensive list of judicial offences has been defined, the breach of any of which may lead to heavy penalties. The Banking Law also places a strong emphasis on remedial measures for banks in financial difficulty.

New laws and regulations may increase the Bank's cost of doing business or limit its activities. For instance, until the slowdown in economic conditions in 2016, the Central Bank had significantly increased reserve requirement ratios in order to slow down domestic demand, discourage loan growth and lower inflation. In addition, a Resource Utilization Support Fund Levy has been applied on consumer loans at a rate of 15.0 per cent., mortgage loan-to-value ratios have been limited to 75.0 per cent., a ceiling on mutual fund fees has been imposed and ceiling rates on credit cards have been decreased. The BRSA also introduced amendments to its regulations on 18 June 2011 and on 8 October 2013, which are specifically designed to curb consumer lending. The amendments require all banks with consumer lending portfolios exceeding 25.0 per cent. of their overall loan book, or with non-performing consumer loan (classified as illiquid claims, excluding mortgage loans) ratios greater than 8.0 per cent. of their total consumer loans, to set aside higher general provisioning of 4.0 per cent. (increased from 1.0 per cent.) for outstanding standard (Group I) loans and 8.0 per cent. (increased from 2.0 per cent.) for outstanding closely monitored (Group II) loans.

The amendments additionally require banks to increase risk weightings for capitalization purposes on new consumer loans (excluding vehicle and housing loans) with maturities of one to two years and above two years to 150 per cent. and 200 per cent., respectively (increased from 100 per cent. and 100 per cent., respectively), and also impose certain limits with respect to fees and commissions charged to customers and increase the monthly minimum payments required to be paid by holders of credit cards. The Bank might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector. Accordingly, the Bank might not be able to sustain or improve its level of profitability in light of these regulatory changes and the Bank's profitability would likely be materially adversely impacted until (if ever) such changes could be incorporated into the Bank's pricing.

In addition, according to the BRSA's Communiqué Regarding Reserve Requirements (the "Communiqué Regarding Reserve Requirements") published in the Official Gazette on 25 December 2013 and numbered 28862, as amended from time to time, the BRSA has imposed incremental additional reserve requirements to be applicable for banks depending on their leverage ratios, which may result in an increase in reserve requirements. Such measures could also limit or reduce the growth of the Turkish economy and consequently demand for the Bank's products and services.

The Central Bank also reduced the monthly cap on individual credit card interest rates from 2.34 per cent. in 2012 to 2.02 per cent, as of 1 October 2013 (the cap remained at this rate as of 31 December 2016). On 5 August 2013, the Central Bank introduced caps on commercial credit cards interest rates in line with the caps on individual cards. Accordingly, the ceiling for contractual interest rates for commercial cards is set at 2.12 per cent. On 27 May 2013, the Central Bank also amended the Communiqué on Interest Rates of Deposits and Loans and Other Benefits from Lending Transactions, introducing an interest rate cap on overdraft loans. Accordingly, the maximum interest rates charged on overdraft accounts will not exceed that of credit cards. Moreover, on 7 November 2013, the Grand National Assembly enacted a new consumer protection law, Consumer Protection Law No. 6502 ("New Consumer Protection Law"), which was published in the Official Gazette dated 28 November 2013 and numbered 28835. The New Consumer Protection Law came into force in May 2014 and replaced the then existing Consumer Protection Law No. 4077. The New Consumer Protection Law's main aims are to set out a framework to govern the imposition of fees by banks on customers and to increase transparency and comparability between banks so that customers can make more informed decisions. Pursuant to this or other regulations, the Turkish Government may impose limits or prohibitions on interest rates, fees and/or commissions charged to customers, including fees associated with credit cards, or otherwise affect payments received by the Bank from its customers, which could have an adverse effect on the Bank's business, financial condition or results of operations.

The BRSA published a Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in the Official Gazette dated 23 October 2015 and numbered 29511 (the "2015 Capital Adequacy Regulation"), which entered into force on 31 March 2016 and replaced the previous Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 28 2012 and numbered 28337 and entered into force on 1 July 2012 (the "2012 Capital Adequacy Regulation"). The 2015 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. In order to further align Turkish banking legislation with Basel principles, the BRSA also amended certain regulations and communiqués as published in the Official Gazette dated 23 October 2015 and numbered 29511, which amendments came into force on 31 March 2016. On 22 June 2016, the BRSA introduced a further amendment to the 2013 Equity Regulation to change the items included in equity calculation with an enforcement date of 1 January 2017 and also published a draft Communiqué on Principles for Debt Instruments to be Included in Equity Calculations by Banks to introduce certain rules in relation to conversion and write-down of debt instruments to be included in additional Tier 1 or Tier 2 capital.

On 23 February 2016, the BRSA issued a domestic systemically important banks ("**D-SIBs"**) regulation (the "**D-SIBs Regulation"**) in line with the Basel Committee standards, introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The BRSA defines D-SIBs according to their size, complexity and impact on the financial system and economic activity. The banks are to be classified under four categories based upon a score set by the BRSA and will be required to keep additional core Tier 1 capital buffers up to a further 3 per cent. buffer for Group 4 banks, 2 per cent. for Group 3, 1.5 per cent. for Group 2 and 1 per cent. for Group 1. In 2016, capital buffer requirements for D-SIBs were introduced at one-fourth of the full requirements (i.e., Group 4: 0.75 per cent.; Group 3: 0.5 per cent., Group 2: 0.375 per cent.; and Group 1: 0.25 per cent.). The buffers are to be fully implemented by 2019.

As some of the new banking laws and regulations issued by regulatory institutions have only been implemented over the past two years, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. Moreover, in light of such new laws and regulation, additional regulatory proceedings or actions may be commenced by the BRSA and other regulators against Turkish banks to seek to reduce fees and/or impose additional fines or penalties, which could be material. Further new laws or regulations might be adopted, enforced or interpreted in a manner that could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. If the Bank does not adequately respond to such changes in the regulatory framework, these developments may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Finally, non-compliance with regulatory guidelines could expose the Bank to potential liabilities and fines.

The BRSA continuously conducts examinations of all banks operating in Turkey, including the Bank. Even small credit deteriorations are closely monitored by the BRSA. Financial information, total capital ratios, open positions, liquidity, interest rate risks and credit portfolios are followed up in detail at frequent

intervals. Although the Bank has implemented procedures to monitor these issues, there can be no guarantee that the Bank will not breach the ratios and limits set by the regulator.

As applicable to all other enterprises in Turkey, the Bank is also subject to competition and antitrust laws.

In the future, new laws or regulations might be adopted, enforced or interpreted in a manner that could have an adverse effect on the Bank's business, financial condition, cash flows and/or results of operations. In addition, a breach of regulatory guidelines could expose it to potential liabilities or sanctions. Changes in these regulations may have a material effect on the Bank's business and operations. Any of these developments may have an adverse effect on the Bank's business, financial condition or results of operations.

## The Turkish banking sector has experienced significant volatility in the past

The significant volatility in the Turkish currency and FX markets experienced in 1994, 1998 and 2001, combined with the short FX positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions, including one participation bank. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private banking sector and allow it to compete more effectively with the state-controlled banks. Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system and potentially a consequential adverse effect on the Bank's financial condition. The Bank's NPLs, deposit level and its profitability could be affected by such volatile macro-economic conditions.

## RISKS RELATING TO THE CERTIFICATES

Certificateholders' right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be written-down (in whole or in part) upon the occurrence of a Non-Viability Event or in part only upon the occurrence of a Trigger Event.

If a Non-Viability Event (as defined in the Conditions) occurs: (i) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally cancelled (in the case of a Non-Viability Event Write-down in whole) or written-down in part (in the case of a Non-Viability Event Write-down in part) in the same manner and in the same proportion as the Certificates; (ii) the Certificates shall be cancelled (in the case of a Non-Viability Event Write-down in part) or written-down in part on a *pro rata* basis (in the case of a Non-Viability Event Write-down in part) by the Trustee as determined by the Bank in consultation with the Regulator or as the Regulator may, in its sole discretion, direct; and (iii) all rights of any Certificateholder for payment of any amounts due under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall, as the case may be, be cancelled or written-down in part on a *pro rata* basis among the Certificateholders and, in each case, will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date and even if the Non-Viability Event has ceased.

If a Trigger Event (as defined in the Conditions) occurs, other than in the case of a Reinstatement (and then only to the extent of any Reinstatement, at the sole and absolute discretion of the Bank), in each case: (i) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally written-down in part, in the same manner and in the same proportion as the Certificates; (ii) the Certificates shall be written-down in part, by the Trigger Event Write-down Amount, on a *pro rata* basis by the Trustee as determined by the Bank in consultation with the Regulator; and (iii) all rights of any Certificateholder for payment of any amounts due under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall be written-down in part on a *pro rata* basis among the Certificateholders and any such amounts will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior

to the date of the Trigger Event Notice or the Trigger Event Write-down Date and even if the Trigger Event has ceased.

Further, while it is intended that the ordinary shares of the Bank should absorb losses prior to the Certificates, a write-down in full or in part of the Certificates could occur prior to the ordinary shares of the Bank absorbing losses in full. A write-down shall not constitute a Dissolution Event. As a result, Certificateholders may lose all or part, as the case may be, of their investment in the Certificates. Investors should also be aware that the application of a Trigger Event or non-viability loss absorption feature similar to Condition 12 (Loss Absorption upon the occurrence of a Trigger Event) and Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event) has not been tested in Turkey and therefore some degree of uncertainty may exist in its application.

# The circumstances surrounding a Non-Viability Event or a Trigger Event are unpredictable, and there are a number of factors that could affect the CET 1 Capital Ratio

The occurrence of a Non-Viability Event or a Trigger Event are inherently unpredictable and depends on a number of factors, many of which are outside of the Bank's control.

The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Regulator (as defined in the Conditions). As a result, the Regulator may require a Non-Viability Event Write-down in circumstances that are beyond the control of the Bank and with which the Bank may not agree. Additionally, upon the occurrence of a Trigger Event, the Bank is required to consult with the Regulator to determine the Trigger Event Write-down Amount. As the Bank does not have sole discretion to determine the Trigger Event Write-down Amount, the consequences of the occurrence of a Trigger Event for Certificateholders are outside of the Bank's control. See "Certificateholders' right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be written-down (in whole or in part) upon the occurrence of a Non-Viability Event or in part only upon the occurrence of a Trigger Event".

The exercise (or perceived likelihood of exercise) of any such power by the Regulator or any suggestion of such exercise could materially adversely affect the value of the Certificates and could lead to the holders of the Certificates losing some or all of their investment in the Certificates.

The financial viability of the Bank will also depend in part on decisions made by the Bank in relation to its business and operations, including the management of its capital position. In making such decisions, the Bank will not necessarily have regard to the interests of Certificateholders and, in particular, the consequences for Certificateholders of any such decisions and there can be no assurance in any such circumstances that the interests of the Bank, its shareholders and the Regulator will be aligned with those of the Certificateholders.

The calculation of the CET 1 Capital Ratio could be affected by one or more factors, including, among other things, changes in the mix of the Bank's business, major events affecting the Bank's earnings, dividend payments by the Bank, regulatory changes (including changes to definitions and calculations of regulatory capital ratios and their components, including CET 1 Capital and Risk Weighted Assets (each as defined in the Conditions)) and the Bank's ability to manage Risk Weighted Assets in both its ongoing businesses and those which it may seek to exit. In addition, the Bank has capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the relevant currency equivalent value of foreign currency denominated capital resources and Risk Weighted Assets. As a result, the CET 1 Capital Ratio is exposed to foreign currency movements. The calculation of the CET 1 Capital Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the BRSA could require the Bank to reflect such changes in any particular calculation of the CET 1 Capital Ratio.

Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Bank's calculations of regulatory capital, including CET 1 Capital and Risk Weighted Assets, and the CET 1 Capital Ratio. Because of the inherent uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, a Trigger Event Write-down, may occur.

Accordingly, the trading behaviour of the Certificates is not necessarily expected to follow the trading behaviour of other types of security. Any indication that a Trigger Event may occur can be expected to have a material adverse effect on the market price of the Certificates.

# The CET 1 Capital Ratio will be affected by the Bank's business decisions and, in making such decisions, the Bank's interests may not be aligned with those of the Certificateholders

As discussed, the CET 1 Capital Ratio could be affected by a number of factors. It will also depend on the Bank's decisions relating to its businesses and operations, as well as the management of its capital position. The Bank will have no obligation to consider the interests of the Certificateholders in connection with the strategic decisions of the Bank, including in respect of capital management. Certificateholders will not have any claim against the Bank relating to decisions that affect the business and operations of the Bank, including its capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause Certificateholders to lose all or part of the value of their investment in the Certificates.

## Certificateholders will bear the risk of changes in the CET 1 Capital Ratio

The market price of the Certificates is expected to be affected by changes in the CET 1 Capital Ratio. Changes in the CET 1 Capital Ratio may be caused by changes in the amount of CET 1 Capital and/or Risk Weighted Assets, as well as changes to their respective definition and interpretation under the Applicable Regulatory Capital Requirements.

The Bank only publicly reports the CET 1 Capital Ratio quarterly as of the period end, and therefore during the quarterly period there is no published updating of the CET 1 Capital Ratio and there may be no prior warning of adverse changes in the CET 1 Capital Ratio. However, any indication that the CET 1 Capital Ratio is moving towards the level of a Trigger Event may have an adverse effect on the market price of the Certificates. A decline or perceived decline in the CET 1 Capital Ratio may significantly affect the trading price of the Certificates.

In addition, the BRSA, as part of its supervisory activity, may instruct the Bank to calculate such ratio as at any time, including if the Bank is subject to recovery and resolution actions by the relevant resolution authority, or the Bank might otherwise determine to calculate such ratio in its own discretion at any time. Moreover, the relevant resolution authority is likely to allow a Trigger Event to occur rather than to resort to the use of public funds.

# The payment obligations of the Bank under the Mudaraba Agreement are subordinated and unsecured obligations

Payments of Periodic Distribution Amounts will be made by the Trustee **provided that** the Bank (as Mudareb) shall have paid to the Trustee profit amounts equal to such Periodic Distribution Amounts pursuant to the terms of the Mudaraba Agreement. In this regard, prospective investors should note that the payment obligations of the Bank under the Mudaraba Agreement rank junior to all Senior Obligations (as defined in the Conditions), rank *pari passu* with all Pari Passu Obligations (as defined in the Conditions) and rank in priority only to all Junior Obligations (as defined in the Conditions), as more particularly described in Condition 4.2 (*Subordination*).

Further, the payment obligations of the Bank under the Mudaraba Agreement are unsecured and no collateral is or will be given by the Bank in relation thereto.

The Trustee may exercise its enforcement rights in relation to the Mudaraba Agreement only in the manner provided in Condition 14.3 (*Winding-up, Dissolution or Liquidation*). If the Bank were wound up, liquidated or dissolved, the Bank's liquidator would apply the assets of the Bank to satisfy all claims of creditors in respect of Senior Obligations in priority to the claims of the holders of the Certificates. If the Bank does not have sufficient assets to settle claims of such creditors in full, the claims of the Trustee in relation to the Relevant Obligations will not be settled. Further, the Trustee will share equally in payment with the claims of creditors in respect of Pari Passu Obligations. In such case, there may not be sufficient assets to satisfy the claims of the holders of the Certificates in full and holders could lose all or part of their investment.

#### No limitation on issuing senior securities; subordination

Other than the limitations in relation to the issue of further Tier 1 Capital by the Bank as set out in Condition 4.3 (*Other Issues*) which limit the circumstances in which Tier 1 Capital of the Bank can be issued that ranks senior to the Certificates, there is no restriction in the Conditions or in the terms of the Transaction Documents on the Bank (in its capacity as Mudareb or otherwise) incurring additional financing or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Certificates and the obligations of the Bank under the Mudaraba Agreement ("Bank Senior Obligations"). The issue of or the creation of any such Bank Senior Obligations may reduce the amount recoverable by Certificateholders on a winding-up of the Bank. Accordingly, in the winding-up of the Bank and after payment to creditors in respect of Senior Obligations, there may not be a sufficient amount of funds to satisfy the amounts owing to the Certificateholders. See also "-The payment obligations of the Bank under the Mudaraba Agreement are subordinated and unsecured obligations".

# Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative

The Bank may elect, in its sole discretion and by instructing the Trustee to such effect, not to make payment of a Periodic Distribution Amount (in whole or in part) to Certificateholders on the corresponding Periodic Distribution Date, except that no such election may be made in respect of the Periodic Distribution Amount payable on the Dissolution Date or if the Trustee has given notice to Certificateholders that the Certificates will be redeemed in whole in accordance with Condition 11 (*Redemption and Variation*), all as more particularly provided in Condition 8.2 (*Non-Payment Election*).

In addition, if a Non-Payment Event (as defined in the Conditions) occurs, the Bank (in its capacity as Mudareb) shall be prohibited from paying Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) pursuant to the Mudaraba Agreement, and as a result thereof the Trustee shall be prohibited from paying Periodic Distribution Amounts to the Certificateholders on the corresponding Periodic Distribution Dates, as more particularly provided in Condition 8.1 (*Non-Payment Event*).

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of the Bank's election or a Non-Payment Event then, from the date of such election or Non-Payment Event, the Bank will be prohibited from declaring or paying certain distributions and from redeeming, purchasing, cancelling, reducing or otherwise acquiring certain non-equity securities issued directly and indirectly by the Bank (including Ordinary Shares), in each case for a limited period of time, as more particularly described in Condition 8.4 (*Payment and Redemption Restrictions*). However, the Certificateholders shall have no claim in respect of any Periodic Distribution Amount not paid as a result of either an election by the Bank or a Non-Payment Event and the consequential non-payment of any Periodic Distribution Amount in such a circumstance shall not constitute a Dissolution Event. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise) and the Trustee will not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

If such a situation occurs, the Certificateholders shall not receive Periodic Distribution Amounts on their investment in the Certificates and neither the Trustee nor the Certificateholders shall have any claim in respect thereof. Any non-payment of Periodic Distribution Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Certificates.

## The Certificates are perpetual securities and contain limited Dissolution Events

The Certificates are perpetual securities which have no scheduled payment date. The Trustee is under no obligation to redeem the Certificates at any time and the Certificateholders have no right to call for their redemption unless a Bank Event occurs.

The Dissolution Events and Certificateholders' rights following a Dissolution Event are set out in Condition 14 (*Dissolution Events and Winding-up*). The Dissolution Events in the Conditions are limited to: (a) Bank Events (being: (i) a default by the Mudareb for a period of seven days or more in the payment of any principal or profit amount due and payable by it under the Mudaraba Agreement; (ii) a final determination by a court or other official body that the Bank is insolvent or bankrupt or unable to pay its debts; (iii) (x)

any distribution of the assets of the Bank on a dissolution, winding-up or liquidation of the Bank whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation or indebtedness (konkordato) or any analogous proceedings referred to in the Banking Law (Law No. 5411), the Turkish Commercial Code (Law No. 6102) or the Turkish Execution and Bankruptcy Code (Law No. 2004) or (y) an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Bank or the Bank applies or petitions for a winding-up or administration order in respect of itself or ceases, or through an official action of its board of directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case, (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate (acting in accordance with the Declaration of Trust and the Conditions or the Trustee is directed by an Extraordinary Resolution of the Certificateholders); or (B) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority) and (b) Trustee Events (being similar in nature to Bank Events in respect of the Trustee), all as more fully described in the Conditions.

In certain circumstances the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem the Certificates, including on the First Call Date or any Periodic Distribution Date thereafter and if a Tax Event or a Capital Event occurs, as more particularly described in Condition 11 (*Redemption and Variation*), although there is no assurance that the Bank will require it to do so.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Certificates indefinitely, unless:

- (i) the Trustee exercises its rights to redeem the Certificates in accordance with Condition 11 (Redemption and Variation);
- (ii) the Trustee is directed by an Extraordinary Resolution of the Certificateholders, or by the Delegate (acting in accordance with the Declaration of Trust and the Conditions), following a Bank Event to redeem the Certificates; or
- (iii) they sell their Certificates.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Certificates may limit their market value, which is unlikely to rise substantially above the price at which the Certificates can be redeemed.

If the Certificates are redeemed, there can be no assurance that Certificateholders will be able to reinvest the amount received upon redemption in a comparable security at a rate that will provide the same rate of return as their investment in the Certificates. Potential investors should consider reinvestment risk in light of other investments available at that time. See also "Absence of secondary market/limited liquidity" for a description of the risks relating to the ability of holders of Certificates to sell the Certificates in the secondary market.

# Basel regulatory framework as implemented in Turkey may have an effect on the Certificates

The Basel Committee on Banking Supervision (the "Basel Committee") has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions ("Basel III"). The international implementation of the Basel III reforms began on 1 January 2013; however, the requirements are subject to a series of transitional arrangements that will be phased in over a period of time. The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-availability" (the "January 2011 Press Release") included an additional qualification requirement for Tier 1 and Tier 2 capital instruments under Basel III.

This requirement (the "Non-Viability Requirement") requires contractual or legislative terms providing for, at the option of the relevant authority, the writing-down of the principal amount of Tier 1 instruments or the conversion of such Tier 1 instruments into ordinary shares upon the occurrence of a Non-Viability Event (as defined in the Conditions).

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital purposes.

In 2013, the BRSA announced its intention to adopt the Basel III requirements and issued the following regulations and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to 2012 Capital Adequacy Regulation, which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital.

Please see the section "- Basel Committee – Basel III" below for further details on the abovementioned new regulations.

The BRSA has provided the Bank with a letter of no objection to the issuance of the Certificates as Tier 1 Capital under the BRSA Tier 1 Approval.

To the extent that the relevant statutory and/or regulatory authorities in Turkey introduce any amendments to the 2013 Equity Regulation, or introduce a statutory resolution regime to implement loss absorbency upon the occurrence of a Non-Viability Event, either through the writing-off of the principal amount of the instruments or the conversion of such instruments into ordinary shares, it is possible that such amendments or loss absorbency measures, if applicable to the Certificates, could: (i) (in the event of any introduction of a statutory regime) supersede the write-down provisions contained in Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event); or (ii) (in the event of any amendments to the 2013 Equity Regulation) give rise to a Capital Event as a consequence of which the Certificates may be redeemed or varied pursuant to Condition 11.1(d) (Redemption or Variation for Capital Event). The introduction (or anticipation) of any such amendments or new statutory resolution regime could, therefore, materially adversely affect the value of the Certificates. See "- Variation upon the occurrence and continuation of a Capital Event or the occurrence of a Tax Event" and "-The Certificates may be subject to early redemption; redemption is conditional".

## The Certificates will cease to accrue profit from the due date for redemption (if any)

Investors are advised that each Certificate will cease to accrue profit from the due date for redemption (following liquidation of the Mudaraba). Consequently, should payments owing to Certificateholders on the due date for redemption (if any) be received by them after the due date for any reason, no additional profit payment, late payment amount or other equivalent amount will be payable in respect of such delay. See Condition 7.3 (*Cessation of Accrual*).

# Due to the deeply subordinated nature of the obligations arising under the Certificates, the Conditions contain limited remedies

The Certificates are perpetual instruments with no fixed redemption date and there is no obligation on the Trustee to pay the face amount of the Certificates other than in accordance with the exercise of a call option in accordance with Condition 11.1(b) (*Trustee's Call Option*), a redemption in accordance with Condition 11.1(d) (*Redemption or Variation due to Taxation*), a redemption in accordance with Condition 11.1(d) (*Redemption or Variation for Capital Event*) or following the occurrence of a Bank Event in accordance with Condition 14.1 (*Bank Events*). In addition, the Trustee may be prohibited from making, or instructed by the Bank not to make, payments of Periodic Distribution Amounts on the Certificates in accordance with Condition 8 (*Periodic Distribution Restrictions*) and Periodic Distribution Amounts will not therefore be due other than in the limited circumstances described in the Conditions.

Moreover, pursuant to Condition 14 (Dissolution Events and Winding-up), upon the occurrence of any Bank Event, and following the delivery of a Dissolution Notice pursuant to Condition 14.1 (Bank Events), the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement and the remedies available to the Trustee, the Delegate and/or the Certificateholders (as applicable) are limited to giving notice to the Trustee and the Bank that the Certificates outstanding are, and shall immediately become, due and payable without presentation, demand, protest or other notice of any kind at their aggregate outstanding face amount together with any Outstanding Payments and thereafter: (i) instituting any steps, actions or proceedings for the winding-up or bankruptcy of the Bank; and/or (ii) proving in the winding-up of the Bank; and/or (iii) claiming in the liquidation of the Bank; and/or (iv) taking such other steps, actions or proceedings which, under the laws of Turkey, have an analogous effect to the actions referred to in

paragraphs (i) to (iv) above, in each case, for the payment of amounts due under the Mudaraba Agreement. Therefore, it will only be possible to enforce claims for payment of such amounts when the same have become due pursuant to the Mudaraba Agreement and the Conditions.

Furthermore, the Senior Obligations of the Bank will first have to be satisfied in any winding-up, bankruptcy, dissolution, liquidation or analogous proceedings before the Certificateholders may expect to obtain any amounts in respect of their Certificates and prior thereto Certificateholders will have only limited (if any) ability to influence the conduct of such winding-up, liquidation or analogous proceedings.

## Resettable fixed rate instruments have a market risk

A holder of an instrument with a fixed profit (or equivalent) rate that will be reset during the term of the instrument (as will be the case for the Certificates with effect from each Reset Date (as defined in the Conditions) if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating interest or profit rate levels and uncertain interest or profit rate income. While the expected profit rate on the Certificates is fixed until the First Call Date (with a reset of the initial profit rate on the First Call Date as set out in the Conditions and every five years thereafter), the current investment return rate in the capital markets (the "market return rate") typically changes on a daily basis. As the market return rate changes, the market value of the Certificates may also change, but in the opposite direction. If the market return rate increases, the market value of the Certificates would typically decrease. If the market return rate falls, the market value of the Certificates would typically increase. Certificateholders should be aware that movements in these market return rates can adversely affect the market value of the Certificates and can lead to losses for the Certificateholders if they sell the Certificates.

## Variation upon the occurrence and continuation of a Capital Event or the occurrence of a Tax Event

Upon the occurrence and continuation of a Capital Event or the occurrence of a Tax Event, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, subject as provided in Condition 11.1(c) (*Redemption or Variation due to Taxation*) or 11.1(d) (*Redemption or Variation for Capital Event*) (as the case may be) and without any requirement for consent or approval of the Certificateholders, vary the terms of the Mudaraba Agreement, subject to approval of the Albaraka Türk Katılım Bankası A.Ş. *Shari'a* Advisory Board, and the Certificates such that the Certificates become or, as appropriate, remain, Qualifying Tier 1 Instruments (as defined in the Conditions).

A Capital Event is deemed to have occurred if the Bank is notified in writing by the Regulator to the effect that the outstanding face amount of the Certificates is excluded (in full or in part) from the consolidated or consolidated solo Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital). A Tax Event will arise if the Bank or the Trustee (as the case may be) would, in making any payments under the Mudaraba Agreement or on the Certificates (as the case may be) has or will or would on the next date for such payment, be required to pay Additional Amounts or additional amounts under clause 5.11 of the Mudaraba Agreement (and such requirement cannot be avoided by the Bank or the Trustee (as the case may be) taking reasonable measures available to it). Each of Tax Event and Capital Event is more particularly described in Condition 11.1 (*Redemption and Variation*).

The tax and stamp duty consequences of holding the Certificates following variation as contemplated in Condition 11.1 (*Redemption and Variation*) could be different for certain Certificateholders from the tax and stamp duty consequences for them of holding the Certificates prior to such variation and none of the Trustee, the Delegate, the Agents or the Bank shall be responsible to any Certificateholder for any such consequences in connection therewith. Further, while the Conditions stipulate that the variation (as contemplated by the Conditions) must not be materially less favourable to the Certificateholders (other than in respect of the tax treatment of the new instrument in the hands of all or any Certificateholder, or any transfer or similar taxes that may apply on the acquisition of the new instrument, as stated aforesaid), no assurance can be given as to whether any of these changes will negatively affect any particular Certificateholder.

## The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets, and the proceeds of the Trust Assets are the sole source of payments on the Certificates.

Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 14.1 (*Bank Events*), the sole rights of each of the Trustee and/or the Delegate will be (subject to Condition 14.3 (*Winding-up, Dissolution or Liquidation*)) against the Bank to perform its obligations under the Transaction Documents.

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents (to the extent that each of the Delegate and the Agents (as applicable) fulfils all of its obligations under the Transaction Documents to which it is party) or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets. The Bank is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against the Bank to recover such payments due to the Trustee pursuant to the Transaction Documents. After enforcing or realising the rights in respect of the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5.3 (The Trust - Order of Priority for Payments), the obligations of the Trustee and/or the Delegate in respect of the Certificates shall be satisfied and neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Bank shall be (in accordance with Condition 14.3 (Winding-up, Dissolution or Liquidation)) to enforce their respective obligations under the Transaction Documents.

## Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. The Certificates generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see "-The Certificates are perpetual securities and contain limited Dissolution Events"), are subordinated (see "-The payment obligations of the Bank under the Mudaraba Agreement are subordinated and unsecured obligations"), will be permanently written-down (in whole or in part) upon the occurrence of a Non-Viability Event or written-down, other than in the case of a Reinstatement (and then only to the extent of such Reinstatement), in part only upon the occurrence of a Trigger Event (see "-Certificateholders" right to receive payment of the principal amount of the Certificates and the Certificateholders' right to any profit will be written-down (in whole or in part) upon the occurrence of a Non-Viability Event or in part only upon the occurrence of a Trigger Event") and payments of Periodic Distribution Amounts may be restricted in certain circumstances (see "-Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative").

Application has been made for the Certificates to be admitted to the Official List and for such Certificates to be admitted to trading on the Irish Stock Exchange. However, there can be no assurance that any such listing or admission to trading will occur on or prior to the Issue Date or at all or, if it does occur, that it will enhance the liquidity of the Certificates.

Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates.

## The Certificates may be subject to early redemption; redemption is conditional

Upon the occurrence of a Tax Event or the occurrence and continuation of a Capital Event, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, at any time, having given not less than 30 nor more than 60 days' prior notice to the Certificateholders in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem in accordance with the Conditions all, but not some only, of the Certificates together with any accrued but unpaid Periodic Distribution Amounts (as more particularly described in Condition 11.1(c) (*Redemption or Variation due to Taxation*) in relation to a Tax Event, and Condition 11.1(d) (*Redemption or Variation for* 

Capital Event) in relation to a Capital Event). Investors should note that any change to, or revocation of, the private tax ruling obtained by Albaraka from the Large Taxpayers Office on 29 December 2017 (see "Taxation – Turkey – Withholding Tax") with respect to the withholding tax rate applicable to certain payments to be made by Albaraka under the Transaction Documents to which it is a party may, in certain circumstances, constitute a Tax Event.

Any redemption of the Certificates is subject to the requirements in Condition 11.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation), including obtaining the prior approval of the Regulator. There can be no guarantee that the approval of the Regulator will be received on time or at all

There is no assurance that the Certificateholders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Certificates. During any period when the Bank may instruct the Trustee to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the relevant redemption amount payable in respect of the Certificates. Potential investors should consider reinvestment risk in light of other investments available at that time.

## Investment in the Mudaraba Assets

Pursuant to the Mudaraba Agreement, the proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Mudareb which proceeds shall form the initial capital of the Mudaraba (the "Mudaraba Capital"). The Mudaraba Capital will be invested by the Bank (as Mudareb), on an unrestricted co-mingling Mudaraba basis, in its general business activities and, following investment of the Mudaraba Capital in accordance with the terms of the Investment Plan, the assets in which the Mudaraba Capital are invested shall constitute *pro rata* undivided assets of the Mudaraba (the "Mudaraba Assets") with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The investment activities of the Mudaraba will be carried out by the Bank, and the Certificateholders shall have no ability to influence such activities. The Bank shall be granted the express entitlement to comingle the Mudaraba Capital with its shareholders' equity and such amounts may be co-mingled with its own assets and, as a result, it may not be possible to identify the Mudaraba Assets separately from the assets of the Bank.

If any of the risks relating to the business of the Bank mentioned above (see "-Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents") materialise or otherwise impact the Bank's business, the value of and profit earned from the investment in such Mudaraba Assets may decrease which may, in turn, have a material adverse effect on the Bank's ability to fulfil its payment obligations under the Mudaraba Agreement and, consequently, the Trustee's ability to make payments in respect of the Certificates.

Furthermore, while the Mudareb has agreed in the Mudaraba Agreement to ensure that the Mudaraba Capital is invested in accordance with the Investment Plan (and with the degree of skill and care that it would exercise in respect of its own assets), the Mudaraba Agreement also provides that there is no guarantee of any return from the Mudaraba Assets. In addition, the Trustee and the Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee except to the extent such losses are caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

Accordingly, potential investors are advised that any claim by or on behalf of the Trustee for the Mudaraba Capital following any Dissolution Event may be reduced if and to the extent that the Mudareb is able to prove that any losses to the Mudaraba Capital were not caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud. If the Mudareb is able to provide such proof, Certificateholders may lose all or some of their investment. It is not possible to state with certainty what approach any court with jurisdiction will take in such circumstances.

#### RISKS RELATING TO ENFORCEMENT

## Enforcement Risk

Ultimately the payments under the Certificates are dependent upon the Bank making payments to the Trustee and the Trustee making payments to Certificateholders in the manner contemplated under the Transaction Documents. If the Bank or the Trustee fails to do so, it may be necessary to bring an action in accordance with Condition 14 (*Dissolution Events and Winding-up*).

Certain of the Transaction Documents are governed by English law (excluding certain specified provisions therein in respect of subordination which are governed by Turkish law), with the courts of England stated to have jurisdiction to settle any disputes. Notwithstanding that a judgment may be obtained in an English court, there is no assurance that the Bank or the Trustee has, or would at the relevant time have, assets in the United Kingdom against which such judgment could be enforced.

# Enforcing foreign judgments in Turkey

The Bank is a joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In accordance with Articles 50–59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

- (a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments;
- (b) there is de facto enforcement in such country of judgments rendered by Turkish courts; or
- (c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and the United Kingdom providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment in the past confirming de facto reciprocity between Turkey and the United Kingdom, however, since de facto reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts in the future. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based on any other non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

- (a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed and the defendant brought an objection before the Turkish courts against the request for enforcement on any of these grounds;
- the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;
- (c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;
- (d) the judgment is not of a civil nature;
- (e) the judgment is clearly against public policy rules of Turkey;

- (f) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or
- (g) the judgment was rendered by a foreign court that has deemed itself competent even though it had no actual relationship with the parties or the subject matter at hand.

If any action or proceeding is instituted in Turkey arising out of or relating to a Transaction Document, it may be necessary for a foreign plaintiff or plaintiffs under Law of Charges No. 492 (as amended) to pay, among other amounts (including amounts in relation to security for court costs), court fees in the amount of 6.83 per cent. of the Turkish Lira equivalent of the amount claimed plus a fixed application fee to the relevant courts.

In connection with the issuance of Certificates, Albaraka will appoint Maples and Calder, 11th Floor, 200 Aldersgate Street, London, EC1A 4HD as its agent upon whom process may be served in connection with any proceedings in England.

## Payment of judgments

Turkish courts may render judgments in a foreign currency including in the context of enforcing a foreign judgment. If an enforcement action is initiated in respect of a judgment in a foreign currency including Turkish court judgments rendered in connection with the enforcement of foreign court judgments, then the sum claimed in such action would be converted into Turkish Lira on the date of filing such action for the purpose of calculation of the enforcement fee.

## Change of law

The structure of the issue of the Certificates is based on English, Cayman Islands and Turkish law and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, Cayman Islands law, Turkish law or administrative practices in each jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of Albaraka or the Trustee to comply with their respective obligations under the Transaction Documents.

## ADDITIONAL RISK FACTORS

# Certificateholders must rely on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate.

While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

## No assurance can be given as to Shari'a rules

The Albaraka Türk Katılım Bankası A.Ş. *Shari'a* Advisory Board, the *Shari'a* Supervisory Committee of Noor Bank PJSC, the *Shari'a* Supervisory Board of QInvest and the *Shari'a* Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, *Shari'a*-compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of

the Certificates will be deemed to be *Shari'a*-compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, the Bank, the Delegate, the Agents or the Joint Lead Managers makes any representation as to the *Shari'a*-compliance of the Transaction Documents, or of the Certificates and/or any trading thereof, and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible.

## Shari'a requirements in relation to interest awarded by a court

In accordance with applicable *Shari'a* principles, each of the Bank, the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under the Mudaraba Agreement. Should there be any delay in the enforcement of a judgment given against the Bank, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive all, or any part of, such interest.

# Certificates with a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade

As the Certificates have a denomination consisting of the minimum Authorised Denomination (as defined in the Conditions and further described in Condition 2.1 (Form and Denomination)) plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Authorised Denomination that are not integral multiples of such minimum Authorised Denomination. In such case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Authorised Denomination would need to purchase an additional amount of Certificates at or in excess of the minimum Authorised Denomination such that it holds an amount equal to at least the minimum Authorised Denomination to be able to trade such Certificates. Certificateholders should be aware that a holding of Certificates which has a face amount that is not an integral multiple of the minimum Authorised Denomination may be illiquid and difficult to trade.

If a Certificateholder holds an amount which is less than the minimum Authorised Denomination in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least an Authorised Denomination in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum Authorised Denomination may be illiquid and difficult to trade.

## Consents are required in relation to the variation of Transaction Documents and other matters

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally and for obtaining written resolutions on matters relating to the Certificates from Certificateholders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Declaration of Trust and whose Certificates are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Certificates are held in global form in the clearing systems, the Trustee will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, the Delegate or the Bank or given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Delegate and/or the Bank by accountholders in the clearing systems with entitlements to the Global Certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided

that the Trustee has obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Declaration of Trust, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Conditions also provide that the Delegate may, without the consent or approval of the Certificateholders, agree to the substitution of another company as obligor under the Certificates in place of the Trustee, in the circumstances described in Condition 14.2 (*Trustee Events*).

The Conditions also provide that the Delegate may, without the consent or approval of the Certificateholders, agree to the variation of the terms of the Certificates so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments, as provided in Condition 11.1(c) (Redemption or Variation due to Taxation) and Condition 11.1(d) (Redemption or Variation for Capital Event).

The Declaration of Trust also contains provisions permitting the Delegate from time to time and at any time without the consent or approval of the Certificateholders to make any modification to the Declaration of Trust if, in the sole opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the Certificateholders then outstanding and is other than in respect of a Reserved Matter (as defined in the Declaration of Trust) or any provision of the Declaration of Trust referred to in the definition of Reserved Matter. Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

# Exchange rate risks and exchange controls

The Trustee will make all payments on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Neither the Bank nor the Trustee has any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the principal payable on the Certificates (to the extent that any Dissolution Distribution Amount, or the aggregate outstanding face amount of the Certificates, becomes payable as provided in the Conditions); and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payments including of any Periodic Distribution Amount on a Certificate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts. Even if there are no actual exchange controls, it is possible that U.S. dollars may not be available at the date of redemption of the Certificates.

#### RISK FACTORS RELATING TO TAXATION

## Change of tax law

Statements in this Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in legislation or in practice in a relevant jurisdiction could adversely impact: (i) the ability of the Trustee to service the Certificates; and/or (ii) the market value of the Certificates.

Prospective purchasers of the Certificates are advised to consult their tax advisers as to the consequences under Turkish and other applicable tax laws of acquiring, holding and disposing of the Certificates and receiving payments under the Certificates.

See "Taxation-Turkey" for further details.

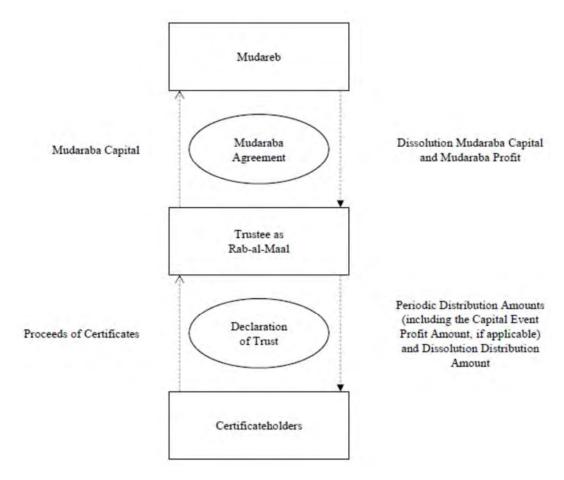
## Taxation risks on payments

Payments made by the Bank to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Mudaraba Agreement requires the Bank to pay additional amounts in the event that any withholding or deduction is required by Turkish law to be made in respect of payments made by it to the Trustee under that document. Furthermore, Condition 15 (Taxation) provides that the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the Cayman Islands or Turkey in certain circumstances. If the Trustee fails to grossup for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, the Bank has, pursuant to the Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Delegate (for the benefit of the Certificateholders) such additional amounts as shall be necessary in order that the aggregate net amounts received by the Certificateholders and the Delegate for the benefit of the Certificateholders after all withholdings or deductions shall equal the amounts that would have been receivable in the absence of any such deduction or withholding. The circumstances described above may entitle the Bank to instruct the Trustee to redeem or vary the Certificates pursuant to Condition 11.1(c) (Redemption or Variation due to Taxation). See "-The Certificates may be subject to early redemption; redemption is conditional" and "-Variation upon the occurrence and continuation of a Capital Event or the occurrence of a Tax Event" for a description of the consequences thereof.

#### STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

## Structure Diagram



## **Principal Cash Flows**

## Payments by the Certificateholders and the Trustee

On the Issue Date, the Certificateholders will pay the issue price in respect of the Certificates to the Trustee. Pursuant to the Declaration of Trust, the Trustee will declare a trust, in favour of the Certificateholders, over:

- (a) the cash proceeds of the issuance of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents:
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets (as defined below);
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in

any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee or the Delegate by the Bank pursuant to clause 11 of the Declaration of Trust); and

(d) all amounts standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing (together, the "Trust Assets").

The proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Mudareb and shall form the initial capital of the Mudaraba (the "Mudaraba Capital") pursuant to the Mudaraba Agreement. The Mudaraba Capital will be invested, on an unrestricted co-mingling Mudaraba basis, by the Bank in its general business activities and, following investment of the Mudaraba Capital in accordance with the terms of the Investment Plan, the assets in which the Mudaraba Capital are invested shall constitute *pro rata* undivided assets of the Mudaraba (the "Mudaraba Assets").

## Periodic payments by the Trustee

Unless a Non-Payment Event occurs or a Non-Payment Election has been made, prior to each Periodic Distribution Date, the Mudareb shall distribute the profit generated by the Mudaraba to both the Trustee and the Mudareb in accordance with an agreed profit sharing ratio (99 per cent. to the Trustee (as Rab-al-Maal) and 1 per cent. to the Mudareb). The Trustee shall apply its share of the profit (if any) generated by the Mudaraba on each Periodic Distribution Date to pay the Periodic Distribution Amount due to the Certificateholders on such date.

Payments of Mudaraba Profit (as defined in the Mudaraba Agreement) by the Bank (as Mudareb) are at the sole discretion of the Bank (as Mudareb) and may only be made in circumstances where a Non-Payment Event has not occurred. The Mudareb shall not have any obligation to make any subsequent payment in respect of such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise).

Under the terms of the Mudaraba Agreement, the Mudareb shall be expressly entitled to co-mingle the Mudaraba Capital with its shareholders' equity and such amounts may be co-mingled in its general business activities.

# Dissolution payments, redemption and variation by the Trustee and the Mudareb

The Mudaraba is a perpetual arrangement with no fixed end date. Accordingly, the Certificates are perpetual securities in respect of which there is no fixed redemption date.

Subject to certain conditions set out in clause 8 of the Mudaraba Agreement, the Bank (as Mudareb) may (acting in its sole and absolute discretion) elect to liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba in the following circumstances:

- (i) on the First Call Date or any Periodic Distribution Date after the First Call Date, by giving not less than 30 nor more than 60 days' prior notice to the Trustee; or
- (ii) on any date on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 30 nor more than 60 days' prior notice to the Trustee:
  - (a) if a Tax Event occurs; or
  - (b) if a Capital Event occurs and is continuing.

The Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, upon receipt of notice in accordance with paragraph (i) above, redeem all, but not some only, of the Certificates and, upon receipt of notice in accordance with paragraph (ii) above, redeem all, but not some only, of the Certificates or vary the terms thereof, in each case by giving not less than 30 nor more than 60 days' prior notice to the Certificateholders, all as more particularly described in the Conditions, and in each case following final constructive liquidation of the Mudaraba, as described above.

The Bank (as Mudareb) and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by the Bank to be varied upon the occurrence of a Tax Event or the occurrence and continuation of a Capital Event, to make such variations as are necessary to ensure that the Certificates become or, as appropriate, remain Qualifying Tier 1 Instruments.

#### OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Words and expressions defined in the Conditions shall have the same meanings in this overview.

Certificates U.S.\$205,000,000 Tier 1 Capital Certificates.

Trustee Bereket One Ltd., an exempted company incorporated with limited

liability on 1 August 2017 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with incorporation number 325521 with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman

Islands.

Ownership of the Trustee The authorised share capital of the Trustee is U.S.\$250 consisting of

250 ordinary shares of U.S.\$1.00 each, all of which are fully paid and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the

terms of a declaration of trust.

Administration of the Trustee are managed by MaplesFS Limited (the Trustee Trustee Administrator"), who has agreed to perform certain

"Trustee Administrator"), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 11 February 2018 between the Trustee Administrator and the Trustee (the "Corporate Services Agreement"). The Trustee Administrator's registered office is c/o MaplesFS Limited, P.O. Box 1093, Queensgate

House, Grand Cayman KY1-1102, Cayman Islands.

Mudareb / Obligor Albaraka Türk Katılım Bankası A.Ş.

Rab-al-Maal Bereket One Ltd.

**Risk Factors** Certain factors may affect the Trustee's ability to fulfil its obligations

under the Certificates and the Bank's ability to fulfil its obligations under the Transaction Documents. In addition, certain factors are material for the purpose of assessing the market risks associated with

the Certificates. These are set out under "Risk Factors".

Joint Lead Managers Arab Banking Corporation (B.S.C.), Emirates NBD Bank PJSC, Noor

Bank PJSC, QInvest LLC and Standard Chartered Bank.

**Delegate** BNY Mellon Corporate Trustee Services Limited.

Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled (and, in certain circumstances, shall, subject to being requested and indemnified and/or secured and/or pre-funded to its satisfaction, be obliged) to take enforcement action in the name of the Trustee against

the Bank following a Bank Event.

Principal Paying Agent and Calculation Agent

The Bank of New York Mellon, London Branch.

Registrar and Transfer Agent

**Periodic Distributions** 

The Bank of New York Mellon S.A./N.V., Luxembourg Branch.

Summary of the transaction structure and Transaction Documents

An overview of the structure of the transaction and the principal cash flows is set out under "Structure Diagram and Cash Flows" and a description of the principal terms of certain of the Transaction Documents is set out under "Summary of the Principal Transaction Documents".

**Issue Date** 20 February 2018.

**Issue Price** 100 per cent.

Periodic Distribution Dates 20 February and 20 August every year, commencing on 20 August

•

Subject to Condition 8 (*Periodic Distribution Restrictions*), Periodic Distribution Amounts shall be payable on each Periodic Distribution Date up to and including the First Call Date at a rate of 10.00 per cent. per annum. If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Call Date, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date after the First Call Date (subject as aforesaid) at a fixed rate, to be reset on the First Call Date and every five years thereafter, equal to the Relevant Five Year Reset Rate plus a margin of 7.327 per cent. per annum.

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Trustee shall not pay the corresponding Periodic Distribution Amounts (or any part thereof, as applicable) and neither the Bank nor the Trustee shall have any obligation to make any subsequent payment in respect of any unpaid Periodic Distribution Amount as more particularly described in Condition 8 (*Periodic Distribution Restrictions*).

**Form of Certificates** 

The Certificates will be issued in registered form as described in "Global Certificate". The Certificates will be represented on issue by a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Certificates evidencing a holding of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.

**Clearance and Settlement** 

Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.

Denomination of the Certificates

The Certificates will be issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

**Status of the Certificates** 

Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates; see Condition 4.1 (*Status*).

The Relevant Obligations will: (a) constitute Tier 1 Capital of the Bank on a solo and consolidated basis; (b) constitute direct, unsecured and

subordinated obligations of the Bank; (c) rank junior to all Senior Obligations (as defined in the Conditions); (d) rank *pari passu* with all Pari Passu Obligations (as defined in the Conditions); and (e) rank in priority only to all Junior Obligations (as defined in the Conditions); see Condition 4.2 (*Subordination*).

## **Trust Assets**

The Trust Assets consist of:

- (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenants given to the Trustee or the Delegate pursuant to clause 11 of the Declaration of Trust); and
- (d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing, which will be held by the Trustee upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such Certificateholder in accordance with the Declaration of Trust and the Conditions.

# Redemption of Certificates and variation of their terms

The Certificates are perpetual securities and accordingly do not have a fixed or final redemption date. The Certificates may be redeemed in whole but not in part, or the terms thereof may be varied by the Trustee (but only upon the instructions of the Bank (acting in its sole and absolute discretion)) only in accordance with the provisions of Condition 11 (*Redemption and Variation*).

Pursuant to Condition 11.1(b) (*Trustee's Call Option*), the Trustee may (but only upon the instructions of the Bank (acting in its sole and absolute discretion)), on the First Call Date or on any Periodic Distribution Date thereafter, redeem all, but not some only, of the Certificates at the Trustee Call Amount.

In addition (on any date on or after the Issue Date, whether or not a Periodic Distribution Date), upon the occurrence of a Tax Event or the occurrence and continuation of a Capital Event all, but not some only, of the Certificates may be redeemed at the Tax Redemption Amount or the Capital Event Amount, respectively, or the terms of the Certificates may be varied, in each case in accordance with Conditions 11.1(c) (Redemption or Variation due to Taxation) and 11.1(d) (Redemption or Variation for Capital Event), respectively.

Any redemption of the Certificates is subject to the conditions described in Condition 11.1 (*Redemption and Variation*).

## Non-Viability Event Writedown

If a Non-Viability Event (as defined in the Conditions) occurs: (i) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally cancelled (in the case of a Non-Viability Event Write-down in whole)

or written-down in part (in the case of a Non-Viability Event Writedown in part) in the same manner and in the same proportion as the Certificates; (ii) the Certificates shall be cancelled (in the case of a Non-Viability Event Write-down in whole) or written-down in part on a pro rata basis (in the case of a Non-Viability Event Write-down in part) by the Trustee as determined by the Bank in consultation with the Regulator or as the Regulator may, in its sole discretion, direct; and (iii) all rights of any Certificateholder for payment of any amounts due under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall, as the case may be, be cancelled or written-down in part on a pro rata basis among the Certificateholders and, in each case, will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date and even if the Non-Viability Event has ceased.

**Trigger Event Write-down** 

If a Trigger Event (as defined in the Conditions) occurs, other than in the case of a Reinstatement (and then only to the extent of any Reinstatement, at the sole and absolute discretion of the Bank), in each case: (i) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally written-down in part, in the same manner and in the same proportion as the Certificates; (ii) the Certificates shall be writtendown in part, by the Trigger Event Write-down Amount, on a pro rata basis by the Trustee as determined by the Bank in consultation with the Regulator; and (iii) all rights of any Certificateholder for payment of any amounts due under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall be writtendown in part on a pro rata basis among the Certificateholders and any such amounts will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Trigger Event Notice or the Trigger Event Writedown Date and even if the Trigger Event has ceased.

Reinstatement

If positive Distributable Net Period Income (as defined in the Conditions) of the Bank is recorded at any time while the outstanding face amount of a Certificate is less than the Original Face Amount of such Certificate, the Bank may, at its sole and absolute discretion: (i) instruct the Trustee to reinstate and write-up the outstanding face amount of each Certificate in whole or in part; and (ii) reinstate and write-up the Mudaraba Capital, in each case in accordance with this Condition 12.3 (*Reinstatement*) (a "Reinstatement").

Upon the provision of such Reinstatement Notice, a Reinstatement will occur at the Reinstatement Amount (subject to the Maximum Reinstatement Amount) on the Reinstatement Date and, with effect from such date and subject to the prior consent of the Regulator (to the extent such consent is required by the Applicable Regulatory Capital Requirements): (i) the Bank shall instruct the Trustee to cause the outstanding face amount of each Certificate to be reinstated and written-up on a *pro rata* basis with each Certificate and with each Loss Absorbing Instrument which is, or represents, a *Pari Passu* Obligation; and (ii) the Mudaraba Capital shall be written-up in proportion to the face amount of each Certificate that is to be reinstated and written-up, in each case, by an amount equal to the relevant Reinstatement Amount. With effect from the Reinstatement Date, Periodic Distribution Amounts shall accrue in respect of the reinstated

outstanding face amount of each Certificate and, with effect from such date, references in the Conditions to "face amount" or "outstanding face amount" shall be construed accordingly.

A Reinstatement may occur on more than one occasion provided that the outstanding face amount of a Certificate may never exceed its Original Face Amount.

No Reinstatement may take place if: (i) a Trigger Event has occurred in respect of which the Trigger Event Write-down has not yet occurred; (ii) a Trigger Event has occurred in respect of which the Trigger Event Write-down has occurred but the CET 1 Capital Ratio of the Bank has not been restored to at least, or above, 5.125 per cent.; (iii) the Reinstatement (either alone or together with all simultaneous reinstatements of other Loss Absorbing Instruments that are, or that represent, Pari Passu Obligations) would cause a Trigger Event to occur; (iv) a Non-Viability Event has occurred at any time subsequent to a Trigger Event; or (v) a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 14.1 (Bank Events).

Subject to Condition 14 (Dissolution Events and Winding-up), if a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 14.1 (Bank Events), and if so requested in writing by the Certificateholders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding, the Trustee and/or the Delegate shall, subject to Condition 14.3 (Winding-up, Dissolution or Liquidation), take the actions referred to therein.

Subject to Condition 9.2 (*Payments subject to applicable laws*) and Condition 15 (*Taxation*), all payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of and without withholding or deduction for, or on account of, any Taxes (as defined in Condition 15 (*Taxation*)), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay (subject to certain specified exclusions) Additional Amounts (as defined in the Conditions) so that the full amount which otherwise would have been due and payable under the Certificates in the absence of such deduction or withholding is received by the parties entitled thereto.

In addition, the Transaction Documents provide that payments thereunder by the Bank (in its capacity as the Mudareb) shall be made free and clear of and without withholding or deduction for and on account of any Taxes, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Bank of additional amounts so that the full amount which would otherwise have been received, in the absence of such withholding or deduction, by the Trustee.

The Trustee has agreed to certain restrictive covenants as set out in Condition 6 (*Covenants*).

The Bank has been assigned a rating of "BB-" (long term) by S&P.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation). S&P is

**Bank Events** 

Withholding Tax

**Trustee Covenants** 

**Ratings** 

established in the European Union and registered under the CRA Regulation.

The Certificates will not be rated by any rating organisation upon their issue.

**Certificateholder Meetings** 

A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 20 (Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination).

**Tax Considerations** 

See "Taxation" for a description of certain tax considerations applicable to the Certificates.

Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to listing on the Official List and for the Certificates to be admitted to trading on the Main Securities Market.

**Transaction Documents** 

The Declaration of Trust, the Agency Agreement and the Mudaraba Agreement are referred to herein as the "Transaction Documents".

**Governing Law** 

The Transaction Documents and the Certificates, except for Condition 4.2 (*Subordination*) and clause 2.4 of the Mudaraba Agreement, and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law. Condition 4.2 (*Subordination*) and clause 2.4 of the Mudaraba Agreement are governed by, and shall be construed in accordance with, the laws of Turkey.

**Limited Recourse** 

Proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in any of the Trustee, the Delegate, the Bank, any of the Agents or any of their respective affiliates.

If the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets are not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents (to the extent that each of the Delegate and the Agents (as applicable) fulfils all of its respective obligations under the Transaction Documents to which it is a party) or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets.

The Bank is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 (Subordination) and Condition 14.3 (Winding-up, Dissolution or Liquidation), have direct recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents notwithstanding any other provision of Condition 4.4 (Limited Recourse and Agreement of Certificateholders). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Bank in connection with the enforcement of any such claim.

See Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*) for further details.

## **Selling Restrictions**

There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the EEA (including the United Kingdom), the Cayman Islands, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, Saudi Arabia, the State of Qatar, the Qatar Financial Centre, the State of Kuwait, Japan, Hong Kong, Malaysia, Singapore and Switzerland. See "Subscription and Sale".

**Use of Proceeds** 

The proceeds of the issue of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Bank (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement as described in "Use of Proceeds".

## TERMS AND CONDITIONS OF THE TIER 1 CAPITAL CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will, save as provided in "Global Certificate", apply to the Global Certificate.

Bereket One Ltd. (in its capacity as issuer and in its capacity as trustee, as applicable, the "Trustee"), has issued Tier 1 Capital Certificates (the "Certificates") in an aggregate face amount of U.S.\$205,000,000. The Certificates are constituted by a declaration of trust (the "Declaration of Trust") dated 20 February 2018 (the "Issue Date") made between the Trustee, Albaraka Türk Katılım Bankası A.Ş. (the "Bank") and BNY Mellon Corporate Trustee Services Limited as the delegate of the Trustee acting pursuant to the powers delegated to it by the Trustee pursuant to the Declaration of Trust (as defined below) (the "Delegate", which expression shall include all persons for the time being appointed as the delegate or delegates under the Declaration of Trust).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the "Agency Agreement") made between the Trustee, the Bank, the Delegate, The Bank of New York Mellon, London Branch as principal paying agent (in such capacity, the "Principal Paying Agent" and together with any further or other paying agents appointed from time to time in respect of the Certificates, the "Paying Agents"), The Bank of New York Mellon S.A./N.V., Luxembourg Branch as registrar (in such capacity, the "Registrar") and as transfer agent (in such capacity, the "Transfer Agent" and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Certificates, the "Transfer Agents") and The Bank of New York Mellon, London Branch as calculation agent (the "Calculation Agent"). The Paying Agents, the Transfer Agents and the Calculation Agent are together referred to in these terms and conditions (the "Conditions") as the "Agents". References to the "Agents" or any of them shall include their successors.

These Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined in Condition 1 (*Interpretation*)). Copies of the Transaction Documents are available for inspection and/or collection during normal business hours at the specified offices of the Principal Paying Agent. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (i) to contribute the sums paid by it in respect of its Certificate(s) to the Mudareb in accordance with the Mudaraba Agreement (each as defined in Condition 5 (*The Trust*)); (ii) to act as Rab-al-Maal pursuant to the Mudaraba Agreement on its behalf (which authorisation and direction shall also apply to its successors in title and any Substituted Trustee (as defined below)); and (iii) to enter into each Transaction Document, subject to the provisions of the Declaration of Trust and these Conditions.

## 1. **Interpretation**

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions the following expressions have the following meanings:

"Additional Amounts" has the meaning given to it in Condition 15 (*Taxation*);

"Applicable Regulatory Capital Requirements" means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing:

"Authorised Denomination" has the meaning given to it in Condition 2.1 (Form and Denomination);

"Authorised Signatory" means any person who is duly authorised by the Bank to sign documents on its behalf and whose specimen signature has been provided to the Trustee and the Delegate;

#### "Bank Event" means:

- (i) Non-payment: the Bank (acting in its capacity as Mudareb) fails to pay an amount which is equivalent to principal or profit (including Additional Amounts) due and payable by it pursuant to the Mudaraba Agreement and the failure continues for a period of seven days (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event or, in the case of profit only, a Non-Payment Election); or
- (ii) **Insolvency:** a final determination is made by a court or other official body that the Bank is insolvent or bankrupt or unable to pay its debts (which shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari'a* and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by the Bank); or
- Winding-up: (A) there is any distribution of the assets of the Bank on a dissolution, (iii) winding-up or liquidation of the Bank whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation or indebtedness (konkordato) or any analogous proceedings referred to in the Banking Law (Law No. 5411), the Turkish Commercial Code (Law No. 6102) or the Turkish Execution and Bankruptcy Code (Law No. 2004); or (B) an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Bank or the Bank applies or petitions for a winding-up or administration order in respect of itself or ceases, or through an official action of its board of directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case: (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate (acting in accordance with the Declaration of Trust and these Conditions) or by an Extraordinary Resolution of the Certificateholders; or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (iv) **Analogous Event:** any event occurs which under the laws of Turkey has an analogous effect to any of the events referred to in paragraph (ii) or (iii) above.

"Basel III Documents" means the Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on Banking Supervision on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" on 13 January 2011 as amended or supplemented from time to time;

"BRSA" means the Banking Regulation and Supervision Agency (*Bankacılık Düzenleme ve Denetleme Kurumu*) of Turkey or such other governmental authority in Turkey having primary supervisory authority with respect to the Bank;

"Business Day" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City, London and Istanbul, Turkey;

"Capital Event" is deemed to have occurred if the Bank is notified in writing by the Regulator to the effect that the outstanding face amount of the Certificates is excluded (in full or in part) from the consolidated or solo Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);

"Capital Event Amount" in relation to a Certificate means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

"Capital Event Profit Amount" means, on the date of final constructive liquidation of the Mudaraba pursuant to subclause 8.3(c) of the Mudaraba Agreement, an amount equal to 1 per cent. of the Mudaraba Capital on such date;

"Capital Regulations" means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy for banks (including participation banks) then in effect in Turkey, including those of the Regulator and, as at the Issue Date, includes the BRSA Regulation on

Equities of Banks (published in the Official Gazette dated 5 September 2013, No. 28756, as amended, modified, supplemented or superseded from time to time);

"Certificateholder" means a person in whose name a Certificate is registered in the Register (or, in the case of joint Certificateholders, the first named thereof) and the expressions "holder" and "holder of Certificates" and related expressions shall (where appropriate) be construed accordingly;

"CET 1 Capital" means, at any time, the sum, expressed in Turkish Lira, of all amounts that constitute common equity tier 1 capital of the Bank as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Bank in accordance with the Applicable Regulatory Capital Requirements, as at such time (which calculation shall be binding on the Trustee, the Delegate and the Certificateholders). For the purposes of this definition "common equity tier 1 capital" means capital of the Bank qualifying as, and approved by the Regulator as, or capital which would, but for any applicable limitation on the amount of such capital, qualify as common equity tier 1 capital in accordance with the Capital Regulations;

"CET 1 Capital Ratio" means, at any time, the ratio of CET 1 Capital of the Bank as at such date to the Risk Weighted Assets of the Bank, as at the same date, expressed as a percentage;

"Code" means the U.S. Internal Revenue Code of 1986, as amended;

"Corporate Services Agreement" means the corporate services agreement dated 11 February 2018 between the Trustee and the Trustee Administrator;

"Day-count Fraction" means the actual number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months and, in the case of an incomplete month, the number of days elapsed of the Relevant Period (including the first such day but excluding the last));

"Definitive Certificate" means a certificate in definitive registered form issued by the Trustee in accordance with the provisions of, and substantially in the form set out in, the Declaration of Trust in exchange for the Global Certificate, and includes any replacements for Definitive Certificates issued pursuant to Condition 18 (*Replacement of Definitive Certificates*);

"Determination Date" means, in respect of a Reset Period, the third Business Day prior to the commencement of such Reset Period;

"Dispute" has the meaning given to it in Condition 23.2 (Governing Law and Dispute Resolution);

"Dissolution Distribution Amount" means the Trustee Call Amount, the Capital Event Amount or the Tax Redemption Amount, as the case may be, or such other amount in the nature of a redemption amount as may be determined in accordance with these Conditions;

"Dissolution Event" means a Bank Event and/or a Trustee Event;

"Dissolution Notice" has the meaning given to it in Condition 14.1 (Bank Events);

"Dissolution Request" has the meaning given to it in Condition 14.1 (Bank Events);

"Distributable Funds" means the aggregate of the Bank's: (a) consolidated retained earnings and reserves after the transfer of any amounts to non-distributable reserves; and (b) profits (after the transfer of any profits to reserves, if applicable), in each case: (i) as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Bank; and (ii) to the extent not restricted from distribution by applicable law or otherwise;

"Distributable Net Period Income" means the consolidated distributable net period income of the Bank as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Bank;

"Extraordinary Resolution" has the meaning given to it in the Declaration of Trust;

"Final Mudaraba Profit" has the meaning given to it in the Mudaraba Agreement;

"First Call Date" means 20 February 2023;

"First Mudaraba Profit Distribution Date" means 20 August 2018;

"Initial Period" means the period from (and including) the Issue Date to (but excluding) the First Call Date;

"Initial Periodic Distribution Rate" has the meaning given to it in Condition 7.4(a) (*Periodic Distribution Rate*);

"Junior Obligations" means all claims of the holders of Ordinary Shares and all payment obligations of the Bank in respect of its other CET 1 Capital and any other payment obligations of the Bank that rank, or are expressed to rank, junior to the Relevant Obligations;

"Loss Absorbing Instrument" means any security or other instrument issued directly or indirectly by the Bank, or payment obligation of the Bank, that has provision for all or some of its principal amount to be reduced and/or converted into equity (in accordance with its terms or otherwise) upon the occurrence, or as a result of, a Non-Viability Event or a Trigger Event (or any similarly analogous occurrence) (which shall not include Ordinary Shares or any other instrument that does not have such provision in its terms or otherwise but which is subject to any Statutory Loss Absorption Measure);

"Margin" means 7.327 per cent. per annum;

"Maximum Reinstatement Amount" means, in respect of any Reinstatement, the Distributable Net Period Income multiplied by the Original Face Amount of each Certificate, divided by the total Tier 1 Capital of the Bank as at the date of the relevant Reinstatement;

"Mudaraba" has the meaning given to it in Condition 5 (*The Trust*);

"Mudaraba Agreement" has the meaning given to it in Condition 5 (*The Trust*);

"Mudaraba Assets" has the meaning given to it in Condition 5 (*The Trust*);

"Mudaraba Capital" has the meaning given to it in Condition 5 (*The Trust*);

"Mudaraba End Date" means: (i) the date on which the Certificates are redeemed in whole but not in part in accordance with these Conditions, following the liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement; or (ii) (if earlier), in the case of a Non-Viability Event Write-down in whole only, the Non-Viability Event Write-down Date;

"Mudaraba Profit" has the meaning given to that term in the Mudaraba Agreement;

"Mudaraba Profit Distribution Date" means 20 February and 20 August in each year, starting on (and including) the First Mudaraba Profit Distribution Date;

"Mudaraba Reserve" has the meaning given to it in the Mudaraba Agreement;

"Mudareb" has the meaning given to it in Condition 5 (The Trust);

"Non-Payment Election" has the meaning given to it in Condition 8.2 (Non-Payment Election);

"Non-Payment Event" has the meaning given to it in Condition 8.1 (Non-Payment Event);

"Non-Viable" means, in the case of the Bank, where the Bank is at the point at which the Regulator may determine pursuant to Article 71 of the Banking Law (No. 5411) that: (i) its operating licence is to be revoked and that the Bank is to be liquidated; or (ii) the rights of its shareholders, and the management and supervision of the Bank, are to be transferred to the SDIF;

"Non-Viability Event" means the determination by the Regulator, and notification thereof to the Bank, that, upon the incurrence of a loss by the Bank (on a consolidated or solo basis), that the Bank has become, or it is probable that the Bank will become, Non-Viable;

## "Non-Viability Event Write-down" means:

- (i) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally cancelled (in the case of a Non-Viability Event Writedown in whole) or written-down in part (in the case of a Non-Viability Event Write-down in part) in the same manner and in the same proportion as the Certificates;
- (ii) each Certificate shall be cancelled (in the case of a Non-Viability Event Write-down in whole) or written-down in part on a *pro rata* basis (in the case of a Non-Viability Event Write-down in part) by the Trustee as determined by the Bank in consultation with the Regulator or as the Regulator may, in its sole discretion, direct; and
- (iii) all: (A) rights of any Certificateholder for payment of any amounts due under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall, as the case may be, be cancelled or written-down in part on a *pro rata* basis among the Certificateholders; and (B) rights of the Trustee for payment of any amounts due under or in respect of the Mudaraba Agreement shall, as the case may be, be cancelled or written-down in part and, in each case, will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date and even if the Non-Viability Event has ceased.

and references herein to "written-down" and "writing down" shall be construed accordingly;

"Non-Viability Event Write-down Date" shall be the date on which the Non-Viability Event Write-down will take place as specified in the Non-Viability Notice, which date shall be no later than 15 Business Days (or such other date as determined by the Regulator) after the date of the Non-Viability Notice;

"Non-Viability Notice" has the meaning given to it in Condition 13.2 (Non-Viability Notice);

"Ordinary Shares" means the ordinary shares of the Bank;

"Original Face Amount" means, in respect of a Certificate, the face amount of that Certificate as issued on the Issue Date;

"Outstanding Payments" means, in relation to any amounts payable on redemption of the Certificates, an amount representing accrued but unpaid Periodic Distribution Amounts, or part thereof (as the case may be), for the Periodic Distribution Period during which redemption occurs up to the date of redemption plus Additional Amounts thereon, if any, and, if the Certificates are redeemed following a Capital Event, shall include a further profit amount in an amount equal to the Capital Event Profit Amount;

"Pari Passu Obligations" means all subordinated payment obligations of the Bank which rank, or are expressed by their terms to rank, *pari passu* with the Relevant Obligations;

"Payment Business Day" has the meaning given to it in Condition 9.4 (*Payment only on a Payment Business Day*);

"Periodic Distribution Amount" has the meaning given to it in Condition 7.2 (Periodic Distribution Amounts);

"Periodic Distribution Date" means 20 February and 20 August in each year, starting on (and including) 20 August 2018;

"Periodic Distribution Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date or the Mudaraba End Date (as applicable);

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Profit Rate**" means, in respect of the Initial Period, the Initial Periodic Distribution Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 7.4(a) (*Periodic Distribution Rate*);

"Qualifying Tier 1 Instruments" means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or other CET 1 Capital, issued directly or indirectly by the Bank that:

- (i) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 1 Capital of the Bank;
- have terms and conditions not materially less favourable to a Certificateholder than the Certificates (as reasonably determined by the Bank (**provided that** in making this determination the Bank is not required to take into account the tax treatment of the new instrument in the hands of all or any Certificateholders, or any transfer or similar taxes that may apply on the acquisition of the new instrument) **provided that** a certification to such effect of two Authorised Signatories shall have been delivered to the Trustee and the Delegate prior to the variation of the terms of the instruments);
- (iii) will constitute direct or indirect (whether by a guarantee or equivalent support undertaking by the Bank) obligations of the Bank;
- (iv) rank on a winding up at least *pari passu* with the Relevant Obligations;
- (v) have at least the same face value and profit distribution dates as the Certificates and an at least equal profit or distribution rate or rate of return as the Certificates;
- (vi) are listed on the same stock exchange as the Certificates;
- (vii) have, to the extent such payment is not cancelled or written-down, the same claim to accrued but unpaid distributions;
- (viii) (where the instruments are varied prior to the First Call Date) have the same first call date as the Certificates;
- (ix) have the same optional redemption dates as the Certificates save that any right to redeem the Certificates, as amended, prior to the fifth anniversary of the Issue Date may be disapplied if such right to redeem would cause a Capital Event; and
- (x) preserve the Relevant Obligations upon any redemption of the Certificates and the ranking of any claims in a winding-up or dissolution of the Bank,

and which may include such technical changes as necessary to reflect the requirements of Tier 1 Capital under the Capital Regulations then applicable to the Bank (including, without limitation, such technical changes as may be required in the further adoption and implementation of the Basel III Documents);

"Rab-al-Maal" has the meaning given to it in Condition 5 (*The Trust*);

"Rab-al-Maal Final Mudaraba Profit" has the meaning given to it in the Mudaraba Agreement;

"Rab-al-Maal Mudaraba Profit" has the meaning given to it in the Mudaraba Agreement;

"Record Date" means, in the case of the payment of a Periodic Distribution Amount, the date falling on the 15th day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Distribution Amount, the date falling two Payment Business Days before the date for payment of the relevant Dissolution Distribution Amount, as the case may be;

"Register" has the meaning given to it in Condition 2.1 (Form and Denomination);

"Registered Account" has the meaning given to it in Condition 9.1 (Payments in respect of the Certificates):

"Regulator" means the BRSA or any successor entity having primary bank supervisory authority with respect to the Bank in Turkey;

"Reinstatement" has the meaning given to it in Condition 12.3 (Loss Absorption upon the occurrence of a Trigger event – Reinstatement);

"Reinstatement Amount" means the amount, subject to the Maximum Reinstatement Amount, by which the outstanding face amount of each Certificate and the relevant portion of the Mudaraba Capital, in each case in effect prior to the relevant Reinstatement, is to be reinstated and writtenup on the Reinstatement Date on the balance sheet of the Bank on such date (as applicable), as specified in the Reinstatement Notice;

"Reinstatement Date" means the date on which the outstanding face amount of each Certificate and the relevant portion of the Mudaraba Capital is reinstated and written-up on the balance sheet of the Bank (in whole or in part), as specified in the relevant Reinstatement Notice;

"Reinstatement Notice" has the meaning given to it in Condition 12.3 (Loss Absorption upon the occurrence of a Trigger event – Reinstatement);

"Relevant Date" in respect of a Certificate means: (a) the date on which payment in respect of such Certificate first becomes due; or (b) if the full amount of the money payable has not been received by the Principal Paying Agent or the Delegate on or before the due date, the date on which, the full amount of the money having been so received, notice to that effect has been duly given to Certificateholders in accordance with Condition 19 (*Notices*);

"Relevant Jurisdiction" means each of the Cayman Islands and Turkey or, in each case, any political subdivision or any authority thereof or therein having power to tax to which payments made by the Trustee or the Bank in connection with the Certificates become generally subject;

"Relevant Obligations" has the meaning given to it in Condition 4.2 (Subordination);

"Relevant Five Year Reset Rate" means the mid-swap rate for U.S. dollar swap transactions with a maturity of five years displayed on Reuters page "ISDAFIX1" (or such other page as may replace that page on Bloomberg, or such other service as may be nominated by the Person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at or around 11.00 a.m. (New York time) on the Determination Date. If the correct mid swap rate does not appear on that page, the Relevant Five Year Reset Rate shall be determined to be the Relevant Five Year Reset Rate as at the last preceding Reset Date or, in the case of the first Determination Date, shall be determined to be the mid-swap rate, as mentioned in the first sentence of this definition, as at the Issue Date;

"Reserved Matter" has the meaning given to it in the Declaration of Trust;

"Reset Date" means the First Call Date and every fifth anniversary thereafter;

"Reset Period" means the period from (and including) the First Call Date to (but excluding) the earlier of: (a) the Mudaraba End Date; and (b) the following Reset Date, and (if applicable) each successive period thereafter from (and including) such Reset Date to (but excluding) the earlier of: (x) the Mudaraba End Date; and (y) the next succeeding Reset Date;

"Risk Weighted Assets" means, at any time, the aggregate amount, expressed in Turkish Lira, of the risk weighted assets of the Bank as at such date, as calculated by the Bank, in accordance with

the Applicable Regulatory Capital Requirements on such date (which calculation shall be binding on the Trustee, the Delegate and the Certificateholders);

"SDIF" means the Savings Deposit Insurance Fund (Tasarruf Mevduatı Sigorta Fonu) of Turkey;

"Senior Obligations" means all unsubordinated payment obligations of the Bank (including amounts payable to depositors) and all subordinated payment obligations (if any) of the Bank except those constituting Junior Obligations or Pari Passu Obligations;

"Statutory Loss Absorption Measure" means the transfer of shareholders' rights and the management and supervision of the Bank to the SDIF pursuant to Article 71 of the Banking Law (No. 5411) or any analogous procedure or other measure under the laws of Turkey by which the relevant loss(es) of the Bank giving rise to the Non-Viability Event may be absorbed by Junior Obligations;

"Subsidiary" means, in relation to any Person (the first person) at any particular time, any other Person (the second person) whose affairs and policies the first person controls or has the power to control, whether by ownership or share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise;

"Substituted Territory" has the meaning given to it in Condition 14.2 (*Trustee Events*);

"Substituted Trustee" has the meaning given to it in Condition 14.2 (*Trustee Events*);

"Taxes" has the meaning given to it in Condition 15 (Taxation);

"Tax Event" is deemed to have occurred if in making any payment of Mudaraba Profit under the Mudaraba Agreement by the Bank (acting in its capacity as Mudareb) or any payment of a Periodic Distribution Amount under the Certificates by the Trustee (as the case may be), the Bank or the Trustee (as the case may be) has or will or would on the next payment date under, as the case may be, the Mudaraba Agreement or the Certificates, become obliged to pay Additional Amounts or additional amounts under clause 5.11 of the Mudaraba Agreement (in each case, whether or not a Non-Payment Event has occurred or a Non-Payment Election has been made), in each case as a result of any change in, or amendment to, the laws, published practices or regulations of a Relevant Jurisdiction, or any change in the application or interpretation of such laws, published practices or regulations, which change or amendment becomes effective (or, in the case of application or interpretation, is announced) on or after the Issue Date (and such requirement cannot be avoided by the Bank or the Trustee (as the case may be) taking reasonable measures available to it);

"Tax Redemption Amount", in relation to a Certificate, means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

"Tier 1 Capital" means capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations;

"Transaction Account" has the meaning given to it in Condition 5 (*The Trust*);

"Transaction Documents" means each of the Declaration of Trust, the Agency Agreement and the Mudaraba Agreement;

a "**Trigger Event**" shall occur if the Bank determines at any time that the CET 1 Capital Ratio of the Bank (on a solo or a consolidated basis) is less than 5.125 per cent.;

"Trigger Event Notice" has the meaning given to it in Condition 12.2 (Trigger Event Notice);

## "Trigger Event Write-down" means:

(i) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally written-down in part, in the same manner and in the same proportion as the Certificates;

- (ii) each Certificate shall be written-down in part, by the Trigger Event Write-down Amount, on a *pro rata* basis by the Trustee as determined by the Bank in consultation with the Regulator; and
- (iii) all: (A) rights of any Certificateholder for payment of any amounts due under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall be written-down in part on a *pro rata* basis among the Certificateholders; and (B) rights of the Trustee for payment of any amounts due under or in respect of the Mudaraba Agreement shall be written-down in part and, in each case, will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Trigger Event Notice or the Trigger Event Write-down Date and even if the Trigger Event has ceased,

provided, however, that in each case any such Trigger Event Write-down may be subsequently reinstated in the case of a Reinstatement (and then only to the extent of any Reinstatement, at the sole and absolute discretion of the Bank). References herein to "written-down" and "writing down" shall be construed accordingly;

"Trigger Event Write-down Amount" means, upon the occurrence of a Trigger Event, the amount by which: (A) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital; (B) the then outstanding face amount of each Certificate; (C) the rights of a Certificateholder for payment of any amounts due under or in respect of the Certificates; and (D) the rights of the Trustee for payment of any amounts due under or in respect of the Mudaraba Agreement are, in each case, to be written-down on the Trigger Event Write-down Date, which shall be:

- (i) the amount (when taken together with the write-down on a *pro rata* basis of each other Certificate and any utilisation and conversion or utilisation and write-down (to the extent possible) of any other Loss Absorbing Instrument that is, or represents, a Pari Passu Obligation, to be written-down or converted concurrently (or substantially concurrently)) that would be sufficient to restore the CET 1 Capital Ratio of the Bank to at least 5.125 per cent.; or
- (ii) if that write-down (when taken together with the write-down on a *pro rata* basis of each other Certificate and any utilisation and conversion or utilisation and write-down (to the extent possible) of any other Loss Absorbing Instrument that is, or represents, a Pari Passu Obligation, to be written-down or converted concurrently (or substantially concurrently)) would be insufficient to restore the CET 1 Capital Ratio of the Bank to at least 5.125 per cent., or the CET 1 Capital Ratio is not capable of being so restored, the amount necessary to reduce the outstanding face amount of such Certificate to U.S.\$0.01 and to reduce the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital by a corresponding concurrent (or substantially concurrent) and *pro rata* amount,

provided, however, with respect to each Loss Absorbing Instrument (if any), such pro-rata writedown or conversion shall only be taken into account to the extent required to restore the CET 1 Capital Ratio of the Bank to the lower of: (a) such Loss Absorbing Instrument's trigger level, or where there is more than one such trigger level, the highest of such trigger levels as has been triggered thereon; and (b) 5.125 per cent. (in respect of which the Trigger Event has occurred) and provided further, however, that to the extent the write-down, or, as the case may be, conversion of the face amount of any Loss Absorbing Instrument is not, or by the relevant Trigger Event Writedown Date will not be, effective for any reason, the ineffectiveness of any such write-down or, as the case may be, conversion, shall not prejudice the requirement to effect a write-down of each Certificate and a corresponding concurrent (or substantially concurrent) and pro rata write-down of the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital under Condition 12 (Loss Absorption upon the occurrence of a Trigger Event) and the amount of any future potential write-down or conversion (as the case may be) of such Loss Absorbing Instrument shall not be taken into account in determining, and so shall not reduce, the amount of the write-down of the outstanding face amount of each Certificate and the corresponding concurrent (or substantially concurrent) and pro rata write-down of the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital;

"Trigger Event Write-down Date" shall be the date on which the Trigger Event Write-down will take place as specified in the Trigger Event Notice, which date shall be no later than 15 Business Days (or such other date as determined by the Regulator) after the date of the Trigger Event Notice;

"**Trust Assets**" has the meaning given to it in Condition 5 (*The Trust*);

"Trustee Administrator" means MaplesFS Limited;

"Trustee Call Amount", in relation to a Certificate, means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

"Trustee Event" means any of the following events:

- (i) **Non-Payment:** default is made in the payment of the Dissolution Distribution Amount, or default is made in the payment of any Periodic Distribution Amount, in each case, on the due date for payment thereof and, in the case of any Periodic Distribution Amount only, such default continues for a period of seven days; or
- (ii) **Insolvency:** a final determination is made by a court or other official body that the Trustee is insolvent or bankrupt or unable to pay its debts in relation to the Certificates; or
- (iii) Winding-up: an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Trustee or the Trustee applies or petitions for a winding-up or administration order in respect of itself except, in each case: (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate (acting in accordance with the Declaration of Trust and these Conditions) or by an Extraordinary Resolution of the Certificateholders; or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (iv) **Analogous Event:** any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (ii) or (iii) above.

For the purpose of subparagraph (i) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts calculated as being payable under Condition 7.4 (*Periodic Distributions*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts including, without limitation, as a result of any failure by the Mudareb to comply with the matters described in Condition 4.4(c) (*Limited Recourse and Agreement of Certificateholders*) (save in each case where such insufficient funds arise solely as a result of the occurrence of a Non-Payment Event or a Non-Payment Election);

"Trustee's Territory" has the meaning given to it in Condition 14.2 (Trustee Events);

"Turkey" means the Republic of Turkey; and

"Turkish Lira" means the lawful currency of Turkey.

All references in these Conditions to "U.S. dollars", "U.S.\$" and "\$" are to the lawful currency of the United States of America and all references to any act or statute, or any provision of any act or statute, shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order, or regulation made thereunder or under such modification or re-enactment.

## 2. Form, Denomination and Title

#### 2.1 Form and Denomination

The Certificates are issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an "Authorised Denomination"). A Definitive Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Definitive Certificate will be numbered serially with an identifying number which will be recorded on the relevant Definitive Certificate and in the register of Certificateholders (the "Register").

Upon issue, the Certificates will be represented by the Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. These Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive Definitive Certificates representing their holdings of Certificates. See "Global Certificate".

#### 2.2 Title

The Trustee will cause the Registrar to maintain the Register outside the United Kingdom in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered Certificateholder will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Definitive Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Definitive Certificate) and no person will be liable for so treating the holder of any Certificate. The registered Certificateholder will be recognised by the Trustee as entitled to his Definitive Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

## 3. Transfers of Certificates

#### 3.1 Transfers

Subject to Conditions 3.4 (*Closed Periods*) and 3.5 (*Regulations*) and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the Definitive Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

## 3.2 Delivery of New Definitive Certificates

Each new Definitive Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Definitive Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, "business day" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Definitive Certificate is deposited in connection with a transfer is located. Where some but not all of the Certificates in respect of which a Definitive Certificate is issued are to be transferred, a new Definitive Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Definitive Certificate, be mailed by uninsured mail at the risk of the holder of the

Certificates not so transferred to the address of such Certificateholder appearing on the Register or as specified in the form of transfer.

# 3.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee or any Transfer Agent except that the Trustee may require payment of a sum to it (or the giving of such indemnity as the Trustee or any Transfer Agent may reasonably require) to cover any stamp duty, tax or other governmental charges which may be imposed in relation to the registration.

#### 3.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or any other date on which any payment of the face amount or payment of any premium or profit in respect of a Certificate falls due.

#### 3.5 **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Certificates scheduled to the Declaration of Trust. The regulations may be changed by the Trustee from time to time with the prior written approval of the Delegate (acting in accordance with the Declaration of Trust and these Conditions) and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests a copy of such regulations.

The Certificateholders shall be entitled to receive, in accordance with Condition 3.2 (*Delivery of New Definitive Certificates*), only one Definitive Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Definitive Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2 (*Delivery of New Definitive Certificates*).

#### 4. Status, Subordination and Limited Recourse

### 4.1 Status

The Certificates represent undivided ownership interests in the Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* without any preference or priority, with all other Certificates. The rights and claims of the Trustee and the Certificateholders against the Bank in respect of the Relevant Obligations are subordinated as described in Condition 4.2 (*Subordination*).

# 4.2 **Subordination**

- 4.2.1 The payment obligations of the Bank under the Mudaraba Agreement (including all payments which are the equivalent of principal and profit) (the "Relevant Obligations") will: (a) constitute Tier 1 Capital of the Bank on a solo and consolidated basis; (b) constitute direct, unsecured and subordinated obligations of the Bank; (c) rank junior to all Senior Obligations, (d) rank pari passu with all Pari Passu Obligations; and (e) rank in priority only to all Junior Obligations.
- 4.2.2 In the event of there being any distribution of the assets of the Bank on a dissolution, winding-up or liquidation of the Bank whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation or indebtedness (*konkordato*) or any analogous proceedings referred to in the Banking Law (Law No. 5411), the Turkish Commercial Code (Law No. 6102) or the Turkish Execution and Bankruptcy Code (Law No. 2004), the Relevant Obligations shall rank junior to all Senior Obligations but *pari passu* with all Pari Passu Obligations and in priority to all other Junior Obligations.
- 4.2.3 The Trustee may only exercise its enforcement rights in relation to any Relevant Obligation or in relation to any of its other rights under the Mudaraba Agreement or any

other Transaction Document in the manner provided in Condition 14.3 (Winding-up, Dissolution or Liquidation).

- 4.2.4 The Trustee will, in each relevant Transaction Document, unconditionally and irrevocably waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Relevant Obligations. No collateral is or will be given by the Bank for the Relevant Obligations and any collateral that may have been or may in the future be given in connection with other obligations of the Bank shall not secure the Relevant Obligations.
- 4.2.5 Nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

#### 4.3 Other Issues

So long as any of the Certificates remain outstanding, the Bank (in its capacity as Mudareb or otherwise) will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (on a solo basis) issued Tier 1 Capital of the Bank if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Relevant Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions and (to the extent applicable) the Transaction Documents are amended to ensure that the Trustee (on behalf of the Certificateholders) obtains; and/or (b) the Relevant Obligations have, in each case, the benefit of, such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Relevant Obligations rank at least *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

# 4.4 Limited Recourse and Agreement of Certificateholders

Save as provided in this Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in any of the Trustee, the Delegate, the Bank, any of the Agents or any of their respective affiliates. Each Certificateholder, by subscribing for or acquiring the Certificates, acknowledges and agrees that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee or any of its directors, officers, employees or agents on its behalf except to the extent funds are available therefor from the Trust Assets;
- (b) the Trustee may not deal with the Mudaraba Assets or realise or deal with its interest, rights, title, benefit and entitlements, present and future, in, to and under the Transaction Documents and the Trust Assets except in the manner expressly permitted by the Transaction Documents:
- (c) the proceeds of the Trust Assets are the sole source of payments on the Certificates. Payment by the Trustee of any Periodic Distribution Amount or any amount required to redeem the Certificates is subject to receipt by the Trustee of the amounts expected to be received by it from the Mudareb in accordance with the provisions of the Mudaraba Agreement;
- (d) if the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets is not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents, or any of their respective affiliates in respect of any such shortfall, and no recourse shall be had in respect of, and no Certificateholder will have any claim for, the payment of any amount

(including any fee, indemnity or other amount) due and owing hereunder or under any Transaction Document, or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted (following which all obligations of the Trustee shall be extinguished) or the Delegate or the Agents;

- (e) it will not petition for, institute or join with any other person in instituting proceedings for the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee or any of its directors, officers, agents, shareholders or affiliates as a consequence of such shortfall described in paragraph (d) of this Condition 4.4 or otherwise;
- or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with these Conditions or the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee under these Conditions and the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. References in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction (in relation to the conduct of the relevant party);
- (g) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of any sums due under such Certificate. No collateral is or will be given for the payment obligations under the Certificates; and
- (h) the Trustee and Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

The Bank is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 (Subordination) and Condition 14.3 (Winding-up, Dissolution or Liquidation), have direct recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.4 (Limited Recourse and Agreement of Certificateholders). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Bank in connection with the enforcement of any such claim.

For the avoidance of doubt: (i) the Trust Assets do not constitute collateral or a security interest in favour of the Certificateholders, the Trustee or the Delegate; and (ii) the laws and regulations applicable in each of England and Wales, Turkey and the Cayman Islands do not regard the Trust Assets as collateral or a security interest in favour of the Certificateholders, the Trustee or the Delegate.

# 5. The Trust

# 5.1 The Mudaraba Agreement

Bereket One Ltd. (in its capacity as Trustee and as the "Rab-al-Maal") will enter into a mudaraba agreement (the "Mudaraba Agreement") to be dated the Issue Date with the Bank (in such capacity, the "Mudareb"). Pursuant to the Mudaraba Agreement, the Rab-al-Maal will contribute the proceeds of the issue of the Certificates to the Mudareb, which proceeds will form the initial capital of the Mudaraba (as defined below) and which may be subject to change after the Issue Date in accordance with Condition 11.2 (Purchase) (the "Mudaraba Capital"). The Mudareb will

invest the Mudaraba Capital in its general business activities and, following investment of the Mudaraba Capital in the Mudareb's general business activities, the Mudaraba Capital shall constitute *pro rata* undivided assets in the Mudareb's general business activities (the "**Mudaraba Assets**") in accordance with the Mudaraba Agreement, which shall include an investment plan prepared by the Mudareb and shall constitute a mudaraba (the "**Mudaraba**").

The Trustee has opened a transaction account (the "Transaction Account") in its own name with the Principal Paying Agent (details of which are set out in the Declaration of Trust) into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement. If the Trustee is substituted in accordance with Condition 14.2 (*Trustee Events*), the Substituted Trustee will be required to open a new transaction account in its name with the Principal Paying Agent into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement from the date of substitution onwards, and references in these Conditions to the "Transaction Account" will be construed accordingly.

#### 5.2 The Trust Assets

Pursuant to the Declaration of Trust, the Trustee holds:

- (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee or the Delegate pursuant to clause 11 of the Declaration of Trust); and
- (d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing (together, the "**Trust Assets**") upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such Certificateholder in accordance with the Declaration of Trust and these Conditions.

# 5.3 Order of Priority for Payments

On each Periodic Distribution Date and on any date fixed for payment of the Dissolution Distribution Amount, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (a) first (to the extent not previously paid), to the Delegate and/or any Appointee (as defined in the Declaration of Trust) in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate in accordance with the Declaration of Trust;
- (b) second, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay, pro rata and pari passu: (i) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; and (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as trustee administrator and registered office provider;
- (c) third, only if such payment is due on a Periodic Distribution Date, and subject to Condition 8 (Periodic Distribution Restrictions), in or towards payment pari passu and rateably of all Periodic Distribution Amounts (including Additional Amounts) due but unpaid;
- (d) fourth, only if such payment is due on a date fixed for payment of the Dissolution Distribution Amount, in or towards payment pari passu and rateably of the Dissolution Distribution Amount; and

(e) *fifth*, only after all amounts required to be paid in respect of the Certificates have been discharged in full, in payment of any residual amount to the Bank.

#### 6. **Covenants**

The Trustee has covenanted in the Declaration of Trust that, *inter alia*, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate (given in accordance with the Declaration of Trust and these Conditions)):

- (a) incur any indebtedness in respect of financed, obtained or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Shari'a or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future indebtedness or present or future obligations (whether structured in accordance with the principles of *Shari'a* or otherwise) by granting or permitting to be outstanding any lien, pledge, charge, mortgage or other security interest upon any of its present or future undertakings, assets, properties or revenues (other than those arising by operation of law (if any) or under or pursuant to any of the Transaction Documents);
- (c) sell, transfer, assign, participate, exchange or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise, or permit such to occur or suffer such to exist) any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents (other than those arising by operation of law);
- (d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (e) amend or agree to any amendment to any Certificate or Transaction Document (other than in accordance with the terms thereof) in each case in a manner which is materially prejudicial to the rights of Certificateholders, without the prior approval of the Certificateholders by way of Extraordinary Resolution, save that it shall be permitted to make such variations to the Transaction Documents and these Conditions as are required pursuant to Condition 11.1 (*Redemption and Variation*);
- (f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders:
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders) or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it; and
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (i) as provided for or permitted in the Transaction Documents;

- (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
- (iii) such other matters which are incidental thereto.

#### 7. **Periodic Distributions**

#### 7.1 **Distribution of Mudaraba Profit**

The Trustee has agreed in the Mudaraba Agreement that the Bank shall be entitled (in its capacity as Mudareb or otherwise) to utilise the Mudaraba Assets (and the proceeds thereof) to make payments in respect of the Senior Obligations or to cover losses of the Mudaraba and that such entitlement shall apply at any time before an order has been made, or an effective resolution has been passed, for the winding-up, dissolution or liquidation (or other analogous event) of the Bank (in its capacity as Mudareb or otherwise).

#### 7.2 **Periodic Distribution Amounts**

Subject to Conditions 4.2 (Subordination), 4.4 (Limited Recourse and Agreement of Certificateholders), 7.3 (Cessation of Accrual), 8 (Periodic Distribution Restrictions), 9 (Payments), 12 (Loss Absorption upon the occurrence of a Trigger Event) and 13 (Loss Absorption upon the occurrence of a Non-Viability Event), the Trustee shall distribute to Certificateholders, out of amounts transferred into the Transaction Account, a distribution in relation to their respective holdings of Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount. Subject as provided in Condition 7.4 (Periodic Distributions), the "Periodic Distribution Amount" payable on each Periodic Distribution Date: (i) falling prior to and including the First Call Date shall be U.S.\$50.00 per U.S.\$1,000 in face amount of the Certificates; and (ii) falling after the First Call Date shall be the relevant amount calculated pursuant to Condition 7.4 (Periodic Distributions).

### 7.3 Cessation of Accrual

Subject to Conditions 4.2 (Subordination), 8 (Periodic Distribution Restrictions), 12 (Loss Absorption upon the occurrence of a Trigger Event) and 13 (Loss Absorption upon the occurrence of a Non-Viability Event), each Certificate will cease to be eligible to earn Periodic Distribution Amounts from the due date for redemption, following liquidation of the Mudaraba in accordance with these Conditions and the Mudaraba Agreement.

## 7.4 **Periodic Distributions**

Subject to Condition 8 (*Periodic Distribution Restrictions*), the Certificates bear profit at the applicable Profit Rate from (and including) the Issue Date in accordance with the provisions of this Condition 7 (*Periodic Distributions*). Periodic Distribution Amounts will not be cumulative and any Periodic Distribution Amount which is not paid will not accumulate or compound and Certificateholders will have no right to receive such Periodic Distribution Amount at any time, even if Periodic Distribution Amounts are paid in the future. Subject to Condition 8 (*Periodic Distribution Restrictions*), Periodic Distribution Amounts shall be payable on the Certificates semi-annually in arrear on each Periodic Distribution Date, in each case as provided in this Condition 7 (*Periodic Distributions*).

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Periodic Distribution Period (the "Relevant Period") (including, without limitation, in connection with the payment of any Outstanding Payments on redemption of the Certificates), it shall be calculated as an amount equal to the product of: (a) the applicable Profit Rate; (b) the face amount of the relevant Certificates; and (c) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

## (a) Periodic Distribution Rate

For the Initial Period, the Certificates bear profit at the Profit Rate of 10.00 per cent. per annum (the "Initial Periodic Distribution Rate").

The Profit Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Five Year Reset Rate on the relevant Determination Date, as determined by the Calculation Agent.

The Calculation Agent will, as soon as practicable upon determination of the Profit Rate which shall apply to the Reset Period commencing on the relevant Reset Date, but in no event later than the second Business Day thereafter, cause the applicable Profit Rate and the corresponding Periodic Distribution Amount to be notified to each of the Trustee, the Bank, the Delegate, the Agents, the Irish Stock Exchange or any other stock exchange on which the Certificates are for the time being listed and to be notified to Certificateholders in accordance with Condition 19 (*Notices*). To the extent that the Calculation Agent is unable to notify the Irish Stock Exchange, or any other stock exchange on which the Certificates are for the time being listed, the Calculation Agent shall promptly notify the Bank, who shall procure the performance of such obligation.

For the avoidance of doubt, the Calculation Agent shall not be responsible to the Trustee, the Bank, the Certificateholders or to any third party (except in the event of wilful default, gross negligence or fraud of the Calculation Agent) as a result of the Calculation Agent having acted on any quotation, information or ratio provided to it by any bank for the purposes of making any determination hereunder and which subsequently may be found to be incorrect or inaccurate in any way or for any loss or damage arising in relation thereto.

In the case of a Non-Viability Event Write-down, Periodic Distribution Amounts will be distributed on the Certificates:

- (i) if the Certificates are written-down in full, on the date of the Non-Viability Event Write-down Date and in respect of:
  - (A) the period from (and including) the Periodic Distribution Date immediately preceding the Non-Viability Event Write-down Date to (but excluding) the Non-Viability Event Write-down Date; and
  - (B) the aggregate face amount of the outstanding Certificates during that period; and
- (i) if the Certificates are written-down in part only, on the Periodic Distribution Date immediately following such Non-Viability Event Write-down (the "Partial Non-Viability Event Write-down Periodic Distribution Date") and calculated as the sum of the Periodic Distribution Amount payable in respect of:
  - (A) the period from (and including) the Periodic Distribution Date immediately preceding the Non-Viability Event Write-down Date to (but excluding) the Non-Viability Event Write-down Date; and
  - (B) the period from (and including) the Non-Viability Event Write-down Date to (but excluding) the Partial Non-Viability Event Write-down Periodic Distribution Date.

and, in each case, in respect of the aggregate face amount of the outstanding Certificates during those respective periods.

In the case of a Trigger Event Write-down, Periodic Distribution Amounts will be distributed on the Certificates on the Periodic Distribution Date immediately following such Trigger Event Writedown (the "Trigger Event Write-down Periodic Distribution Date") and calculated as the sum of the Periodic Distribution Amount payable in respect of:

- (ii) the period from (and including) the Periodic Distribution Date immediately preceding the Trigger Event Write-down Date to (but excluding) the Trigger Event Write-down Date; and
- (iii) the period from (and including) the Trigger Event Write-down Date to (but excluding) the Trigger Event Write-down Periodic Distribution Date,

and, in each case, in respect of the aggregate face amount of the outstanding Certificates during those respective periods.

Following a Trigger Event Write-down, if the Bank exercises its sole and absolute discretion to effect a Reinstatement in accordance with Condition 12.3, with effect from the relevant Reinstatement Date, Periodic Distribution Amounts shall accrue in respect of the reinstated outstanding face amount of each Certificate and, with effect from such date, references in these Conditions to "face amount" or "outstanding face amount" shall be construed accordingly.

## (b) Calculation Agent

With effect from the First Call Date, and so long as any Certificates remain outstanding thereafter, the Trustee will maintain a Calculation Agent. The name of the initial Calculation Agent and its initial specified office is set out at the end of a Definitive Certificate.

The Trustee may (in accordance with the Agency Agreement and these Conditions) from time to time replace the Calculation Agent with another leading investment, merchant or commercial bank or financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or (without prejudice to Condition 7.4(c) (*Determinations of Calculation Agent or Trustee Binding*)) fails duly to determine the Profit Rate in respect of any Reset Period as provided in Condition 7.4(a) (*Periodic Distribution Rate*), the Trustee shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London (in accordance with the Agency Agreement and these Conditions) to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

# (c) Determinations of Calculation Agent or Trustee Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Periodic Distributions*), whether by the Calculation Agent or the Trustee (or its agent), shall (in the absence of manifest error) be binding on the Trustee, the Bank, the Calculation Agent, the Paying Agents, the Delegate and all Certificateholders and (in the absence of manifest error, wilful default, gross negligence or fraud) no liability to the Trustee, the Bank, any Agent, the Delegate and the Certificateholders shall attach to the Calculation Agent, or the Trustee (or its agent) in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

## 8. Periodic Distribution Restrictions

# 8.1 Non-Payment Event

Notwithstanding Condition 7.4 (*Periodic Distributions*), if any of the following events occur (each, a "**Non-Payment Event**"), the Bank (as Mudareb) shall not pay Mudaraba Profit (and, as a result, Rab-al-Maal Mudaraba Profit) or Final Mudaraba Profit (and, as a result, Rab-al-Maal Final Mudaraba Profit) on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), and as a result thereof the Trustee shall not pay Periodic Distribution Amounts on the corresponding Periodic Distribution Date:

(i) the amount equal to the then applicable Periodic Distribution Amount to be paid by the Bank out of the Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable (the "Relevant Rab-al-Maal Mudaraba Profit Amount"), when aggregated with any distributions payable by the Bank (in its capacity as Mudareb or otherwise) in

respect of any Pari Passu Obligations on the same date as payment of the Relevant Rabal-Maal Mudaraba Profit Amount exceeds, on such date, Distributable Funds; or

- (ii) the Bank (in its capacity as Mudareb or otherwise) is, on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), in breach of the Applicable Regulatory Capital Requirements (including any applicable capital buffers imposed on the Bank by the Regulator) or such payment of the Relevant Rab-al-Maal Mudaraba Profit Amount would cause it to be in breach thereof; or
- (iii) the Regulator requires: (a) the Bank not to pay the Relevant Rab-al-Maal Mudaraba Profit
  Amount to the Trustee on that Mudaraba Profit Distribution Date or Mudaraba End Date
  (as the case may be); or (b) the Trustee not to pay the relevant Periodic Distribution
  Amount on that Periodic Distribution Date; or
- (iv) there is any distribution of the assets of the Bank on a dissolution, winding-up or liquidation of the Bank whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation or indebtedness (*konkordato*) or any analogous proceedings referred to in the Banking Law (Law No. 5411), the Turkish Commercial Code (Law No. 6102) or the Turkish Execution and Bankruptcy Code (Law No. 2004).

#### 8.2 **Non-Payment Election**

Notwithstanding Condition 7.4 (*Periodic Distributions*), the Bank may in its sole discretion elect (any such election being a "**Non-Payment Election**") that Rab-al-Maal Mudaraba Profit (in whole or in part) will not be paid to the Trustee (in its capacity as Rab-al-Maal) on any Mudaraba Profit Distribution Date, and the Bank shall, in each case, instruct the Trustee not to make payment of a Periodic Distribution Amount (in whole or in part) to Certificateholders on such Periodic Distribution Date, provided that the foregoing in this Condition 8.2 (*Non-Payment Election*) shall not apply: (i) in respect of Rab-al-Maal Final Mudaraba Profit payable on the Mudaraba End Date; or (ii) once the Trustee has given notice to Certificateholders that the Certificates will be redeemed in whole in accordance with Condition 11 (*Redemption and Variation*).

# 8.3 Effect of Non-Payment Event or Non-Payment Election

- (i) If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, then the Bank shall, in accordance with the Mudaraba Agreement: (a) in the case of a Non-Payment Election, no later than 14 calendar days prior to such election; and (b) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case, and only where possible, no later than one Business Day prior to the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, give notice to the Trustee, the Principal Paying Agent and the Delegate, and the Trustee shall give such notice to the Certificateholders in accordance with Condition 19 (*Notices*), in each case providing details of the Non-Payment Election or Non-Payment Event, as the case may be.
- (ii) Certificateholders shall have no claim in respect of any Periodic Distribution Amount (or any part thereof, as applicable) not paid as a result of either a Non-Payment Election or a Non-Payment Event and any such non-payment in whole or in part, as applicable, of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit (in the case of a Non-Payment Event only) or a Periodic Distribution Amount in such circumstance shall not constitute a Dissolution Event. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (or any part thereof, as applicable) (whether from its own cash resources, from the Mudaraba Reserve or otherwise) and the Trustee shall not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts (or any part thereof, as applicable).

# 8.4 Dividend and Redemption Restrictions

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event pursuant to Condition 8.1 (*Non-Payment Event*) or 8.2 (*Non-Payment Election*) (as the case

may be), then, from the date of such Non-Payment Election or Non-Payment Event (the "**Dividend Stopper Date**"), the Bank will not, so long as any of the Certificates are outstanding:

- (i) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (ii) pay profit or any other distribution on, or in respect of: (A) any of its securities issued directly or indirectly by the Bank ranking, as to the right of payment of dividend, distributions or similar payments, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payment); or (B) any payment obligation ranking, as to the right of distributions or similar payments, junior to or *pari passu* with the Relevant Obligations (excluding payment obligations the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payment) in each case, only to the extent such restrictions on payment or distribution are permitted under the Applicable Regulatory Capital Requirements; or
- (iii) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any Ordinary Shares; or
- (iv) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any securities issued directly or indirectly by the Bank ranking, as to the right of repayment of capital, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which stipulate a mandatory redemption, write-down of principal or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Applicable Regulatory Capital Requirements,

in each case unless or until: (a) the next following payment of Rab-al-Maal Mudaraba Profit; or (b) payment of the Rab-al-Maal Final Mudaraba Profit following the Dividend Stopper Date, as the case may be, has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Trustee in accordance with the Mudaraba Agreement).

# 9. Payments

## 9.1 **Payments in respect of the Certificates**

Subject to Condition 9.2 (Payments subject to applicable laws), payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by or on behalf of the Trustee in U.S. dollars by wire transfer in same day funds to the Registered Account (as defined below) of the Certificateholder. Payments of the Dissolution Distribution Amount will only be made against presentation and surrender of the relevant Definitive Certificate at the specified office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Certificateholder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9 (*Payments*), a Certificateholder's "Registered Account" means the U.S. dollar account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date.

# 9.2 Payments subject to applicable laws

All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 15 (*Taxation*).

## 9.3 No Commissions

No commissions or expenses shall be charged to the Certificateholders in respect of any payments made in accordance with this Condition 9 (*Payments*).

# 9.4 Payment only on a Payment Business Day

Where payment is to be made by transfer to a Registered Account, payment instructions (for value the due date or, if that is not a Payment Business Day (as defined below), for value the first following day which is a Payment Business Day) will be initiated by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Payment Business Day on which the relevant Definitive Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the relevant Certificateholder is late in surrendering its Definitive Certificate (if required to do so).

If the amount of the Dissolution Distribution Amount or, subject to Conditions 8.1 (*Non-Payment Event*) and 8.2 (*Non-Payment Election*), any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

In these Conditions, "Payment Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in New York City and London settle payments and are open for general business and, in the case of presentation of a Definitive Certificate, in the place in which the Definitive Certificate is presented.

#### 10. Agents

The names of the initial Agents and their initial specified offices are set out at the end of a Definitive Certificate. The Trustee reserves the right at any time to terminate the appointment of any Agent and to appoint additional or other Agents provided that: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, it will at all times maintain a Paying Agent, Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Trustee in accordance with Condition 19 (*Notices*).

## 11. Redemption and Variation

## 11.1 Redemption and Variation

### (a) No Fixed Redemption Date and Conditions for Redemption and Variation

The Certificates are perpetual securities in respect of which there is no fixed redemption date and the Trustee shall (subject to the provisions of Condition 4.2 (Subordination), Condition 12 (Loss Absorption upon the occurrence of a Trigger Event), Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event) and Condition 14.3 (Winding-up, Dissolution or Liquidation) and without prejudice to the provisions of Condition 16 (Prescription)) only have the right to redeem the Certificates or vary these Conditions in accordance with the following provisions of this Condition 11 (Redemption and Variation).

The redemption of the Certificates or variation of these Conditions, in each case pursuant to this Condition 11 (*Redemption and Variation*), is subject to the following conditions (in addition to those set out elsewhere in this Condition 11.1 (*Redemption and Variation*)):

- (i) (except to the extent that the Regulator no longer so requires) the Bank having obtained the prior approval of the Regulator;
- (ii) (except to the extent that the Regulator no longer so requires) the requirement that both at the time when the relevant notice of redemption or variation is given and immediately

following any redemption or variation (as applicable), the Bank is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements; and

(iii) (in the case of a redemption or variation pursuant to Condition 11.1(c) (Redemption or Variation due to Taxation) or Condition 11.1(d) (Redemption or Variation for Capital Event) only) the requirement that the circumstance that entitles the Bank to instruct the Trustee to exercise its right of redemption or variation is a change in or amendment to the laws, published practices or regulations (including, in the case of Condition 11.1(d) (Redemption or Variation for Capital Event), Applicable Regulatory Capital Requirements) of Turkey or, in the case of Condition 11.1(c) (Redemption or Variation due to Taxation), of a Relevant Jurisdiction or a change in the application or interpretation of such laws, published practices or regulations by any court or authority entitled to do so which change or amendment becomes, or would become, effective (or, in the case of application or interpretation, is announced) on or after the Issue Date.

# (b) Trustee's Call Option

Subject to Condition 11.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation), the Bank may (acting in its sole and absolute discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 30 nor more than 60 days' prior notice to the Certificateholders in accordance with Condition 19 (Notices) and to the Delegate in accordance with clause 23 of the Declaration of Trust, which notice shall be irrevocable and shall specify the date fixed for redemption, redeem all, but not some only, of the Certificates at the Trustee Call Amount.

Redemption of the Certificates pursuant to this Condition 11.1(b) (*Trustee's Call Option*) may only occur on the First Call Date or any Periodic Distribution Date thereafter.

Prior to the publication of any notice of redemption pursuant to this Condition 11.1(b) (*Trustee's Call Option*), the Bank shall give to the Trustee and the Delegate a certificate signed by two Authorised Signatories stating that all conditions precedent to the redemption of the Certificates pursuant to this Condition 11.1(b) (*Trustee's Call Option*) (other than the notice to Certificateholders described in this Condition 11.1(b) (*Trustee's Call Option*)) have been satisfied (upon which the Delegate may rely without liability to any person), and the Delegate shall accept the certificate without any further enquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Certificateholders.

# (c) Redemption or Variation due to Taxation

Subject to Condition 11.1(a) (No Fixed Redemption Date and Conditions for Redemption (i) and Variation) and the provisions of this Condition 11.1(c) (Redemption or Variation due to Taxation), if a Tax Event occurs, the Bank may (acting in its sole and absolute discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 30 nor more than 60 days' prior notice to the Certificateholders in accordance with Condition 19 (Notices) and to the Delegate in accordance with the Declaration of Trust, which notice shall be irrevocable and shall specify the date fixed for redemption or variation (as applicable) and the applicable Record Date: (a) redeem all, but not some only, of the Certificates at the Tax Redemption Amount; or (b) in order to ensure that (as applicable) the Bank is not obliged to pay additional amounts under clause 5.11 of the Mudaraba Agreement or that the Trustee is not obliged to pay Additional Amounts, vary the terms of the Mudaraba Agreement, subject to the approval of the Albaraka Türk Katılım Bankası A.S. Shari'a Advisory Board, and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the Certificateholders, and in the case of (b) only provided that such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate. No such notice shall be given earlier than 90 days prior to the earliest date on which the Trustee or the Bank would be obliged to pay Additional Amounts or additional amounts under clause 5.11 of the Mudaraba Agreement. If the Bank does not instruct the Trustee to so redeem or vary in respect of such Tax Event in accordance with this Condition 11.1(c)(i) (Redemption or Variation due to Taxation) then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2 (Subordination), Condition 12 (Loss Absorption upon the occurrence of a Trigger Event), Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event) and Condition 14.3 (Winding-up, Dissolution or Liquidation) and without prejudice to the provisions of Condition 16 (Prescription)) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 11 (Redemption and Variation).

- (ii) Redemption of the Certificates, or variation of these Conditions and the terms of the Mudaraba Agreement, pursuant to this Condition 11.1(c) (*Redemption or Variation due to Taxation*) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) Prior to the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 11.1(c) (Redemption or Variation due to Taxation), the Bank shall give to the Trustee and the Delegate: (i) a certificate signed by two Authorised Signatories (upon which the Delegate shall rely without liability to any person) stating that: (A) the conditions set out in Condition 11.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation) have been satisfied; (B) a Tax Event has occurred; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and that the Regulator has confirmed that they satisfy limb (i) of the definition of Qualifying Tier 1 Instruments; and (ii) an opinion of independent legal advisers or independent tax advisers, as the case may be, in each case, of recognised standing (upon which the Delegate may rely without liability to any person) to the effect that a Tax Event has occurred. Such certificate and opinions shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 11.1(c)(iii) (Redemption or Variation due to Taxation) and the Delegate shall be entitled to accept and rely on such certificate and opinions as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

# (d) Redemption or Variation for Capital Event

(i) Subject to Condition 11.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation) and the provisions of this Condition 11.1(d) (Redemption or Variation for Capital Event), if a Capital Event occurs and is continuing, the Bank may (acting in its sole and absolute discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 30 nor more than 60 days' prior notice to the Certificateholders in accordance with Condition 19 (Notices) and to the Delegate in accordance with the Declaration of Trust, which notice shall be irrevocable and shall specify the date fixed for redemption or variation (as applicable) and the applicable Record Date: (a) redeem all, but not some only, of the Certificates at the Capital Event Amount; or (b) solely for the purpose of ensuring compliance with the Applicable Regulatory Capital Requirements, vary the terms of the Mudaraba Agreement, subject to the approval of the Albaraka Türk Katılım Bankası A.Ş. Shari'a Advisory Board, and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments without any requirement for consent or approval of the Certificateholders, and, in the case of (b) only, provided that such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate. If the Bank does not instruct the Trustee to so redeem or vary in respect of such Capital Event in accordance with this Condition 11.1(d)(i) (Redemption or Variation for Capital Event), then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2 (Subordination), Condition 12 (Loss Absorption upon the occurrence of a Trigger Event), Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event) and Condition 14.3 (Winding-up, Dissolution or Liquidation) and without prejudice to the provisions of Condition 16 (*Prescription*)) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 11 (*Redemption and Variation*).

- (ii) Redemption of the Certificates, or variation of these Conditions and the terms of the Mudaraba Agreement, pursuant to this Condition 11.1(d) (*Redemption or Variation for Capital Event*) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) Prior to the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 11.1(d) (Redemption or Variation for Capital Event), the Bank shall give to the Trustee and the Delegate a certificate signed by two Authorised Signatories (upon which the Delegate shall rely without liability to any person) stating that: (A) the conditions set out in Condition 11.1(a) (No Fixed Redemption Date and Conditions for Redemption and Variation) have been satisfied; (B) a Capital Event has occurred and is continuing as at the date of the certificate; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and the Regulator has confirmed that they satisfy limb (i) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 11.1(d)(iii) (Redemption or Variation for Capital Event) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

# (e) Taxes upon Variation

In the event of a variation in accordance with Condition 11.1(c) (*Redemption or Variation due to Taxation*) or 11.1(d) (*Redemption or Variation for Capital Event*), none of the Trustee, the Delegate or the Bank will be obliged to pay, or compensate any Certificateholder for, and the Trustee, the Delegate and the Bank will not pay any liability of, any Certificateholder to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of these Conditions or the Mudaraba Agreement, provided that (in the case of a Tax Event) or so that (in the case of a Capital Event) the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, and further will not be liable for any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such Certificateholder.

# 11.2 Purchase

Subject to the Bank: (A) obtaining the prior approval of the Regulator (except to the extent that the Regulator no longer so requires); and (B) being in compliance with the Applicable Regulatory Capital Requirements, the Bank or any of its Subsidiaries may at any time purchase the Certificates at any price in the open market or otherwise. Such Certificates may be held, reissued, resold or, at the option of the Bank or, as the case may be, its Subsidiaries, surrendered to any Paying Agent for cancellation.

#### 11.3 Cancellation

All Certificates that are redeemed, and all Certificates that are purchased pursuant to Condition 11.2 (*Purchase*) and which the Bank delivers for cancellation in accordance with Condition 11.2 (*Purchase*), will forthwith be cancelled and accordingly may not be held, reissued or resold. Upon such cancellation, the Mudaraba Capital shall be reduced by the face amount of the Certificates so cancelled.

# 12. Loss Absorption upon the occurrence of a Trigger Event

### 12.1 Trigger Event Write-down

If a Trigger Event occurs at any time, a Trigger Event Write-down will take place in the amount of the Trigger Event Write-down Amount on the Trigger Event Write-down Date in accordance

with this Condition 12.1 (*Trigger Event Write-down*). Upon the occurrence of a Trigger Event, the Bank shall immediately inform the Regulator of such occurrence.

Such a Trigger Event Write-down shall only take place in conjunction with a corresponding concurrent (or substantially concurrent) *pro rata* utilisation, conversion or write-down (as the case may be) of: (i) the Mudaraba Capital; and (ii) of any other Loss Absorbing Instrument that is, or represents, a Pari Passu Obligation, as provided in the terms of such Loss Absorbing Instrument.

The Bank may determine that a Trigger Event has occurred on more than one occasion and the outstanding face amount of each Certificate may be written-down, together with the concurrent (or substantially concurrent) and *pro rata* write-down of the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital, on more than one occasion, provided that the outstanding face amount of a Certificate and, as applicable, the Mudaraba Capital, may never be reduced to below U.S.\$0.01.

Any Certificate, and the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital, which is (or are) the subject of a Trigger Event Write-down may be subsequently reinstated, at the sole and absolute discretion of the Bank, in accordance with Condition 12.3 (*Reinstatement*) (and then only to the extent of any Reinstatement (as defined in Condition 12.3 (*Reinstatement*)).

Any such Trigger Event Write-down shall not constitute a Dissolution Event and shall not, of itself, entitle Certificateholders to petition for the insolvency or dissolution of the Bank or otherwise.

## 12.2 Trigger Event Notice

On the fifth Business Day following the date on which such Trigger Event occurs (or on such earlier date as the Regulator may determine): (a) the Mudareb will notify the Trustee and the Delegate thereof (including in respect of the Trigger Event Write-down Amount) in accordance with the Mudaraba Agreement and the Declaration of Trust; and (b) the Trustee will then notify the Certificateholders and the Principal Paying Agent: (i) that a Trigger Event has occurred; (ii) the Trigger Event Write-down Date or expected Trigger Event Write-down Date; and (iii) the Trigger Event Write-down Amount, in accordance with Condition 19 (*Notices*) (a "**Trigger Event Notice**"). The Trigger Event Notice shall be sufficient evidence of the occurrence of such Trigger Event and will be conclusive and binding on the Certificateholders.

Upon the provision of such Trigger Event Notice, a Trigger Event Write-down will occur at the Trigger Event Write-down Amount on the Trigger Event Write-down Date and, with effect from such date, other than in the case of a Reinstatement (and then only to the extent of any Reinstatement, at the sole and absolute discretion of the Bank): (i) the Mudaraba Capital shall be reduced in proportion to the face amount of each Certificate that is to be written-down and Periodic Distribution Amounts shall continue to accrue only in respect of the outstanding face amount of a Certificate that has not been so written-down and references in these Conditions to "face amount" or "outstanding face amount" shall be construed accordingly; and (ii) the Trustee and the Certificateholders shall not be entitled to claim for any amounts in connection with the Mudaraba Assets that relate to the proportion of the Mudaraba Capital that has been reduced or the Periodic Distribution Amounts that would have been payable on the face amount of a Certificate that has been written-down. Any amounts so written-down may not be restored.

Simultaneously with the delivery by the Trustee of the Trigger Event Notice to the Certificateholders, or as soon as possible thereafter, the Bank shall procure that a similar notice is, or has been, given in respect of any Loss Absorbing Instruments (in accordance with their terms) which are to be utilised and converted or utilised and written-down (on a temporary or permanent basis in accordance with their terms), concurrently (or substantially concurrently) on a *pro rata* basis with the Trigger Event Write-down in respect of the Certificates.

## 12.3 Reinstatement

If positive Distributable Net Period Income of the Bank is recorded at any time while the outstanding face amount of a Certificate is less than the Original Face Amount of such Certificate, the Bank may, at its sole and absolute discretion: (i) instruct the Trustee to reinstate and write-up

the outstanding face amount of each Certificate in whole or in part; and (ii) reinstate and write-up the Mudaraba Capital, in each case in accordance with this Condition 12.3 (*Reinstatement*) (a "Reinstatement").

Such a Reinstatement shall only take place in conjunction with a corresponding concurrent (or substantially concurrent) reinstatement of any other Loss Absorbing Instrument that is, or represents, a Pari Passu Obligation, and that has previously been the subject of a previous writedown, as provided in the terms of such Loss Absorbing Instrument.

If the Bank exercises its sole and absolute discretion to effect a Reinstatement: (i) it shall give notice thereof to the Regulator; (ii) the Mudareb will notify the Trustee and the Delegate thereof (including in respect of the Reinstatement Amount) in accordance with the Mudaraba Agreement and the Declaration of Trust; and (iii) the Trustee will then notify the Certificateholders and the Principal Paying Agent thereof in accordance with Condition 19 (*Notices*), specifying the Reinstatement Amount and the Reinstatement Date (the "Reinstatement Notice").

Upon the provision of such Reinstatement Notice, a Reinstatement will occur at the Reinstatement Amount on the Reinstatement Date and, with effect from such date and subject to the prior consent of the Regulator (to the extent such consent is required by the Applicable Regulatory Capital Requirements): (i) the Bank shall instruct the Trustee to cause the outstanding face amount of each Certificate to be reinstated and written-up on a *pro rata* basis with each Certificate and with each Loss Absorbing Instrument which is, or represents, a Pari Passu Obligation; and (ii) the Mudaraba Capital shall be written-up in proportion to the face amount of each Certificate that is to be reinstated and written-up, in each case, by an amount equal to the relevant Reinstatement Amount. With effect from the Reinstatement Date, Periodic Distribution Amounts shall accrue in respect of the reinstated outstanding face amount of each Certificate and, with effect from such date, references in these Conditions to "face amount" or "outstanding face amount" shall be construed accordingly.

A Reinstatement may occur on more than one occasion provided that the outstanding face amount of a Certificate may never exceed its Original Face Amount.

No Reinstatement may take place if: (i) a Trigger Event has occurred in respect of which the Trigger Event Write-down has not yet occurred; (ii) a Trigger Event has occurred in respect of which the Trigger Event Write-down has occurred but the CET 1 Capital Ratio of the Bank has not been restored to at least, or above, 5.125 per cent.; (iii) the Reinstatement (either alone or together with all simultaneous reinstatements of other Loss Absorbing Instruments that are, or that represent, Pari Passu Obligations) would cause a Trigger Event to occur; (iv) a Non-Viability Event has occurred at any time subsequent to a Trigger Event; or (v) a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 14.1 (*Bank Events*).

# 12.4 Liability of Delegate and Agents

Neither the Delegate nor the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Trigger Event, any consequent Trigger Event Write-down in respect of any Certificates or any proportionate reduction of the Mudaraba Capital or any subsequent Reinstatement thereof, or any claims in respect thereof, and the Delegate and the Agents shall not be responsible for any calculation, determination or the verification of any calculation or determination in connection with the foregoing.

# 13. Loss Absorption upon the occurrence of a Non-Viability Event

# 13.1 Non-Viability Event

If a Non-Viability Event occurs at any time, a Non-Viability Event Write-down (in whole or in part, as applicable) will take place on the Non-Viability Event Write-down Date in accordance with this Condition 13.1 (*Non-Viability Event*).

Such a Non-Viability Event Write-down shall only take place in conjunction with:

- (a) the maximum possible reduction in the principal amount and/or corresponding conversion into equity being made in respect of any Loss-Absorbing Instrument that is, or represents, a Junior Obligation, as provided in the terms of such Loss-Absorbing Instrument;
- (b) a corresponding concurrent (or substantially concurrent) pro rata utilisation, conversion or write-down (as the case may be) of any other Loss Absorbing Instrument that is, or represents, a Pari Passu Obligation, as provided in the terms of such Loss Absorbing Instrument: and
- (c) the implementation of Statutory Loss-Absorption Measures, involving the absorption by all other Junior Obligations to the maximum extent allowed by law of the relevant loss(es) giving rise to the occurrence of a Non-Viability Event within the framework of the procedures and other measures by which the relevant loss(es) giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of Banking Law (No. 5411) and/or otherwise under Turkish law and regulations.

Any such Non-Viability Event Write-down shall not constitute a Dissolution Event and shall not, of itself, entitle Certificateholders to petition for the insolvency or dissolution of the Bank or otherwise. Certificateholders acknowledge that there shall be no recourse to the Regulator in respect of any determination made by it with respect to the occurrence of a Non-Viability Event.

As of the date of this Prospectus, a number of corrective, rehabilitative and restrictive measures may be taken by the Regulator under Articles 68 to 70 of the Banking Law (No. 5411) prior to any determination of Non-Viability of the Bank. In conjunction with any such determination, the relevant loss(es) of the Bank may be absorbed by shareholders of the Bank pursuant to Article 71 of the Banking Law (No. 5411) upon: (a) the transfer of shareholders' rights and the management and supervision of the Bank to the SDIF; or (b) the revocation of the Bank's operating licence and its liquidation. However, the Non-Viability Event Write-down of the Certificates under the Capital Regulations may take place before any such transfer or liquidation.

### 13.2 **Non-Viability Notice**

On the fifth Business Day following the date on which such Non-Viability Event occurs (or on such earlier date as the Regulator may determine): (a) the Mudareb will notify the Trustee and the Delegate thereof in accordance with the Mudaraba Agreement and the Declaration of Trust; and (b) the Trustee will then notify the Certificateholders and the Principal Paying Agent: (i) that a Non-Viability Event has occurred; and (ii) the Non-Viability Event Write-down Date or expected Non-Viability Event Write-down Date, in accordance with Condition 19 (*Notices*) (a "Non-Viability Notice"). The Non-Viability Notice shall be sufficient evidence of the occurrence of such Non-Viability Event and will be conclusive and binding on the Certificateholders.

Upon the provision of such Non-Viability Notice, a Non-Viability Event Write-down will occur on the Non-Viability Event Write-down Date and, with effect from such date: (i) in the case of a Non-Viability Event Write-down in whole only, the Mudaraba Agreement will be automatically terminated; and (ii) in the case of a Non-Viability Event Write-down in part only, the Mudaraba Capital shall be reduced in proportion to the face amount of each Certificate that is to be written-down and Periodic Distribution Amounts shall continue to accrue only in respect of the outstanding face amount of a Certificate that has not been written-down and references in these Conditions to "face amount" or "outstanding face amount" shall be construed accordingly. In the case of (i) above, the Trustee and Certificateholders shall not be entitled to claim for any amounts in connection with the Mudaraba Assets or the Certificates, respectively. In the case of (ii) above, the Trustee and Certificateholders shall not be entitled to claim for any amounts in connection with the Mudaraba Assets that relate to the proportion of the Mudaraba Capital that has been reduced or the Periodic Distribution Amounts that would have been payable on the face amount of a Certificate that has been written-down. Any amounts so written-down may not be restored.

# 13.3 Liability of Delegate and Agents

Neither the Delegate nor the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Non-Viability Event (or its disapplication, if applicable) or any consequent Non-Viability Event Write-down and/or cancellation of any Certificates or any proportionate reduction in the Mudaraba Capital or termination of the Mudaraba Agreement or any claims in respect thereof, and the Delegate and the Agents shall not be responsible for any calculation, determination or the verification of any calculation or determination in connection with the foregoing.

#### 14. **Dissolution Events and Winding-up**

The Declaration of Trust contains provisions entitling the Delegate to claim from the Trustee and the Bank, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Declaration of Trust. The restrictions on commencing proceedings described below will not apply to any such claim.

# 14.1 Bank Events

If a Bank Event occurs, the Delegate (provided it shall have been given notice in writing thereof by the Trustee or the Bank or otherwise upon having actual knowledge of the Bank Event) shall promptly give notice of the occurrence of such Bank Event to the Certificateholders in accordance with Condition 19 (*Notices*) with a request (a "Dissolution Request") to such Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed in whole and the Trust to be dissolved. The Delegate may and, if so requested in writing by the holders of at least 25 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of Certificateholders, shall (but in each case subject to Condition 14.3(e)(i) (*Realisation of Trust Assets*)) give notice (a "Dissolution Notice") to the Trustee that the Certificates are immediately due and payable at their aggregate outstanding face amount together with any Outstanding Payments, whereupon the aggregate face amount of the outstanding Certificates together with any Outstanding Payments shall become immediately due and payable without presentation, demand, protest or other notice of any kind. A Dissolution Notice may be given whether or not a Dissolution Request has been given to Certificateholders.

#### 14.2 Trustee Events

- (a) The Bank has undertaken in the Declaration of Trust that, as soon as practicable following the occurrence of a Trustee Event, it will procure, subject to such amendment of the Declaration of Trust and such other conditions as the Delegate may require and subject to the consent of the Regulator, without the consent of the Certificateholders, the substitution of any newly formed special purpose company in a form substantially the same as that of the Trustee, in place of the Trustee (the "Substituted Trustee"), or of any previous substituted company, as trustee and issuer under the Declaration of Trust and the Certificates provided that:
  - (i) a deed is executed or undertaking given by the Substituted Trustee to the Delegate, in form and manner satisfactory to the Delegate (acting in accordance with the Declaration of Trust and these Conditions), agreeing to be bound by the Declaration of Trust, the Certificates and the Transaction Documents (with consequential amendments as the Delegate may deem appropriate) as if the Substituted Trustee had been named in the Declaration of Trust, the Certificates and the other Transaction Documents as trustee and issuer in place of the Trustee;
  - (ii) if the Substituted Trustee is subject generally to the taxing jurisdiction of a territory or any political sub-division or authority thereof or therein with power to tax (the "Substituted Territory") other than the territory of the taxing jurisdiction to which (or to any such authority of or in which) the Trustee is subject generally (the "Trustee's Territory"), the Substituted Trustee shall give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to Condition 15 (Taxation) with the substitution for or the addition to the references in that Condition to the Trustee's Territory of references to the Substituted Territory whereupon the Declaration of Trust and the Certificates shall be read accordingly (and the Bank shall also be required to give to the

Delegate an undertaking satisfactory to the Delegate in terms corresponding to the last paragraph of Condition 15 (*Taxation*), extending its obligations thereunder to the Substituted Territory);

- (iii) if any two directors of the Substituted Trustee certify that it will be solvent immediately after such substitution, the Delegate need not have regard to the Substituted Trustee's financial condition, profits or prospects or compare them with those of the Trustee; and
- (iv) the Trustee, the Substituted Trustee and the Bank comply with such other requirements as the Delegate may direct in the interests of the Certificateholders.
- (b) Subject to this Condition 14.2 (*Trustee Events*), the Delegate may agree to the substitution of the Substituted Trustee without obtaining the consent or approval of the Certificateholders (it being acknowledged that each Certificateholder has by virtue of the last paragraph of the preamble to these Conditions authorised each Substituted Trustee to act as Rab-al-Maal pursuant to the Mudaraba Agreement on its behalf).
- (c) If the Bank fails to comply with the foregoing provisions of this Condition 14.2 (*Trustee Events*) within 60 days of the occurrence of the relevant Trustee Event, Conditions 14.1 (*Bank Events*) and 14.3 (*Winding-up, Dissolution or Liquidation*) shall apply to the relevant Trustee Event as if it was a Bank Event.

# 14.3 Winding-up, Dissolution or Liquidation

# (a) Proceedings for Winding-up

If a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 14.1 (Bank Events) the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement and, to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 14.1 (Bank Events), either the Trustee or the Delegate may at its discretion, and the Delegate shall, if it shall have been so requested by an Extraordinary Resolution of the Certificateholders or so requested in writing by the Certificateholders holding at least 25 per cent. of the then aggregate face amount of the Certificates outstanding, in each case subject to Condition 14.3(e)(i) (Realisation of Trust Assets): (i) institute any steps, actions or proceedings for the winding-up of the Bank; and/or (ii) prove in the winding-up of the Bank; and/or (iii) institute any steps, actions or proceedings for the bankruptcy of the Bank; and/or (iv) claim in the liquidation of the Bank; and/or (v) take such other steps, actions or proceedings which, under the laws of Turkey, have an analogous effect to the actions referred to in (i) to (iv) above, in each case, for (subject as set out below) all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due (if any) to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents, provided, however, that the Trustee or the Delegate may only take any such steps, actions or proceedings as described in this Condition 14.3(a) (Proceedings for Winding-up), but may take no further or other steps, actions or proceedings to enforce, prove or claim for any payment and provided further that neither the Trustee nor the Delegate may take any steps, actions or proceedings against the Bank with respect to any sum that the Bank has paid into the Transaction Account in accordance with the Transaction Documents in circumstances where the Trustee has failed to pay that amount to Certificateholders in accordance with these Conditions. No payment in respect of the Transaction Documents may be made by the Bank as a result of any steps, actions or proceedings taken pursuant to Condition 14.1 (Bank Events), nor will the Trustee or the Delegate accept the same, otherwise than during or after a winding-up (or analogous event) of the Bank, unless the Bank has given prior written notice (with a copy to the Trustee and the Delegate) to, and received no objection from, the Regulator (which the Bank shall confirm in writing to the Trustee and the Delegate).

## (b) **Enforcement**

Without prejudice to Condition 14.1 (*Bank Events*) and the remaining provisions of this Condition 14.3 (*Winding-up, Dissolution or Liquidation*), the Trustee (or the Delegate) may at its discretion and the Delegate shall, if so requested in writing by the Certificateholders holding at least 25 per

cent. of the then aggregate face amount of the Certificates outstanding and without further notice, in each case subject to Condition 14.3(e)(i) (Realisation of Trust Assets), institute such steps, actions or proceedings against the Bank or against the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations), including, without limitation, any failure by the Bank to procure the substitution of the Trustee in the circumstances described in Condition 14.2 (Trustee Events). However, in no event shall the Bank, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents. Nothing in this Condition 14.3 (Winding-up, Dissolution or Liquidation) shall, however, prevent the Trustee (or the Delegate) from taking such steps, actions or proceedings as described in Condition 14.3(a) (Proceedings for Winding-up) in respect of any payment obligations of the Bank arising from the Mudaraba Agreement or any other Transaction Document (including any damages awarded for breach of any obligations).

# (c) Non-Viability Event or Trigger Event

All claims by the Delegate and/or the Certificateholders against the Trustee under the Certificates and all claims by the Trustee (or the Delegate) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Trustee and/or the Bank under the Certificates or the Transaction Documents, as the case may be) shall be subject to, and shall be superseded by the provisions of Condition 12 (Loss Absorption upon the occurrence of a Trigger Event) and Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event), irrespective of whether the relevant Non-Viability Event or, as the case may be, Trigger Event, occurs prior to or after the event which is the subject matter of the claim, provided that nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

### (d) Extent of Certificateholder Remedy

No remedy against the Bank, other than as referred to in this Condition 14 (*Dissolution Events and Winding-up*), shall be available to the Delegate, the Trustee or the Certificateholders, whether for the recovery of amounts owing in respect of the Transaction Documents or in respect of any breach by the Bank of any of its other obligations under or in respect of the Transaction Documents.

# (e) Realisation of Trust Assets

- (i) Neither the Trustee nor the Delegate shall be bound to take any steps, actions or proceedings to enforce or to realise the Trust Assets or any of the actions, steps or proceedings referred to in these Conditions in respect of the Bank or, in the case of the Delegate only, the Trustee to enforce the terms of the Transaction Documents or give a Dissolution Notice (including, without limitation, pursuant to this Condition 14 (*Dissolution Events and Winding-up*)), unless: (A) it shall have been so requested by an Extraordinary Resolution of the Certificateholders or in writing by Certificateholders holding at least 25 per cent. of the then aggregate face amount of the Certificates outstanding; and (B) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (ii) No Certificateholder shall be entitled to proceed directly against the Trustee or the Bank or to take the actions, steps or proceedings referred to in Conditions 14.3(a) (*Proceedings for Winding-up*) and 14.3(b) (*Enforcement*), unless: (i) the Trustee or the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or the Bank, as the case may be) holds at least 25 per cent. of the then outstanding aggregate face amount of the Certificates, in which case the Certificateholders

shall have only such rights against the Bank as those which the Trustee or the Delegate is entitled to exercise as set out in Condition 14.1 (*Bank Events*) and this Condition 14.3 (*Winding-up*, *Dissolution or Liquidation*).

- (iii) Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Bank shall be to enforce their respective obligations under the Transaction Documents.
- (iv) The foregoing paragraphs in this Condition 14.3(e) (*Realisation of Trust Assets*) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds thereof in accordance with Condition 5.3 (*The Trust Order of Priority for Payments*), the obligations of the Trustee and the Delegate in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

#### 15. Taxation

All payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction ("Taxes"), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts ("Additional Amounts") so that the full amount which otherwise would have been due and payable under the Certificates in the absence of any such deduction or withholding is received by the parties entitled thereto, except that no such Additional Amount shall be payable in relation to any payment in respect of any Certificate:

- (a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such 30<sup>th</sup> day assuming that day to have been a Payment Business Day; or
- (c) held by or on behalf of a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complies with, any statutory requirements or by making, or procuring that any third party makes, a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Definitive Certificate is presented for payment.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Certificates by or on behalf of the Trustee, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "FATCA Withholding"). Neither the Trustee nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

In these Conditions, references to the Dissolution Distribution Amount or any Periodic Distribution Amounts (and related expressions including, without limitation, the "face amount" of the Certificates and "Outstanding Payments") shall be deemed to include any Additional Amounts

payable under this Condition 15 or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

Neither the Delegate nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 15 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Trustee, the Bank, any Certificateholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Delegate or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), additional amount or other amount under or in respect of the Certificates without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

The Mudaraba Agreement provides that payments made thereunder by the Bank (in its capacity as the Mudareb) to the Trustee shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future Taxes, unless such withholding or deduction is required by law. In such event, and/or if Additional Amounts are payable by the Trustee in respect of the Certificates in accordance with this Condition 15, the Mudaraba Agreement provides for the payment by the Bank of such additional amounts by payment to the Transaction Account in U.S. dollars by wire transfer for same day value so that the net amounts received by the Certificateholders shall equal the respective amounts that would have been received in the absence of such withholding or deduction and in the absence of the withholding or deduction to which this Condition 15 applies.

# 16. **Prescription**

The right to receive any amount in respect of the Certificates will be forfeited unless claimed within a period of ten years (in the case of principal) and five years (in the case of distributions) from the Relevant Date in respect thereof.

# 17. **Delegate**

# 17.1 **Delegation of Powers**

- The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the (a) Delegate to be its attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction: (i) exercise all of the rights of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents; and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together the "Delegation" of the "Relevant Powers"), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.
- (b) In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

(c) The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

#### 17.2 **Indemnification**

The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Condition 14 (Dissolution Events and Winding-up), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction. The Declaration of Trust provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Delegate shall be entitled: (i) to evaluate its risk in any given circumstance by considering the worst-case scenario; and (ii) to require that any indemnity or security given to it by the Certificateholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

#### 17.3 **No Liability**

- (a) The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Bank or the Trustee under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been paid by the Bank or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.
- (b) Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any loss or theft of the Trust Assets or any cash; (ii) any obligation to monitor or insure the Trust Assets or any cash; and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of fraud, wilful default or gross negligence by the Trustee or the Delegate, as the case may be.

#### 17.4 Reliance on Opinions, Certificates, Reports and/or Information

The Delegate may rely on any opinion, certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Bank or any other expert or other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such opinion, certificate, report or information may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such opinion, certificate, report, information and/or any engagement letter or other document contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Bank or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such opinion, certificate, report or information may be limited by an engagement or similar letter or by the terms of the opinion, certificate, report or information itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability, delay or inconvenience that may be occasioned by its failure to do so.

### 17.5 **Proper Performance of Duties**

Nothing shall, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case

of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Declaration of Trust and to the Relevant Powers delegated to it), respectively, exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Declaration of Trust.

## 17.6 **Illegality**

The Delegate may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Delegate may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

# 17.7 Delegate not Precluded from Conducting Business with the Trustee and the Bank

The Delegate is entitled, *inter alia*: (i) to enter into business transactions with the Trustee, the Bank and/or any entity related to the Trustee and/or the Bank and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Trustee and/or any entity related to the Trustee and/or the Bank; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders; and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### 17.8 **Notice of Events**

The Delegate shall not be responsible for monitoring or ascertaining whether or not a Non-Payment Event, Capital Event, Tax Event, Non-Viability Event, Trigger Event or Dissolution Event has occurred or exists or is continuing or will occur or exist and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to the Certificateholders or any other person for so doing).

### 18. **Replacement of Certificates**

If a Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar and if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system, subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee, the Bank, the Registrar, the Paying Agent or the Transfer Agent may require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

#### 19. **Notices**

Notices to Certificateholders will be deemed to be validly given if mailed to Certificateholders by pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register. The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any notices shall be deemed to have been given on the day (being a day other than a Saturday or a Sunday) after being so mailed (or on the date of publication or, if so published more than once or on different dates, on the date of the first publication).

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with evidence of entitlement to the relevant Certificates, with the Principal Paying Agent.

So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication on such websites or for such mailing. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system.

### 20. Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination

- 20.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more Eligible Persons (as defined in the Declaration of Trust) present holding or representing in aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more Eligible Persons whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, inter alia: (i) to modify any date for payment in respect of the Certificates; (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates; (iii) to change any of the Trustee's and the Bank's covenants set out in the Transaction Documents; (iv) to alter the currency of payment or denomination of the Certificates; (v) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution; (vi) to sanction any such scheme or proposal or substitution as is described in paragraphs 5.9(i) and 5.9(j) of Schedule 4 to the Declaration of Trust; or (vii) to amend the above list or the proviso to paragraph 4.6 of Schedule 4 to the Declaration of Trust, in which case the quorum shall be one or more Eligible Persons holding or representing in aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires: (i) a majority in favour consisting of not less than 75 per cent. of the votes cast; (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (a "Written Resolution"); or (iii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an "Electronic Consent"). Any Extraordinary Resolution, if duly passed, will be binding on all Certificateholders, whether or not they were present at the meeting at which such resolution was passed and whether or not they voted.
- 20.2 The Declaration of Trust provides that a Written Resolution or an Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.
- 20.3 The Delegate may (but shall not be obliged to), without the consent or approval of the Certificateholders: (i) agree to any modification to these Conditions, any provisions of the Transaction Documents or to the Trustee's memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, any provisions of the Transaction Documents or the Trustee's memorandum and articles of association, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or the other Transaction

Documents; or (iii) determine that any Dissolution Event shall not be treated as such, provided in the case of paragraphs (ii) and (iii) that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of the Certificates.

- In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, those referred to in this Condition 20 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), the Delegate shall have regard to the interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent provided in Condition 15 (*Taxation*).
- 20.5 Any modification, waiver, authorisation or determination shall be binding on all of the Certificateholders and shall be notified by the Trustee to the Certificateholders as soon as practicable thereafter in accordance with Condition 19 (*Notices*).

This Condition 20 (Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination) is without prejudice to Condition 11.1(c) (Redemption or Variation due to Taxation) and Condition 11.1(d) (Redemption or Variation for Capital Event).

## 21. **Currency Indemnity**

If any sum due from the Trustee in respect of the Certificates or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of: (a) making or filing a claim or proof against the Trustee; (b) obtaining an order or judgment in any court or other tribunal; or (c) enforcing any order or judgment given or made in relation to the Certificates, the Trustee shall indemnify each Certificateholder, on the written demand of such Certificateholder addressed to the Trustee and delivered to the Trustee or to the specified office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the rate or rates of exchange at which such Certificateholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Trustee and shall give rise to a separate and independent cause of action. In no circumstances will the Delegate incur any liability by virtue of this Condition 21 (Currency Indemnity).

# 22. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

# 23. Governing Law and Dispute Resolution

23.1 The Declaration of Trust (including these Conditions), the Agency Agreement, the Mudaraba Agreement (except for clause 2.4 thereof) and the Certificates (except for Condition 4.2 (Status, Subordination and Limited Recourse – Subordination), Condition 12 (Loss Absorption upon the occurrence of a Trigger Event) and Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event)) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Each of Condition 4.2 (Status,

Subordination and Limited Recourse – Subordination), Condition 12 (Loss Absorption upon the occurrence of a Trigger Event) and Condition 13 (Loss Absorption upon the occurrence of a Non-Viability Event)) and clause 2.4 of the Mudaraba Agreement is governed by, and shall be construed in accordance with, Turkish law.

- 23.2 Each of the Trustee and the Bank have in the Declaration of Trust irrevocably agreed for the benefit of the Trustee, the Delegate and the Certificateholders that the courts of England and Wales, sitting in London, shall have exclusive jurisdiction to settle any dispute, controversy or claim arising from or connected with the Declaration of Trust and the Certificates or the consequences of their nullity or any non-contractual or other dispute (a "Dispute") and have accordingly submitted to the exclusive jurisdiction of the English courts.
- 23.3 Each of the Trustee and the Bank have also agreed that the courts of England and Wales, sitting in London, are the most appropriate and convenient courts to settle any Dispute and, accordingly, it will not argue to the contrary.
- 23.4 The documents which start any proceedings and any other documents required to be served in relation to those proceedings may (without limiting any other means available) be served on the Trustee or the Bank by being delivered to Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London, EC1A 4HD (marked for the attention of Process Agency) or, if different, its registered office for the time being, or at any address of the relevant party in England at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the relevant party, such party shall appoint a further person in England to accept service of process on its behalf and failing such appointment within 15 days, the Delegate shall be entitled to appoint such a person by notice addressed to the Trustee or (as appropriate) the Bank and delivered to the Trustee or the Bank pursuant to the Declaration of Trust. Nothing in this Condition 23.4 shall affect the right of any party to serve process in any other manner permitted by law. This Condition 23.4 applies to proceedings in England.
- 23.5 Each of the Trustee and the Bank agree, without limitation to the generality of any of the foregoing and without prejudice to the enforcement of a judgment obtained in the courts of England and Wales, sitting in London, pursuant to the provisions of Article 54 of the Act on International Private Law and Procedural Law (Law No. 5718) of Turkey, that if a judgment is obtained against the Bank and/or the Trustee in the courts of England, such judgment shall constitute conclusive evidence of the existence and amount of the claim against the Bank and/or the Trustee, pursuant to Article 193 and Article 199 of the Civil Procedure Code of Turkey (Law No.6100) (published in the Official Gazette dated 4 February 2011, No. 27836) and Article 59 of the Act on International Private Law and Procedural Law (Law No. 5718) of Turkey.
- Each of the Trustee, the Delegate and the Bank has irrevocably agreed in the Declaration of Trust that if any Dispute is brought by or on behalf of a party under the Declaration of Trust, it will: (i) not claim interest under, or in connection with, such Dispute; and (ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by a court as a result of such Dispute.

For the avoidance of doubt, nothing in this Condition 23.6 shall be construed as a waiver of rights in respect of Mudaraba Profit, Final Mudaraba Profit, Periodic Distribution Amounts, Outstanding Payments or profit of any kind howsoever described payable by the Bank or the Trustee pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court.

#### GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

#### Form of the Certificates

The Certificates will be in registered form and will be issued outside the United States to persons who are not U.S. persons in reliance on Regulation S.

The Certificates will be represented by a global certificate in registered form (the "Global Certificate"). The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form

#### Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "Registered Holder"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the "Accountholders") (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions "Certificateholder" and "holder of Certificates" and related expressions shall be construed accordingly. In addition, holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

## Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

#### **Payments**

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to or to the order of the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the due date for payment (where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January). Upon payment of any amount in respect of the Certificates represented by the Global Certificate, the details of such payment shall be entered by the Registrar in the Register.

None of the Bank, the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspects of the clearing system records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in

the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

#### Notices

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders rather than by publication and delivery as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/ or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

#### Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

#### **Transfers**

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

# Write-Down/Write-Up of the Certificates

While all the Certificates are represented by one or more Global Certificates and such Global Certificates are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, any write-down or reinstatement of the prevailing outstanding amount, being, for each Certificate, its notional amount outstanding at any given time, adjusted for any reduction pursuant to a write-down or any increase pursuant to a reinstatement of the Certificates, shall be treated on a pro rata basis which, for the avoidance of doubt, shall be effected as a reduction or increase, as the case may be, to the pool factor.

# **Exchange for Definitive Certificates**

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 19 (Notices) if an Exchange Event occurs. For these purposes, "Exchange Event" means that: (i) a Bank Event (as defined in the Conditions) has occurred; or (ii) the Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, and any such clearing system has been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so. In the event of the occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed

in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar within ten days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

In this Prospectus, "**Definitive Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, and substantially in the form set out in Part 2 of Schedule 1 to the Declaration of Trust.

# **USE OF PROCEEDS**

The net proceeds of the Certificates will be paid by the Trustee (as Rab-al-Maal) to the Bank (as Mudareb) as contribution of the Mudaraba Capital pursuant to the terms of the Mudaraba Agreement.

#### DESCRIPTION OF THE TRUSTEE

#### General

Bereket One Ltd., a Cayman Islands exempted company with limited liability, was incorporated on 1 August 2017 under the Companies Law (2016 Revision) of the Cayman Islands with company registration number 325521. The Trustee has been established as a special purpose vehicle for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands and its telephone number is +1 345 945 7099.

The authorised share capital of the Trustee is U.S.\$250 divided into 250 ordinary shares of U.S.\$1.00 par value each. All of the issued shares (the "Shares") are fully-paid and are held by MaplesFS Limited as share trustee (the "Share Trustee") under the terms of a trust deed (the "Share Trust Deed") dated 8 February 2018 under which the Share Trustee holds the Shares in trust until the termination of the period commencing on 8 February 2018 and ending 149 years from such date or such earlier date as the trustees of the Share Trust Deed may determine (the "Termination Date"). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit Qualified Charities (as defined in the Share Trust Deed). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

#### **Business of the Trustee**

The Trustee has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Certificates to be issued. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association (the "Memorandum") as registered or adopted on 1 August 2017.

#### **Financial Statements**

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### **Directors of the Trustee**

The Directors of the Trustee are as follows:

Name:	Principal Occupation:		
John Curran	Assistant Vice President, Fiduciary, Maples Fund Services (Middle East) Limited		
Cleveland Stewart	Senior Vice President of MaplesFS Limited		

The business address of John Curran is c/o Maples Fund Services (Middle East) Limited, Office 616, 6<sup>th</sup> Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates. The business address of Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

## The Administrator

MaplesFS Limited acts as the administrator of the Trustee (in such capacity, the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator has agreed

to perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office facilities to the Trustee in accordance with its standard terms and conditions for the provision of registered office services as published at http://www.maplesfiduciaryservices.com/terms (the "Registered Office Terms"). In consideration of the foregoing, the Trustee Administrator receives various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency.

The Trustee Administrator is subject to the overview of the Trustee's Board of Directors.

The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Trustee Administrator (or an affiliate thereof). The Trustee has no employees and is not expected to have any employees in the future.

### Summary of Memorandum and Articles of Association

#### Memorandum of Association

The Memorandum comprises the constitution of the Trustee and provides that the Trustee's objects are unrestricted. The objects of the Trustee are set out in full in clause 3 of the Memorandum.

The Memorandum also describes the authorised share capital of the Trustee, being US\$50,000 made up of 50,000 ordinary shares of US\$1.00 par value each (the "**Shares**"). 250 Shares have been allotted and issued to the Share Trustee at par and are fully paid.

## Articles of Association

The Articles of Association of the Trustee (the "Articles") provide, inter alia, as follows:

Share Capital

The Trustee may by Ordinary Resolution (as defined below) increase its share capital, consolidate its Shares or subdivide any of them into Shares of a smaller amount or cancel authorised but unissued Shares.

Subject to the provisions of Cayman Islands law and the rights of any holders of any class of Shares, the Trustee may by Special Resolution (as defined below) reduce its share capital or any capital redemption reserve or share premium account.

The Articles provide that any unissued Shares are at the disposal of the directors of the Trustee (the "**Directors**") who may offer, allot, issue, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as the Directors think fit.

Winding up

The Trustee may be wound up by Special Resolution. On a winding up, the Shares carry a right to share, pari passu inter se, in any surplus assets remaining after payment of any and all creditors' claims.

Quorum and Voting Rights

The Shares carry the right to vote at all general meetings of the Trustee. As the Trustee has only one shareholder, the quorum for all general meetings shall be that one shareholder present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative.

At any general meeting on a show of hands every holder of a share who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share held by him.

# Dividends

Dividends shall only be payable to the holders of Shares out of the funds of the Trustee lawfully available therefor including the share premium account. The Directors may resolve that any dividend or other distribution be paid in whole or in part by the distribution of specific assets of the Trustee. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Trustee.

#### Directors

The Trustee may by Ordinary Resolution appoint any person to be a Director or may by Ordinary Resolution remove any Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director **provided that** the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors.

Subject to the provisions of Cayman Islands law, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Trustee shall be managed by the Directors who may exercise all the powers of the Trustee. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

The chairman of a Directors' meeting shall have a casting vote at any meetings of the Directors. The Directors may exercise the Trustee's powers to borrow and to charge its assets.

# Transfer of Shares

Shares are transferable subject to the approval of the Directors by resolution who may, in their absolute discretion, decline to register any transfer of Shares without giving any reason. The instrument of transfer of any Share shall be in writing and shall be executed by or on behalf of the transferor (and if the Directors so require, signed by or on behalf of the transferee). The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members of the Trustee.

Alteration of the Memorandum and Articles

The Memorandum and Articles may at any time be altered or added to by Special Resolution of the Trustee, subject to variation of class rights.

Redemption and Repurchase of Shares

Subject to the provisions of the Cayman Islands' Companies Law:

- (a) the Trustee may issue Shares that are to be redeemed or are liable to be redeemed at the option of the shareholder or of the Trustee. The redemption of such Shares shall be effected in such manner and upon such other terms as the Trustee may, by Special Resolution, determine before the issue of the Shares; and
- (b) the Trustee may purchase its own Shares (including any redeemable Shares) in such manner and on such other terms as the Directors may agree with the relevant shareholder.

#### **Definitions**

For these purposes:

"Ordinary Resolution" means a resolution passed by a simple majority of the shareholders of the Trustee as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and

includes a unanimous written resolution. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each shareholder is entitled by the Articles; and

"Special Resolution" has the same meaning as in the Cayman Islands' Companies Law (being, essentially, a resolution passed by a majority of at last two-thirds of such shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, and includes a unanimous written resolution).

#### KEY FINANCIAL INFORMATION

The following tables set out in summary form (i) the unconsolidated income statement information relating to the Bank for the six months ended 30 September 2017 and 30 September 2016 and the unconsolidated balance sheet statement information relating to the Bank as at 30 September 2017 and 30 September 2016 and (ii) the unconsolidated balance sheet and income statement information relating to the Bank as at, and for the years ended, 31 December 2016 and 2015. The selected unconsolidated financial information presented below as at, and for the years ended, 31 December 2016 and 2015 has been extracted from the 2016 Audited BRSA Financial Statements (the comparative financial information as at, and for the year ended, 31 December 2015 has been derived from the audited unconsolidated financial statements of the Bank as at, and for the year ended, 31 December 2016). The selected unconsolidated financial information presented below as at, and for the six months ended, 30 September 2017 and the comparative unconsolidated financial information for the six months ended 30 September 2016 has been extracted from the September 2017 Interim BRSA Financial Statements. The selected unconsolidated financial information presented below as at 30 September 2016 has been extracted from the September 2016 Interim BRSA Financial Statements.

The 2016 Audited BRSA Financial Statements, the September 2017 Interim BRSA Financial Statements, the September 2016 Interim BRSA Financial Statements, together with the audit or review reports of KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of KPMG International Cooperative) prepared in connection therewith, and the accompanying notes thereto, appear elsewhere in this Prospectus. The financial information presented below should be read in conjunction with the 2016 Audited BRSA Financial Statements, the September 2017 Interim BRSA Financial Statements, the September 2016 Interim BRSA Financial Statements, the notes thereto and the audit or review reports prepared in connection therewith.

#### **Income Statement Data**

	Nine months ended 30 September		Year ended 31 December	
	2017	2016	2016	2015
		(TL millions)		
Profit share on loans	1,677.540	1,449.412	1,965.135	1,708.889
Income received from reserve deposits	22.566	14.773	18.811	10.263
Income received from banks	1.134	0.312	0.810	0.036
Held-for-trading financial assets	0.219	-	-	-
Available for sale financial assets	98.221	65.039	94.487	70.619
Investments held to maturity	47.420	51.831	65.176	64.596
Finance lease income	49.647	53.128	73.181	79.117
Other profit share income	1.111	0.913	1.204	1.639
Profit share income	1,897.858	1,635.408	2,218.804	1,935.159
Expense on profit sharing accounts	729.849	648.511	870.132	829.534
Profit share expense on funds borrowed	249.779	182.878	266.000	163.528
Profit share expense on money market borrowings	4.673	43.649	55.734	47.081
Other profit share expense	11.673	3.320	3.320	9.335
Profit share expense	995.974	878.358	1,195.186	1,049.478
Net profit share income	901.884	757.050	1,023.618	885.681
Fees and commissions received	159.845	150.630	208.127	187.627
Fees and commissions paid	50.660	45.439	62.192	51.630
Net fees and commissions income/expenses	109.185	105.191	145.935	135.997
Dividend income	-	-	-	0.519
Trading income/(loss) (net)	25.945	51.750	45.139	52.570
Other operating income	85.315	82.120	157.511	113.407
Total operating income	1,122.329	996.111	1,372.203	1,188.174
Provision for loan losses and other receivables	358.819	227.124	372.157	157.143
Other operating expenses	588.276	547.336	736.126	654.253
Net operating income	175.234	221.651	263.920	376.778
Provision for current taxes	16.196	46.902	53.999	78.166
Provision for deferred taxes	17.921	(4.118)	(7.688)	(4.251)
Tax provision	34.117	42.784	46.311	73.915
Net income	141.117	178.867	217.609	302.863

# **Balance Sheet Data**

_	As at 30 September		As at 31 December	
_	2017	2016	2016	2015
		(TL millions	)	
ASSETS				
Cash and balances with the CBRT	5,215.023	4,490.676	4,999.052	4,904.798
Financial assets at fair value through profit and loss (net)	988.960	7.076	66.096	22.283
Banks	1,250.247	1,250.815	2,158.177	2,482.614
Financial assets – available for sale (net)	1,329.966	1,215.827	1,382.690	1,051.566
Loans and receivables	22,396.122	18,959.063	21,315.626	18,370.399
Non-performing loans	1,309.370	941.367	1,105.954	468.413
Specific provisions	724.648	464.889	578.505	280.847
Loans and receivables	22,980.844	19,435.541	21,843.075	18,557.965
Investments held to maturity (net)	508.921	580.236	668.582	762,890
Investments in associates (net)	4.719	4.719	4.719	4.719
Subsidiaries (net)	5.400	5.250	5.400	5.250
Joint ventures (net)	20.000	20.000	20.000	15.500
Lease receivables (net)	729.994	895.714	878.979	947.427
Tangible assets (net)	564.832	476.758	517.131	501.139
Intangible assets (net)	30.248	38.919	35.462	44.272
Tax asset	15.033	20.501	25.100	20.495
Assets held for sale and assets of discontinued operations				
(net)	62.714	103.565	92.317	22.819
Oher assets	119.739	86.938	153.958	218.262
Total assets	33,826.640	28,632.535	32,850.738	29,561.999
LIABILITIES AND EQUITY				
Funds collected	24,109.244	20,108.581	23,155.134	20,346.178
Derivative financial liabilities held for trading	5.339	8.276	0.088	-
Funds borrowed	4,723.298	3,966.774	4,424.195	4,104.688
Borrowings from money markets	105.000	-	492.784	770.959
Miscellaneous payables	664.300	707.240	702.359	686.386
General provisions	140.315	178.932	136.263	170.885
Reserve for employee benefits	49.053	39.603	43.260	53.033
Other provisions	45.206	43.459	54.326	27.941
Provisions	234.574	261.994	233.849	251.859
Tax liability	38.665	40.270	51.799	58.458
Subordinated loans	1,563.245	1,318.291	1,510.937	1,239.557
Paid-in capital	900.000	900.000	900.000	900.000
Capital reserves	220.740	192.815	211.876	200.910
Profit reserves	1,113.454	946.332	946.157	696.531
Profit or loss	148.781	181.962	221.560	306.473
Shareholders' equity	2,382.975	2,221.109	2,279.593	2,103.914
Total liabilities	33,826.640	28,632.535	32,850.738	29,561.999

# **Statement of Cash Flows**

_	30 September		31 December	
_	2017	2016	2016	2015
Net cash flow from banking operations  Net cash flow from investing activities  Net cash flow from financing activities  Effect of change in FX rate on cash and cash equivalents.	(761.286) (49.948) (475.918) 24.496	(TL millions) (411,958) 18,522 (1,546.538) 61.909	216.433 (120.840) (769.107) 329.943	989.622 (381.782) 1,167.349 124.317
Net (decrease) / increase in cash and cash equivalents .	(1,262.656)	(1,878.065)	(343.571)	1,899.506
Cash and cash equivalents at the beginning of the period  Cash and cash equivalents at the end of the period	3,464.483 2,201.827	3,808.054 <b>1,929.989</b>	3,808.054 3,464.483	1,908.548 <b>3,808.054</b>

#### **Key Financial Ratios**

The following table sets out certain key ratios calculated with results derived from the 2016 Audited BRSA Financial Statements, the September 2017 Interim BRSA Financial Statements and the September 2016 Interim BRSA Financial Statements. These ratios are not calculated on the basis of BRSA Principles or IFRS and are not BRSA or IFRS measures of financial performance.

	As at, or for the nine months ended, 30 September		As at, or for the year ended, 31 December	
<u>-</u>	2017	2016	2016	2015
Key Ratios				
Net profit share margin(1)	4.22	4.18	4.14	3.93
Funded credits / total assets	70.10	71.01	69.2	66.0
Return on equity(2)	7.72	12.54	9.9	15.6
Return on assets(3)	0.65	1.15	0.9	1.4
Non-performing loan ratio(4)	5.36	4.53	4.8	2.4
Net non-performing loan ratio(5)	2.39	2.29	2.3	1.0
Non-performing loan provisions ratio(6)	55.34	49.38	52.3	59.9
Capital adequacy ratio(7)	17.37	12.74	13.5	15.3
Earnings per share (TL)	0.157	0.199	0.242	0.337

#### Notes:

# Certain Financial Measures Used in Calculation of Key Financial Ratios

The following table sets out calculations of certain financial measures, which were, in turn, used in calculation of key financial ratios as at, or for the periods ended, 30 September 2017 and 30 September 2016 and as at, or for the years ended, 31 December 2016 and 31 December 2015.

-	As at 30 September		As at 31 I	As at 31 December	
- -	2017	2016	2016	2015	
		(TL millions	)		
Calculation of Adjusted Loans and Receivables					
Loans and receivables	22,396.122	18,959.063	21,315.626	18,370.399	
Lease receivables (net)	729.994	895.714	878.979	947.427	
Non-performing loans	1,308.678	941.367	1,105.954	468.413	
Adjusted Loans and Receivables	24,434,794	20,796.144	23,300.559	19,786.239	
Calculation of net profit share income					
Net profit share income in the last nine months ended 30					
September	901.884	757.050			
plus net profit share income in the preceding year	1,023.618	885.681			
minus net profit share income in the first nine months of the					
previous year	757.050	642.626			
Net profit share income in the last twelve months	1,168.452	1,000,105			
Calculation of Average Earning Assets					
As at the date of the calculation:					
Financial assets at fair value through profit and loss (net)	988.960	7.076	66.096	22.283	
Banks	1,250.247	1,250.815	2,158.177	2,482.614	

<sup>(1)</sup> Net profit share income over the last 12 months as percentage of Average Earning Assets. For explanations of how net profit share income over the last 12 months and Average Earning Assets are calculated, see "Presentation of Financial and Certain Other Information – Alternative Performance Measures ("APMs")"

<sup>(2)</sup> Net income over the last 12 months as percentage of average shareholders' equity. For explanations of how net income over the last 12 months and average shareholders' equity are calculated, see "Presentation of Financial and Certain Other Information – Alternative Performance Measures ("APMs")".

<sup>(3)</sup> Income before tax over the last 12 months as percentage of average total assets. For explanations of how income before tax over the last 12 months and average total assets are calculated, see "Presentation of Financial and Certain Other Information – Alternative Performance Measures ("APMs")".

<sup>(4)</sup> Non-performing loans and receivables presented as percentage of Adjusted Loans and Receivables. For calculation of Adjusted Loans and Receivables, see "Presentation of Financial and Certain Other Information – Alternative Performance Measures ("APMs")".

<sup>(5)</sup> Net non-performing loans and receivables (non-performing loans and receivables minus specific provisions) presented as percentage of Adjusted Loans and Receivables. For calculation of Adjusted Loans and Receivables, see "Presentation of Financial and Certain Other Information – Alternative Performance Measures ("APMs")".

<sup>(6)</sup> Specific provisions presented as percentage of non-performing loans and receivables.

<sup>(7)</sup> Calculated in accordance with the BRSA's regulations.

-	As at 30 September		As at 31 December	
<del>-</del>	2017	2016	2016	2015
Financial assets – available for sale (net)	1,329.966	1,215.827	1,382.690	1,051.566
Loans and receivables	22,980.844	19,435.541	21,315.626	18,557.965
Investments held to maturity (net)	508.921	580.236	668.582	762,890
Lease receivables (net)	729.994	895.714	878.979	947.427
Earning assets as at the date of the calculation	27,788.932	23,385.209	26,997.599	23,824.745
as at the date three months preceding the date of the calculation(1):				
Financial assets at fair value through profit and loss (net)	978.855	1.235	7.076	21.101
Banks	2,097.796	2,018.360	1,250.815	2,166.527
Financial assets – available for sale (net)	1,649.006	1,181.705	1,215.827	971.203
Loans and receivables	22,111.191	19,152.736	19,435.541	18,400.243
Investments held to maturity (net)	625.372	762.889	580.236	745.582
Lease receivables (net) Earning assets as at the date three months preceding the date	765.179	906.053	895.714	998.602
of the calculation	28,227.399	24,022.978	23,385,209	23,303.258
As at the date six months preceding the date of the	,	,, -	,,	,_,_,_,
calculation(2):				
Financial assets at fair value through profit and loss (net)	557.017	1.153	1.235	4.271
Banks	2,324.645	2,790.349	2,018.360	2,312.996
Financial assets – available for sale (net)	1,428.442 22,054.361	1,072.001 18,964.536	1,181.705 19,152.736	926.490 17,807.069
Investments held to maturity (net)	612.319	745.769	762.889	703.106
Lease receivables (net)	837.531	926.648	906.053	922.700
Earning assets as at the date six months preceding the date				
of the calculation	27,814.315	24,500.456	24,022.978	22,676.632
As at the date nine months preceding the date of the				
calculation(3): Financial assets at fair value through profit and loss (net)	66.096	22.283	1.153	1.092
Banks	2,158.177	2,482.614	2,790.349	1,278.319
Financial assets – available for sale (net)	1,382.690	1,051.566	1,072.001	860.634
Loans and receivables	21,843.075	18,557.965	18,964.536	16,568.942
Investments held to maturity (net)	668.582	762.890	745.769	704.707
Lease receivables (net)	878.979	947.427	926.648	829.297
Earning assets as at the date nine months preceding the date	26 007 500	22 924 745	24 500 456	20 242 001
of the calculation	26,997.599 <b>27,707.061</b>	23,824.745 <b>23,933,347</b>	24,500.456 <b>24,726.561</b>	20,242.991 <b>22,511.907</b>
Calculation of net income	27,707.001	20,500,017	21,720.501	22,011.707
Net income in the last nine months ended 30 September	141.117	178.867		
plus net income in the preceding year	217.609	302.863		
minus net income in the first nine months of the previous	170.077	211.071		
Net income in the last twelve months	178.867 <b>179.859</b>	211.861 <b>269.869</b>		
Calculation of income before tax	177.037	207.007		
Income before tax in the last nine months ended 30				
September	175.234	221.651		
plus income before tax in the preceding year	263.920	376.778		
minus income before tax in the first nine months of the previous year	221.651	265.176		
Income before tax in the last twelve months	217.503	333,253		
Calculation of average shareholders' equity		555,255		
Shareholders' equity as at the date of the calculation	2,382.9750	2,221.109	2,279.593	2,103.914
Shareholders' equity as at the date three months preceding	2,376.890	2,171.951	2,221.109	1,968.828
the date of the calculation(1)	2 277 745	2 112 202	2 171 051	1 902 692
date of the calculation(2)	2,277.745	2,113.283	2,171.951	1,893.682
Shareholders' equity as at the date nine months preceding	2,279.593	2,103.914	2,113.283	1,814.537
the date of the calculation(3)	,	,	,	
Average shareholders' equity	2,329.301	2,152.564	2,196.484	1,945.240
Calculation of average total assets	22.026.640	20.622.525	22 050 520	20 561 000
Total assets as at the date of the calculation	33.826.640	28,632.535	32,850.738 28,632.535	29,561.999 29,213.433
of the calculation(1)	34,216.581	29,363.727	28,032.333	29,213.433
Total assets as at the date six months preceding the date of	33,021.316	28,810.563	29,363.727	27,045.666
the calculation(2)		, <del></del>	, /	,
Total assets as at the date nine months preceding the date of	32,850.738	29,561.999	28,810.563	24,817.480
the calculation(3)	22 470 010	20,002,207	20 014 201	27 650 645
Average total assets	33,478.819	29,092,206	29,914.391	27,659.645

Notes:

- (i) as at 30 September 2016 based on the financial information in the June 2017 Interim BRSA Financial Statements; (ii) as at 30 September 2016 based on the financial information in the June 2016 Interim BRSA Financial Statements; (iii) as at 31 December 2016 based on the financial information in the unaudited unconsolidated convenience translation financial statements of the Bank originally issued in Turkish as at and for the three months ended 30 September 2016 and (iv) as at 31 December 2015 based on the financial information in the unaudited unconsolidated convenience translation financial statements of the Bank originally issued in Turkish as at and for the three months ended 30 September 2015.
- (2) Calculated: (i) as at 30 September 2017 based on the financial information in the unaudited unconsolidated convenience translation financial statements of the Bank originally issued in Turkish as at and for the three months ended 31 March 2017; (ii) as at 30 September 2016 based on the financial information in the unaudited unconsolidated convenience translation financial statements of the Bank originally issued in Turkish as at and for the three months ended 31 March 2016; (iii) as at 31 December 2016 based on the financial information in the June 2016 Interim BRSA Financial Statements and (iv) as at 31 December 2015 based on the financial information in the unaudited unconsolidated convenience translation financial statements of the Bank originally issued in Turkish as at and for the three months ended 30 June 2015.
- (3) Calculated: (i) as at 30 September 2017 based on the financial information in the December 2016 Audited BRSA Financial Statements; (ii) as at 30 September 2016 based on the financial information in the December 2016 Audited BRSA Financial Statements; (iii) as at 31 December 2016 based on the financial information in the unaudited unconsolidated convenience translation financial statements of the Bank originally issued in Turkish as at and for the three months ended 31 March 2016 and (iv) as at 31 December 2015 based on the financial information in the unaudited unconsolidated convenience translation financial statements of the Bank originally issued in Turkish as at and for the three months ended 31 March 2015.

#### FINANCIAL REVIEW

The following review of the Bank's financial condition and results of operations should be read in conjunction with the information set out in "Presentation of Financial and Other Information" and "Selected Financial Information".

The review of the Bank's financial condition and results of operations is based upon the 2016 Audited BRSA Financial Statements and the June 2017 Interim BRSA Financial Statements (with the exception of balance sheet data as at 30 June 2016 that is based upon the June 2016 Interim BRSA Financial Statements). The selected unconsolidated financial information presented below as at, and for the years ended, 31 December 2016 and 2015 has been extracted from the 2016 Audited BRSA Financial Statements (the comparative financial information as at, and for the year ended, 31 December 2015 has been derived from the audited unconsolidated financial statements of the Bank as at, and for the year ended, 31 December 2016). The selected unconsolidated financial information presented below as at, and for the six months ended, 30 June 2017 and the comparative unconsolidated financial information for the six months ended 30 June 2016 has been extracted from the June 2017 Interim BRSA Financial Statements. The selected unconsolidated financial information presented below as at 30 June 2016 has been extracted from the June 2016 Interim BRSA Financial Statements. The 2016 Audited BRSA Financial Statements, the June 2017 Interim BRSA Financial Statements, the June 2016 Interim BRSA Financial Statements, together with the audit or review reports of KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of KPMG International Cooperative) prepared in connection therewith, and the accompanying notes thereto, appear elsewhere in this Prospectus.

This discussion contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

#### **OVERVIEW**

As outlined above in "Description of Albaraka Türk Katılım Bankası A.Ş. – Overview", the Bank was established as the first interest-free bank in Turkey in 1984 and commenced commercial operations in March 1985. The Bank's business is undertaken in compliance with the principles of interest-free banking, known as "participation banking".

#### **Turkish Economic and Political Environment**

The Bank operates primarily in Turkey. Accordingly, its results of operations and financial condition are and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange rates and interest rates.

The following table sets out key Turkish economic indicators for the years 2016 and 2015 and for the three month periods ended 31 March 2017 and 31 March 2016.

	As at, or for the three months ended, 31 March		As at, or for the year ended, 31 December	
	2017	2016	2016	2015
GDP (current prices-TL billions)	641.6	561.2	2,590	2,337
Real GDP growth (%)	5.0	4.5	2.9	4.0
GDP per capita (US\$)	N/A	N/A	10.807	9,177
Unemployment (%)	11.7	10.1	10.9	10.3
The Turkish Central Bank policy rate (period-end, %)	9.25	10.5	8.5	7.5
Benchmark yield (period-end, %)	11.3	9.99	10.63	10.86
Inflation (%)	11.29	7.46	8.50	8.80
Exports (US\$ billions)	291.937	209.240	431.604	391.461
Imports (US\$ billions)	393.684	291.184	600.526	562.315
Trade deficit (US\$ billions)	12.5	12.0	56.0	63.3
Current account deficit (US\$ billions)	3.6	3.7	32.6	32.2
Budget deficit (TL billions)	19.5	6.6	29.3	23.5

Sources: Turkish Treasury, Turkish Statistical Institute (TUIK), the Turkish Central Bank

#### **Accounting Policies**

The Bank's accounting policies are set out in Section 3 to the June 2017 Interim BRSA Financial Statements and Section 3 to the 2016 Audited BRSA Financial Statements. As explained in Note XXIII of Section 3 to the June 2017 Interim BRSA Financial Statements and Note XXIII of Section 3 to the 2016 Audited BRSA Financial Statements, the effects of differences between (i) accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No: 5411 and (ii) the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in any of the June 2017 Interim BRSA Financial Statements and the 2016 Audited BRSA Financial Statements. Accordingly, neither the June 2017 Interim BRSA Financial Statements nor the 2016 Audited BRSA Financial Statements are intended to present the Bank's financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries or IFRS.

# RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015 AND FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016

# Net profit share income

The following table sets out the Bank's net profit share income for the years 2016 and 2015 and for the six month periods ended 30 June 2017 and 30 June 2016.

	Six months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
Profit share on loans	1,133.638	(TL millio 972.048	ns) 1,965.135	1,708.889
Income received from reserve deposits	13.206 0.913	10.705 0.031	18.881 0.810	10.263 0.036
Income received from marketable securities portfolio	103.794 68.740	74.736 40.297	159.663 94.487	135.215 70.619
Investments held to maturity	35.054	34.439	65.176	64.596
Finance lease income Other profit share income	35.160 1.070	35.785 0.904	73.181 1.204	79.117 1.639
Profit share income	1,287.781	1,094.209	2,218.804	1,935.159
Expense on profit sharing accounts	479.704 156.522 2.849	431.905 116.329 29.043	870.132 266.000 55.734	829.534 163.528 47.081
Other profit share expense Profit share expense	9.061 <b>648.136</b>	2.860 <b>580.137</b>	3.320 1,195.186	9.335 <b>1,049.478</b>
Net profit share income	639.645	514.072	1,023.618	885.681

The Bank's net profit share income was TL 639.3 million for the six month period ended 30 June 2017, an increase of TL 125.3 million, or 24.3 per cent., compared to TL 514.1 million for the six month period ended 30 June 2016. The Bank's net profit share income was TL 1,023.6 million in 2016, an increase of TL 137.9 million, or 15.6 per cent., compared to TL 885.7 million in the year ended 31 December 2015.

## Profit share income

Profit share income is accounted for in accordance with Turkish Accounting Standards ("TAS") 39 "Financial Instruments: Recognition and Measurement" using the internal rate of return method that equalises the future cash flows of the financial instrument to the net present value. Profit share income is recognised on an accrual basis.

Revenues relating to profit and loss sharing investment projects are recognised when the significant risks and rewards of ownership of the relevant goods are transferred to the buyer and, accordingly, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue and costs incurred in respect of such

transactions can be measured reliably and an inflow of economic benefits associated with the transaction is probable.

In accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans", the profit share accruals of NPLs and other receivables are reversed and are recorded as profit share income when collected.

The Bank principally earns profit share income on the loans and financial leases made by it and from debt securities held by it.

The Bank's profit share income was TL 1,287.8 million in the six month period ended 30 June 2017, an increase of TL 193.6 million, or 17.7 per cent., from TL 1,094.2 million in the six month period ended 30 June 2016. This increase was principally the result of an increase of TL 161.6 million, or 16.6 per cent., in profit share on loans and, to a lesser extent, an increase of TL 29.1 million, or 38.9 per cent., in income received from the Bank's marketable securities portfolio. The increase in profit share on loans between the two periods was principally attributable to growth in funded credits, which amounted to TL 22,876 million as at 30 June 2017, an increase of 14.1 per cent. as compared to 30 June 2016 and 0.7 per cent. compared to 31 December 2016. The increase in income from marketable securities portfolio held by the Bank was principally attributable to growth in the Bank's portfolio of financial assets available for sale, which amounted to TL 1,649.0 million as at 30 June 2017, an increase of 39.5 per cent. as compared to 30 June 2016 and 19.3 per cent. compared to 31 December 2016.

The Bank's profit share income was TL 2,218.8 million in the year ended 31 December 2016, an increase of TL 283.6 million, or 14.7 per cent., from TL 1,935.2 million in the year ended 31 December 2015. This increase was principally the result of increases in profit share on loans (by TL 256.2 million, or 15.0 per cent.) and income received from marketable securities portfolio (by TL 24.4 million, or 18.1 per cent.). The increase in profit share on loans between the two periods was attributable to growth in funded credits, which amounted to TL 22,722 million as at 31 December 2016, an increase of 16.5 per cent. as compared to 31 December 2015. The increase in income from marketable securities portfolio held by the Bank was principally attributable to growth in the Bank's portfolio of financial assets available for sale, which amounted to TL 1,382.7 million as at 31 December 2016, an increase of 31.5 per cent. as compared to 31 December 2015.

# Profit share expense

The Bank records profit share expenses on an accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account "Funds Collected" in the balance sheet.

The Bank incurs profit share expense on participation accounts opened by its customers and on borrowings made by it. The Bank's profit share expense was TL 648.1 million in the six month period ended 30 June 2017, an increase of TL 68.0 million, or 11.7 per cent., from TL 580.1 million in the six month period ended 30 June 2016. The increases in profit share expense were attributable to corresponding increases in the collected funds. As at 30 June 2017, collected funds were at TL 23,771 million, an increase of 20.3 per cent. compared to 30 June 2016 and 2.7 per cent. compared to 31 December 2016.

The Bank's profit share expense was TL 1,195.2 million in the year ended 31 December 2016, an increase of TL 145.7 million, or 13.9 per cent., from TL 1,049.5 million in the year ended 31 December 2015. This increase in the Bank's profit share expense between the two years principally consisted of an increase of TL 102.5 million, or 62.7 per cent., from TL 163.5 million in 2015 to TL 266.0 million in 2016 in profit sharing expense on funds borrowed and an increase of TL 40.6 million, or 4.9 per cent., from TL 829.5 million in 2015 to TL 870.1 million in 2016 in expense on profit sharing accounts. The increase in profit share expense in 2016 as compared to 2015 was attributable to the increase in the collected funds between the two years. As at 31 December 2016, collected funds were at TL 23,155 million, an increase of 13.8 per cent. compared to 31 December 2015.

# Net income from fees and commissions

The following table sets out the Bank's net income from fees and commissions for the years 2016 and 2015 and for the six month periods ended 30 June 2017 and 30 June 2016.

	Six months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
	(TL millions)			
Fees and commissions received, of which:	107.507	99.917	208.127	187.627
Non cash loans	53.390	50.031	104.868	98.046
Other	54.117	49.886	103.259	89.581
Fees and commissions paid, of which:	33.590	29.622	62.192	51.630
Non cash loans	0.055	0.152	0.334	0.321
Other	33.535	29.470	61.858	51.309
Net fees and commissions income/expenses	73.917	70.295	145.935	135,997

The Bank earns fees and commissions on non-cash loans made by it (such as guarantees, commitments to make financing available and letters of credit issued by it) and from other services provided by it (such as through card and point of sale ("POS") terminal transactions as well as import letters of acceptance). The Bank pays fees and commissions to credit card service providers, Visa and MasterCard, and to banks to which it has outsourced its POS terminal arrangements.

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected in the income statement depending on the term of the related transaction.

In accordance with provisions of Turkish Accounting Standards ("TAS"), the portion of the commission and fees which relate to the reporting period and collected in advance for cash and non-cash loans granted is reflected in the income statement by using the internal rate of return method and straight line methods, respectively, over the commission period of the related loan. Fees and commissions collected in advance which relate to future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of the BRSA dated 8 June 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related non-cash loans commissions directly as income.

The Bank's net income from fees and commissions was TL 73.9 million in the six month period ended 30 June 2017, an increase of TL 3.6 million, or 5.2 per cent., from TL 70.3 million in the six month period ended 30 June 2016. This increase principally reflected an increase of TL 7.6 million, or 7.6 per cent. in fees and commissions received from TL 99.9 million in the six month period ended 30 June 2016 to TL 107.5 million in the six month period ended 30 June 2017. This increase was principally due to the increases in (i) fees and commissions on non-cash loans from TL 50.0 million in 2015 to TL 53.4 million in 2016, (ii) commissions on money orders from TL 5.0 million in 2015 to TL 7.2 million 2016 and (iii) "other" fees and commissions from TL 6.9 million in 2015 to 9.6 million in 2016. The fees and commissions paid increased by TL 4.0 million, or 13.4 per cent., from TL 29.6 million in the six month period ended 30 June 2016 to TL 33.6 million in the six month period ended 30 June 2017.

The Bank's net income from fees and commissions was TL 145.9 million in the year ended 31 December 2016, an increase of TL 9.9 million, or 7.3 per cent., from TL 136.0 million in the year ended 31 December 2015. This increase in net income from fees and commissions in the year ended 31 December 2016 as compared to the year ended 31 December 2015 was due to a higher increase in fees and commissions received, which increased by TL 20.5 million between the two years, as compared to an increase in fees and commissions paid, which increased by TL 10.6 million between the two years.

The increase in fees and commission received consisted of (i) the increase in fees and commissions from non-cash loans in the amount of TL 6.8 million, or 7.0 per cent., from TL 98.0 million in the year ended 31 December 2015 to TL 104.9 million in the year ended 31 December 2016 and (ii) the increase in other fees and commissions in the amount of TL 13.7 million, or 15.3 per cent., from TL 89.6 million in the year ended 31 December 2015 to TL 103.3 million in the year ended 31 December 2016. The increase in other fees and commissions received in the year ended 31 December 2016 as compared to the year ended 31 December 2015 principally reflected higher member firm-POS fees and commissions, which increased by TL 3.6 million; clearing room fees and commissions, which increased by TL 3.1 million between the two years; and appraisal fees, which increased by TL 2.3 million between the two years.

The increase in fees and commissions paid was attributable to the increase in other fees and commissions paid in the amount of TL 10.5 million, or 20.6 per cent., from TL 51.3 million in the year ended 31 December 2015 to TL 61.9 million in the year ended 31 December 2016. Other fees and commissions paid included funds borrowed fees and commissions, which increased by TL 8.9 million between the two years, credit card fees and commissions, member firm-POS fees and commissions, which increased by TL 3.2 million between the two years, fees and commissions for Swift, EFT and money orders and other.

#### Net trading income

The following table sets out the Bank's net trading income for the years 2016 and 2015 and for the six month periods ended 30 June 2017 and 30 June 2016.

	Six months ended 30 June		Year ended 31	Year ended 31 December	
	2017	2016	2016	2015	
	(TL millions)				
Capital market transaction income/(loss)	34.392	0.056	0.200	2.223	
Profit/(loss) from derivative financial instruments	(13.424)	(33.440)	102.994	68.093	
Net FX income/(loss)	(3.183)	64.820	(58.055)	(17.746)	
Trading income/(loss) (net)	17.785	31.436	45.139	52.570	

The Bank's net trading income principally reflects its profit or loss on FX trading transactions. The Bank also records limited income on capital markets transactions resulting from changes in fair value of the Bank's securities held at fair value through profit and loss, see "Description of Albaraka Türk Katılım Bankası A.Ş. – Investments".

Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange on the balance sheet date announced by the ABG. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as FX gain or loss.

The Bank's net trading income was TL 17.8 million for the six month period ended 30 June 2017, a decrease of TL 13.6 million, or 76.7 per cent., from TL 31.4 million in the six month period ended 30 June 2016. This decrease was principally due to the change from net FX income of TL 64.8 million earned by the Bank in the six month period ended 30 June 2016 to net FX loss of TL 3.2 million incurred by the Bank in the six month period ended 30 June 2017, which was partially offset by the increase in capital market transaction income from TL 0.1 million in the six month period ended 30 June 2017. This increase in capital market transactions income in the six month period ended 30 June 2017 as compared to the six month period ended 30 June 2016 was attributable to an investment made in a marketable security made after 30 June 2016.

The Bank's net trading income was TL 45.1 million in the year ended 31 December 2016, a decrease of TL 7.4 million, or 14.1 per cent., from TL 52.6 million in the year ended 31 December 2015. This decrease was principally due to an increase in net FX loss of TL 40.3 million, or 227.1 per cent., from TL 17.7 million in the year ended 31 December 2015 to TL 58.1 million in the year ended 31 December 2016, reflecting unfavourable changes in market conditions, which was only partially offset by an increase of TL 34.9 million, or 51.3 per cent., in income from derivative financial instruments from TL 68.1 million in the year ended 31 December 2015 to TL 103.0 million in the year ended 31 December 2016.

#### Other operating income

The following table sets out the Bank's other operating income for the years 2016 and 2015 and for the six month periods ended 30 June 2017 and 30 June 2016.

	Six months end	ded 30 June	Year ended 31 December		
	2017	2016	2016	2015	
	(TL millions)				
Reversal of prior year provisions	45.101	29.058	114.356	89.166	
Income from sale of assets	13.888	26.950	20.581	16.742	
Reimbursement for communications expenses	2.608	2.164	4.334	3.798	
Cheque book charges	0.608	0.612	1.316	0.806	

	Six months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
	(TL millions)			
Other income	1.602	6.227	16.924	2.895
Total other operating income	63.807	65.011	157.511	113.407

Other operating income consists of reversal of prior year provisions, income from sale of assets, reimbursement for communication expenses, reimbursement for bank statement expenses, cheque book charges and other income. Reimbursement for communication expenses, reimbursement for bank statement expenses, cheque book charges and other income are grouped into the "other" line item in the table above.

The Bank's other operating income was TL 63.8 million for the six month period ended 30 June 2017, a decrease of TL 1.2 million, or 1.9 per cent., from TL 65.0 million in the six month period ended 30 June 2016. This decrease reflected a decrease of TL 13.1 million, or 48.5 per cent., in income from sale of assets from TL 27.0 million in the six month period ended 30 June 2016 to TL 13.9 million in the six month period ended 30 June 2017 and a decrease of TL 4.6 million, or 74.3 per cent., in the "other" part of other operating income in the table above from TL 6.2 million in the six month period ended 30 June 2016 to TL 1.6 million in the six month period ended 30 June 2017, which was partially offset by an increase in reversal of prior year provisions from TL 29.1 million in the six month period ended 30 June 2017.

The Bank's other operating income was TL 157.5 million in the year ended 31 December 2016, an increase of TL 44.1 million, or 38.9 per cent., from TL 113.4 million in the year ended 31 December 2015. This increase principally reflected (i) an increase of TL 25.2 million, or 28.3 per cent., in reversal of prior year provisions from TL 89.2 million in the year ended 31 December 2015 to TL 114.4 million in the year ended 31 December 2016 and (ii) to a lesser extent, an increase of TL 14.0 million, or 484.6 per cent., in "other income" part of other operating income from TL 2.9 million in the year ended 31 December 2015 to TL 16.9 million in the year ended 31 December 2016. The large increase in "other income" part of other operating income between the two years was, in part, due to the purchase of Visa Europe Ltd. by Visa Inc. on 21 June 2016. Following the completion of this transaction, TL 8.7 million was transferred to the Bank and accounted for as "other income".

# Total operating income

Reflecting the above factors, the Bank's total operating income was TL 795.2 million in the six month period ended 30 June 2017, an increase of TL 114.3 million, or 16.8 per cent., from the TL 680.8 million in the six month period ended 30 June 2016. The Bank's total operating income was TL 1,372.2 million in the year ended 31 December 2016, an increase of TL 184.0 million, or 15.5 per cent., from the TL 1,188.2 million in the year ended 31 December 2015. See "Selected Financial Information – Income Statement Data".

#### Provision for loan losses and other receivables

The following table sets out the Bank's provision for loan losses and other receivables for the years 2016 and 2015 and for the six month periods ended 30 June 2017 and 30 June 2016.

	Six months end	Six months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015	
	(TL millions)				
Specific provisions for loans and other receivables	217.974	103.662	305.593	130.834	
General provision expenses	7.270	19.970	17.856	12.869	
Impairment losses on marketable securities	0.390	0.201	0.154	0.194	
Other*	8.879	20.347	48.554	13.246	
Total provision for loan losses and other receivables	234.513	144.180	372.157	157.143	

<sup>\*</sup> Other consists of (i) specific provisions for non-cash loans that are not identified, (ii) provisions allocated from profit shares to be distributed to profit sharing accounts and (iii) other.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the

Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected in the profit sharing accounts.

The Bank's total provision for loan losses and other receivables was TL 234.5 million in the six month period ended 30 June 2017, an increase of TL 90.3 million, or 62.6 per cent., from TL 144.2 million in the six month period ended 30 June 2016. The principal reason for this increase was an increase in specific provisions for loans and other receivables of TL 73.3 million, or 110.3 per cent., from TL 103.7 million in the six month period ended 30 June 2016 to TL 218.0 million in the six month period ended 30 June 2017, which was partially offset by a decrease in the "other" provisions from TL 20.3 million in the six month period ended 30 June 2016 to TL 8.9 million in the six month period ended 30 June 2017.

The Bank's total provision for loan losses and other receivables was TL 372.2 million in the year ended 31 December 2016, an increase of TL 215.0 million, or 136.8 per cent., from TL 157.1 million in the year ended 31 December 2015. The principal reason for this increase was an increase in specific provisions for loans and other receivables of TL 174.8 million, or 133.6 per cent., from TL 130.8 million for the year ended 31 December 2015 to TL 305.6 million for the year ended 31 December 2016. This, in turn, was the result of the deterioration in asset quality that was due, in large part, to the overall deterioration in economic conditions in Turkey during 2016 as a result of the impact of adverse global macroeconomic and political developments and an attempted coup in Turkey in July 2016, which subsequently resulted in a rise in the Bank's non-performing loans. The increase in total provision for loan losses and other receivables was also the result of an increase in the "other" provisions, which principally consisted of (i) a TL 18.9 million, or 160.7 per cent., increase in specific provisions for non-cash loans that are not indemnified from TL 11.8 million in the year ended 31 December 2015 to TL 30.7 million in the year ended 31 December 2016 and (ii) a TL 16.1 million, or 1,098.2 per cent., increase in provisions allocated from profit shares to be distributed to profit sharing accounts from TL 1.5 million in the year ended 31 December 2015 to TL 17.6 million in the year ended 31 December 2016.

#### Other operating expenses

The following table sets out the Bank's other operating expenses for the years 2016 and 2015 and for the six month periods ended 30 June 2017 and 30 June 2016.

	Six months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
		(TL mil	llions)	
Personnel expenses	218.556	196.361	416.420	354.129
Provision for retirement pay liability	4.395	2.400	2.857	3.676
Depreciation expenses of tangible assets	19.251	19.772	38.686	39.114
Amortisation expenses of intangible assets	11.552	11.752	23.800	18.734
Impairment expenses of assets to be disposed	0.33	1.968	2.264	0.404
Depreciation expenses of assets to be disposed	2.506	0.622	1.592	1.307
Impairment expenses of assets held for sale and assets of				
discontinued operations	-	0.055	0.055	1.036
Other business expenses	84.086	83.886	157.116	136.719
Loss on sale of assets	0.093	0.498	0.677	1.215
Other	58.022	58.144	92.659	97.919
Total other operating expenses	398.494	375.458	736.126	654.253

The Bank's principal other operating expenses consist of its personnel expenses (accounting for 54.9 per cent. of its total other operating expenses in the six month period ended 30 June 2017 and 56.6 per cent. of its total other operating expenses in the year ended 31 December 2016).

The Bank's total other operating expenses were TL 398.5 million in the six month period ended 30 June 2017, an increase of TL 23.0 million, or 6.1 per cent., from TL 375.5 million in the six month period ended 30 June 2016. This increase principally reflected an increase of TL 22.2 million, or 11.3 per cent., in personnel expenses from TL 196.4 million in the six month period ended 30 June 2016 to TL 218.6 million in the six month period ended 30 June 2017. This increase reflected an increase in the total number of the Bank's employees from 3,736 as at 31 December 2015 to 3,796 as at 31 December 2016 and 3,816 as at 30 June 2017.

The Bank's total other operating expenses were TL 736.1 million in the year ended 31 December 2016, an increase of TL 81.9 million, or 12.5 per cent., from TL 654.3 million in the year ended 31 December 2015. This increase principally reflected an increase in personnel expenses of TL 62.3 million, or 17.6 per cent., from TL 354.1 million in the year ended 31 December 2015 to TL 416.4 million in the year ended 31 December 2016 and, to a lesser extent, an increase in other business expenses of TL 20.4 million, or 14.9 per cent., from TL 136.7 million in the year ended 31 December 2015 to TL 157.1 million in the year ended 31 December 2016. The increase in other business expenses in the year ended 31 December 2016 as compared to the year ended 31 December 2015 principally reflected higher operating lease expenses, which increased by TL 6.5 million; maintenance expenses; advertising expenses, which increased by TL 8.1 million between the two years; and other expenses, which increased by TL 4.3 million between the two years.

# Net operating income

Reflecting the above factors, the Bank's net operating income was TL 162.1 million in the six month period ended 30 June 2017, an increase of TL 1.0 million, or 0.6 per cent., from TL 161.2 million in the six month period ended 30 June 2016. The Bank's net operating income was TL 263.9 million in the year ended 31 December 2016, a decrease of TL 112.9 million, or 30.0 per cent., from TL 376.8 million in the year ended 31 December 2015. See "Selected Financial Information – Income Statement Data".

# Tax provision for continued operations

The following table sets out the Bank's tax provision for the years 2016 and 2015 and for the six month periods ended 30 June 2017 and 30 June 2016.

	Six months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
	(TL millions)			
Provision for current taxes	15.435	40.394	53.999	78.166
Provision for deferred taxes	15.415	(7.768)	(7.688)	(4.251)
Tax provision for continued operations	30.850	32.626	46.311	73.915

The Bank's tax provision for continued operations was TL 30.9 million in the six month period ended 30 June 2017, a decrease of TL 1.7 million, or 5.2 per cent., from TL 32.6 million in the six month period ended 30 June 2016. The Bank's tax provision for continued operations was TL 46.3 million in the year ended 31 December 2016, a decrease of TL 27.6 million, or 37.3 per cent., from TL 73.9 million in the year ended 31 December 2015, which was principally due to a 30.0 per cent decrease in the Bank's net operating income between the two years.

#### Net income

Reflecting the above factors, the Bank's net income was TL 131.3 million in the six month period ended 31 June 2017, an increase of TL 2.7 million, or 2.1 per cent., from TL 128.6 million in the six month period ended 30 June 2016. The Bank's net income was TL 217.6 million in the year ended 31 December 2016, a decrease of TL 85.3 million, or 28.1 per cent., from TL 302.9 million in the year ended 31 December 2015. See "Selected Financial Information – Income Statement Data".

#### SEGMENTAL INFORMATION

For accounting purposes, the Bank classifies its activities into three segments: (i) Retail; (ii) Commercial and Corporate; and (iii) Treasury.

The Bank classifies as retail assets and retail liabilities the funds which it applies to, and receives from, retail customers. Accordingly, the Bank generally records losses in its retail segment as the retail business is principally a deposit taking business. Similarly, the Bank classifies as corporate and commercial assets and corporate and commercial liabilities the funds which it applies to, and receives from, its corporate and commercial customers. Accordingly, the Bank generally records profits in its corporate and commercial segment as the corporate and commercial business is principally a lending business.

#### CASH FLOW STATEMENTS

The following table sets out the cash flows of the Bank as at, and for each of the years ended, 31 December 2016 and 31 December 2015 and as at, and for the six month periods ended, 30 June 2017 and 30 June 2016.

	Six months ended 30 June		Year ended 31 December	
	2017	2016	2016	2015
Net cash flow from banking operations	(524.157)	(1,214.831)	216.433	989.622
Net cash flow from investing activities	(259.415)	(1.845)	(120.840)	(381.782)
Net cash flow from financing activities	273.953	42.413	(769.107)	1,167.349
Effect of change in FX rate on cash and cash equivalents	(19.712)	(30.136)	329.943	124.317
Net (decrease) / increase in cash and cash equivalents	(529.331)	(1,204.399)	(343.571)	1,899.506
Cash and cash equivalents at the beginning				
of the period	3,464.483	3,808.054	3,808.054	1,908.548
Cash and cash equivalents at the end of the period	2,935.152	2,603.655	3,464.483	3,808.054

#### Net cash flow from banking operations

The Bank's net cash used in banking operations decreased by TL 690.7 million, or 56.9 per cent., from TL 1,214.8 million in the six month period ended 30 June 2016 to TL 524.2 million in the six month period ended 30 June 2017. This decrease was principally due to (i) a higher net increase in funds collected from banks in the six months period ended 30 June 2017 (by TL 902.8 million) as compared to the six months period ended 30 June 2016 (by TL 128.5 million) and (ii) larger operating profit before changes in operating assets and liabilities in the six months period ended 30 June 2017 (TL 676.3 million) as compared to the six months period ended 30 June 2016 (TL 179.5 million), which were partially offset by the change from net decrease in available for sale financial assets in the amount of TL 21.0 million in the six months period ended 30 June 2016 to net increase in available for sale financial assets in the amount of TL 912.8 million in the six months period ended 30 June 2017.

The Bank's net cash flow from banking operations decreased by TL 773.2 million, or 78.1 per cent., from TL 989.6 million in the year ended 31 December 2015 to TL 216.4 million in the year ended 31 December 2016. This decrease was principally due to a higher net increase in other funds collected in the year ended 31 December 2015 (by TL 3,105.5 million) as compared to the year ended 31 December 2016 (by TL 301.0 million), the impact of which was partially offset by (i) a higher net increase in funds collected from banks in the year ended 31 December 2016 (by TL 1,239.9 million) as compared to the year ended 31 December 2015 (by TL 103.4 million) and (ii) a net increase in due from banks and other financial institutions in the amount of TL 698.1 million in the year ended 31 December 2015 as compared to a net decrease in due from banks and other financial institutions in the amount of TL 695.6 million in the year ended 31 December 2016.

#### Net cash flow from investing activities

The Bank's net cash flow from investing activities consists of:

- cash paid for acquisition of jointly controlled operations, associates and subsidiaries;
- cash obtained from sale of jointly controlled operations, associates and subsidiaries;
- fixed assets purchases;
- fixed assets sales;
- cash paid for purchase of financial assets available for sale;
- cash obtained from sale of financial assets available for sale;
- cash paid for purchase of investment securities; and

#### cash obtained from sale of investment securities.

The Bank's net cash flow from investing activities increased by TL 257.6 million, or 13,060 per cent., from TL 1.8 million in the six month period ended 30 June 2016 to TL 259.4 million in the six month period ended 30 June 2017. This increase in net cash flow from investing activities was principally due to an increase of TL 158.9 million, or 31.8 per cent., in cash paid for purchase of financial assets available for sale from TL 499.8 million in the six month period ended 30 June 2016 to TL 658.6 million in the six month period ended 30 June 2017. This increase in cash paid for purchase of financial assets available for sale was related to the Bank's policy of increasing its securities portfolio in the second half of 2016 and the first half of 2017 as it was able to achieve higher yield on its overall securities portfolio.

The Bank's net cash flow from investing activities decreased by TL 260.9 million, or 68.3 per cent., from TL 381.8 million in the year ended 31 December 2015 to TL 120.8 million in the year ended 31 December 2016. This decrease in net cash flow from investing activities was principally due to (i) a larger amount of cash obtained from sale of financial assets available for sale in the year ended 31 December 2016 (TL 723.6 million) as compared to the year ended 31 December 2015 (TL 179.2 million) and (ii) to a lesser extent, a smaller amount of cash paid for purchase of investment securities in the year ended 31 December 2016 (TL 264.1 million) as compared to the year ended 31 December 2015 (TL 391.4 million), the impact of which was partially offset by a larger amount of cash paid for purchase of financial assets available for sale in the year ended 31 December 2016 (TL 1,024.1 million) as compared to the year ended 31 December 2015 (TL 611.2 million).

#### Net cash flow from financing activities

The Bank's net cash flow from financing activities increased by TL 231.5 million, or 645.9 per cent., from TL 42.4 million in the six month period ended 30 June 2016 to TL 273.9 million in the six month period ended 30 June 2017. This increase was principally due to a larger amount of cash obtained from funds borrowed and securities issued in the six months period ended 30 June 2017 (TL 2,691.6 million) as compared to the six months period ended 30 June 2016 (TL 1,486.2 million), which was partially offset by a larger amount of cash used for repayment of funds borrowed and securities issued in the six months ended 30 June 2017 (TL 2,374.2 million) as compared to the six months period ended 30 June 2016 (TL 1,393.4 million).

The Bank's net cash flow from financing activities in the year ended 31 December 2016 was TL 769.1 million. The Bank's net cash flow from financing activities in the year ended 31 December 2015 was TL 1,167.3 million. This change was principally due to a larger amount of cash obtained from funds borrowed and securities issued in the year ended 31 December 2015 (TL 6,263.9 million) as compared to the year ended 31 December 2016 (TL 3,005.9 million), which was partially offset by a larger amount of cash used for repayment of funds borrowed and securities issued in the year ended 31 December 2015 (TL 5,062.3 million) as compared to the year ended 31 December 2016 (TL 3,724.6 million).

# **OFF-BALANCE SHEET COMMITMENTS**

The Bank's off-balance sheet commitments principally comprise letters of guarantees, commitments to extend credit and letters of credit.

The following table sets out the Bank's off balance sheet commitments as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016.

	As at 30 June		As at 31 December	
	2017	2016	2016	2015
		(TL milli	ons)	
Guarantees subject to state tender law	434.067	356.340	413.842	282.878
Guarantees given for foreign trade operations	689.670	768.207	881.252	816.880
Other letters of guarantee	6,005.630	6,774.533	6,514.717	6,630.530
Import letter of acceptances	14.513	33.415	20.711	28.324
Letter of credits	803.005	611.192	752.679	639.592
Other guarantees	68.581	275.998	101.572	247.596
Other collaterals	26.911	8.734	16.420	18.257
Asset purchase and sale commitments	185.990	216.755	13.999	187.332
Loan granting commitments	143.829	119.636	111.042	116.862
Payment commitment for cheques	496.304	566.963	588.983	500.882
Tax and fund liabilities from export commitments	3.343	2.418	3.029	2.035

	As at 30 June		As at 31 December	
	2017	2016	2016	2015
	(TL millions)			
Commitments for credit card expenditure limits	502.908	494.597	475.270	521.562
Commitments for promotions related with credit cards and				
banking activities	0.458	0.740	0.963	0.599
Other irrevocable commitments	88.212	0622	38.475	0.203
Derivative Financial Instruments	771.521	830.779	1,018.952	417.005
Total off balance sheet commitments	10,234.942	11,060.929	10,951.306	10,410.537

#### Loan portfolio

The table below sets out details of the Bank's funded loans and other receivables by type of loan as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016.

	As at 30 June		As at 31 December	
	2017	2016	2016	2015
		(TL mill	ions)	
Funded loans				
Export loans	731.947	486.063	581.229	406.544
Import loans	1,513.607	1,346.452	1,539.861	1,442.516
Business loans	11,343.770	10,086.446	11,909.852	9,668.455
Consumer loans	3,277.850	2,925.433	3,081.271	2,726.168
Credit cards	218.741	209.336	224.923	193.439
Loans given to financial sector	135.827	16.146	17.257	4.337
Profit and loss sharing investments*	673.340	399.362	500.049	362.430
Loans given to abroad	781.171	475.585	584.078	490.739
Other	2,788.471	2,870.354	2,877.106	3,075.771
Total funded loans	21,464.724	18,815.177	21,315.626	18,370.399
Other receivables				
Total funded loans and receivables	21,464.724	18,815.177	21,315.626	18,370.399

<sup>\*</sup> As at 30 June 2017, the related balance represents profit and loss sharing investment projects (12 projects) that are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project / stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of such loss is limited to the funds invested in the project by the Bank. In the current period, the Bank recognised TL 125.6 million (six month period ended 30 June 2016: TL 55.8 million) of income in the financial statements in relation to such loans and presented such income in the profit share on loans in the income statement.

The Bank's total funded loans amounted to TL 21,464.7 million as at 30 June 2017, an increase of TL 2,649.5 million, or 14.1 per cent., from TL 18,815.2 million as at 30 June 2016. This increase is principally due to the increased volume of business loans provided by the Bank, which increased by TL 1,257.3 million, or 12.5 per cent., from TL 10,086.4 million as at 30 June 2016 to TL 11,343.8 million as at 30 June 2017.

The Bank's total funded loans amounted to TL 21,315.6 million as at 31 December 2016, an increase of TL 2,945.2 million, or 16.0 per cent., from TL 18,370.4 million as at 31 December 2015. This increase is principally due to the increased volume of business loans provided by the Bank, which increased by TL 2,241.4 million, or 23.2 per cent., from TL 9,668.5 million as at 31 December 2015 to TL 11,909.9 million as at 31 December 2016.

The table below sets out details of the Bank's receivables (including loans) by sector as at 31 December 2016 and 31 December 2015.

	As at 31 December		
	2016	2015	
	(TL mil	lions)	
Agriculture	172.751	198.208	
Manufacturing	9,223.794	8,639.178	
including:			
Mining	462.613	156.560	
Production	7,825.704	7,627.399	

	As at 31 December	
	2016	2015
	(TL mil	llions)
Electricity, gas, water	935.477	855.219
Construction	5,043.383	5,501.254
Services	10,416.947	13,448.594
including:		
Wholesale and retail trade	1,994.079	2,053.653
Hotel, food and beverage services	432.930	119.216
Transportation and telecommunication	264.567	229.384
Financial institutions	6,382.462	10,070.712
Real estate and renting services	975.935	512.682
Self-employment services	-	300.635
Education services	30,815	35.558
Health and social services	336.159	126.754
Other	5,213.602	2,595.428
Total	30,070.477	30,382.662

The table below sets out details of the Bank's funded loans by public or private sector and by geography (domestic loans and foreign loans) as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016.

	As at 30 June		As at 31 December	
	2017	2016	2016	2015
	(TL millions)			
By customer sector				
Public sector	0.162	0.609	-	13.012
Private sector	21,464.562	18,814.568	21,315.626	18,357.387
Total funded loans	21,464.724	18,815.177	21,315.626	18,370.399
By geography				
Domestic loans	20,683.553	18,339.592	20,731.548	17.879.660
Foreign loans	781.171	475.585	584.078	490.739
Total funded loans	21,464.724	18,815.177	21,315.626	18.370.399

The table below sets out details of the remaining maturity of the Bank's funded loans and lease receivables as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016.

	As at 30 June		As at 31 D	As at 31 December	
	2017	2016	2016	2015	
One year and under	7,420.472	10,503.469	9,584.754	10,379.048	
More than one year	14,809.431	9,057.586	12,376.098	8,777.674	
Unallocated*	646.467	497.734	761.202	348.670	
Total	22,876.370	20,058.789	22,722.054	19,505.392	

<sup>\*</sup> Unallocated amount represents the amount arising from advances granted for leasing receivables and net non-performing loans.

The table below sets out details of the Bank's non-performing funded loans and receivables (net of specific provisions made) as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016.

_	As at 30 June		As at 31 December		
_	2017	2016	2016	2015	
		(TL milli	ons)		
Loans and receivables with limited collectability	145.965	167.161	205.399	103.179	
Loans and receivables with doubtful collectability	336.424	117.324	214.146	55.888	
Uncollectible loans and receivables	164.078	53.074	107.904	28.499	
Total	646.467	337.559	527.449	187.566	

As at 30 June 2017 and 30 June 2016, non-performing loans and receivables amounted to TL 1,402.5 million and TL 693.0 million, respectively, which included TL 737.4 million and TL 387.4 million, respectively, of participation account share of loans and receivables provided from participation accounts.

As at 31 December 2016 and 31 December 2015, non-performing loans and receivables amounted to TL 1,087.6 million and TL 457.5 million, respectively, which included TL 572.6 million and TL 281.7 million, respectively, of participation account share of loans and receivables provided from participation accounts.

In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability, which amounted to TL 22.4 million as at 30 June 2017 and TL 13.9 million as at 30 June 2016. The fees, commissions and other receivables with doubtful collectability amounted to TL 18.3 million as at 31 December 2016 and TL 10.9 million as at 31 December 2015.

# RECENT DEVELOPMENTS

#### Financial performance for the nine month period ended 30 September 2017

The following information has been extracted from the September 2017 Interim BRSA Financial Statements.

Interim Unconsolidated Statement of Income

	Nine months ended 30 September		
	2017	2016	
	(TL mili	lions)	
Profit share income	1,897.858	1,635.408	
Profit share expense (-)	995.974	878.358	
Net profit share income	901.884	757.050	
Net fees and commission income	109.185	105.191	
Trading income (net)	25.945	51.750	
Other operating income	85.315	82.120	
Trading income (net). Other operating income Total operating income	1,122.329	996.111	
Provision for loan losses and other receivables (-)	358.819	227.124	
Other operating expenses (-)	588.276	547.336	
Net operating income	175.234	221.651	
Profit from continued operations before taxes	175.234	221.651	
Tax provision for continued operations (-)	34.117	42,784	
Net profit	141.117	178.867	

Net operating income of the Bank amounted to TL 175.2 million in the nine months ended 30 September 2017, representing a decrease of TL 46.4 million, or 20.9 per cent., compared to TL 221.7 million in the nine months ended 30 September 2016. This decrease was mainly due to:

- (a) increase in provision for loan losses and other receivables to TL 358.8 million in the nine months ended 30 September 2017, representing an increase of 58.0 per cent. from TL 227.1 million in the nine months ended 30 September 2016, principally due to an increase in specific provisions for loans and other receivables of TL 140.0 million between the two periods;
- (b) increase in profit share expense to TL 996.0 million in the nine months ended 30 September 2017, representing an increase of 13.4 per cent. from TL 878.4 million in the nine months ended 30 September 2016, principally due to increases of TL 81.3 million in expense on profit sharing accounts and of TL 66.9 million in profit share expense on funds borrowed between the two periods;
- (c) increase in other operating expenses to TL 588.3 million in the nine months ended 30 September 2017, representing an increase of 7.5 per cent. from TL 547.3 million in the nine months ended 30 September 2016, principally due to increases of TL 19.3 million in personnel expenses between the two periods; and
- (d) decrease in net trading income to TL 25.8 million in the nine months ended 30 September 2017, representing a decrease of 49.9 per cent. from TL 51.8 million in the nine months ended 30 September 2016.

The impact of these factors was, however, partially offset by an increase profit share income to TL 1,897.9 million in the nine months ended 30 September 2017, representing an increase of 16.0 per cent. from TL 1,635.4 million in the nine months ended 30 September 2016, principally due to an increases of TL 228.1 million in profit share on loans between the two periods.

Interim Unconsolidated Statement of Financial Position

	As at 30 September 2017	As at 31 December 2016
Assets	(TL mil	llions)
Cash and balances with the Central Bank	5,215.023	4,999.052
Financial assets at fair value through profit and loss (net)	988.960	66.096
Banks	1,250.247	2,158.177
Financial assets - available for sale (net)	1,329.966	1,382.690
Loans and receivables	22,980.844	21,843.075
Investments held to maturity (net)	508.921	668.582
Investments in associates (net)	4.719	4.719
Subsidiaries (net)	5.400	5.400
Joint ventures (net)	20.000	20.000
Lease receivables (net)	729.994	878.979
Tangible assets (net)	564.832	517.131
Intangible assets (net)	30.248	35.462
Tax asset	15.033	25.100
Assets held for sale and assets of discontinued operations (net)	62.714	92.317
Other assets	119.739	153.958
Total Assets	33,826.640	32,850.738

	As at 30 September 2017	As at 31 December 2016
Liabilities and Equity	(TL mil	llions)
Liabilities		
Funds collected	24,109.244	23,155.134
Derivative financial liabilities held for trading	5.339	0.088
Funds borrowed	4,723.298	4,424.195
Borrowings from money markets	105.000	492.784
Miscellaneous payables	664.300	702.359
Provisions	234.574	233.849
Tax liability	38.665	51.799
Subordinated loans	1,563.245	1,510.937
Total Liabilities	31,443.665	30,571.145
Shareholders' equity		
Paid-in capital	900.000	900.000
Capital reserves	220.740	211.876
Profit reserves	1,113.454	946.157
Profit or loss	148.781	221.560
Total Equity	2,382.975	2,279.593
Total Liabilities and Equity	33,826.640	32,850.738

As at 30 September 2017, the Bank's total assets amounted to TL 33,826.6 million, representing an increase of 3.0 per cent. compared to TL 32,850.7 million as at 31 December 2016, principally as a result of increases, between the two dates, in (i) loans and receivables of TL 1,137.8 million, or 5.2 per cent., (ii) net financial assets at fair value through profit and loss of TL 922.9 million, or 1,396.2 per cent. and (iii) cash and balances with the Central Bank of TL 216.0 million, or 4.3 per cent.

The impact of these increases was, however, partially offset by decreases, between the two dates, in (i) amounts due to banks of TL 907.9 million, or 42.1 per cent., (ii) net investments held to maturity of TL 159.7 million, or 23.9 per cent. and (iii) net lease receivables of TL 149.0 million, or 16.9 per cent.

As at 30 September 2017, the Bank's total shareholders' equity was TL 2,383.0 million, representing an increase of 4.5 per cent. compared to TL 2,279.6 million as at 31 December 2016. Funds collected amounted to TL 24,109.2 million, representing an increase of 4.1 per cent. compared to TL 23,155.1 million as at 31 December 2016.

Total liabilities and equity of the Bank was TL 33,826.6 million as at 30 September 2017, representing an increase of 3.0 per cent. compared to TL 32,850.7 million as at 31 December 2016, principally as a result of increases, between the two dates, in (i) funds collected of TL 954.1 million, or 4.1 per cent., (ii) funds borrowed of TL 299.1 million, or 6.8 per cent. and (iii) profit reserves of TL 167.3 million, or 17.7 per cent. The impact of these increases was, however, partially offset by a decrease, between the two dates, in (i) borrowings from money markets of TL 387.8 million, or 78.7 per cent.

As at 30 September 2017 the Bank's non-performing loan ratio (including lease receivables), non-performing loan provisions ratio, return on equity attributable to the Bank and capital adequacy ratio were 5.4 per cent., 55.3 per cent., 7.7 per cent. and 17.4 per cent. respectively, compared to 4.8 per cent., 52.3 per cent., 9.9 per cent. and 13.5 per cent. as at 31 December 2016 respectively.

# DESCRIPTION OF ALBARAKA TÜRK KATILIM BANKASI A.Ş.

#### **OVERVIEW**

Albaraka Türk Katılım Bankası A.Ş. (the "Bank") was established as the first interest-free bank in Turkey in 1984 and commenced commercial operations in March 1985. The Bank's business is undertaken in compliance with the principles of interest-free banking, known as participation banking. The Bank operates in Turkey under Banking Law No. 5411 (the "Banking Law").

The Bank's total assets, funds collected and shareholders' equity as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016 were as follows:

	As at 30 June		As at 30 June As at 31 Dece	
	2017	2016	2016	2015
	(TL millions)			
Total assets	34,216.581	29,363.727	32,850.738	29,561.999
Funds collected	23,770.802	19,766.601	23,155.134	20,346.178
Shareholders' equity	2,376.890	2,171.951	2,279.593	2,103.914

The three principal business segments through which the Bank conducts its operations are (i) Retail Banking, (ii) Commercial and Corporate Banking and (iii) Treasury.

As at 30 June 2017, the Bank had 213 branches and 278 automatic teller machines ("ATMs"). As at 31 December 2016, the Bank had 213 branches and 274 ATMs across Turkey as compared to 213 branches and 240 ATMs as at 31 December 2015.

The Bank made a net profit of TL 217.6 million in the year ended 31 December 2016 as compared to a net profit of TL 302.9 million in the year ended 31 December 2015. The Bank made a net profit of TL 131.3 million for the six month period ended 30 June 2017 as compared to a net profit of TL 128.6 million for the six month period ended 30 June 2016.

The Bank's registered office is Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi, No. 6, 34768 Ümraniye, Istanbul, Turkey and its telephone number is +90 216 666 01 01.

# HISTORY

The Bank was incorporated on 5 November 1984 as a joint stock company under the name of Albaraka Türk Özel Finans Kurumu A.Ş. On 21 January 1985, the Turkish Central Bank, by a decision numbered 36729, granted the Bank a "Special Finance Institution" licence (being the licence required by institutions undertaking banking activities in an interest-free manner) in accordance with the Council of Ministers Decree Number 83/7506 dated 16 December 1983.

During the late 1980s and throughout the 1990s, the Bank began to diversify its products and services, in particular through leasing and the introduction of credit cards. From 2002, in the aftermath of a banking crisis in Turkey that resulted in the liquidation of a number of banks (including İhlas Finans, which also offered interest-free banking, in 2001), the Bank increased its focus on the retail segment and, between 2002 and 2008, expanded its branch network from 24 to 100 branches.

Following the introduction of a new banking framework in 2005 (whereby the regulation and supervision of all interest-free financial institutions was transferred to the BRSA), the Bank was reclassified as a "Participation Bank" (*katılım bankası*). On 22 December 2005, in accordance with the BRSA's new regulations, the Bank changed its name to Albaraka Türk Katılım Bankası A.Ş.

In 2007, 20.6 per cent. of the Bank's shares were sold in an initial public offering, which resulted in the Bank being listed on the Borsa İstanbul A.Ş. ("BIST").

In 2010, the Bank completed its first internationally syndicated murabaha financing and, in 2013, the Bank issued its first sukuk. The Bank's key syndicated murabaha loans and sukuk and lease certificates issuances are described in "- Key Financing Transactions Undertaken by the Bank" below.

#### **SHAREHOLDERS**

The Bank's fully paid share capital is TL 900 million, which consists of 900 million shares with a nominal value of TL 1.00 each. As at 30 June 2017, 66.0 per cent. of the Bank's shares were held by international shareholders, 9.05 per cent. by domestic shareholders and the remaining 24.95 per cent. were publicly traded on the BIST. The Bank's shareholding structure as at 30 June 2017 was as follows:

Shareholder name	Number of shares	% of shares held
Foreign shareholders	593,952,934	66.00
Al Baraka Banking Group (B.S.C) <sup>(1)</sup>	486,523,266	54.06
Islamic Development Bank	70,573,779	7.84
Alharthy Family	31,106,364	3.46
Other	5,749,525	0.64
Local shareholders	81,464,268	9.05
Publicly-held	224,582,796	24.95
Total	900,000,000	100.00

#### Note:

As at 30 June 2017, Al Baraka Banking Group (B.S.C) and its subsidiaries (the "ABG Group") employed 12,623 people, operated through 667 branches and supplied retail, corporate and investment banking products and services within the framework of the principles of interest-free banking. The ABG Group serves customers in 15 countries on three continents through 11 banks, two representative offices and one investment company. In addition to Turkey, the ABG Group has banks in Bahrain, Algeria, South Africa, Lebanon, Egypt, Pakistan, Sudan, Syria, Tunisia, Iraq and Jordan and representative offices in Indonesia and Libya. As at 31 December 2016, the ABG Group's total assets were US\$23.43 billion with shareholders' equity of US\$2.01 billion (set out in U.S. dollars as per the 2016 Annual Report). Al Baraka Banking Group (B.S.C)'s shares are quoted on the Bahrain Bourse and on NASDAQ Dubai and it has been assigned a "BB+" long term credit rating and a "B" short term credit rating by Standard & Poor's.

The Bank is the largest subsidiary of Al Baraka Banking Group (B.S.C) by assets. The Bank conducts its business based on its own independent policies and through a number of committees in line with the ABG Group's risk and credit policies.

Al Baraka Banking Group (B.S.C) owned 54.1 per cent. of the Bank's shares as of 30 June 2017. The rights of the shareholders of the Bank are contained in the Articles of Incorporation of the Bank and are, and will continue to be, managed in accordance with the Articles of Incorporation and with the provisions of the Turkish law.

In addition, the Bank is subject to: (i) the Corporate Governance Principles attached to Corporate Governance Communiqué number II-17.1 published by Capital Markets Board of Turkey according to the relevant articles of the Turkish Commercial Code, banking legislation and Capital Markets Board legislation since its initial public offering in 2007; and (ii) the management structure, process and principles provisions stated in the "Regulations on the Banks' Corporate Governance Principles" published by BRSA.

Furthermore, it is the Bank's policy that transactions with or with parties related to, or affiliated with, Al Baraka Banking Group (B.S.C) are priced at market rates, are otherwise undertaken on an arm's length basis, are in compliance with applicable Turkish legislation and are subject to the same loan or account approval procedures and limits as applied by the Bank to transactions with parties not related to, or affiliated with, Al Baraka Banking Group (B.S.C).

# Protections Available to the Bank under the Turkish Law to Prevent Abuse of Power by Shareholders

#### Measures under the Banking Law

Credits extended in amounts of 10 per cent. or more of a bank's shareholders' equity are classified
as major credits and the total of such credits cannot be more than eight times the bank's

<sup>(1)</sup> The Al Baraka Banking Group (B.S.C)'s total shareholding in the Bank amounted to 54.1 per cent. as at 30 June 2017 and 25.0 per cent. of the shares are publicly traded and quoted on the BIST. Through his ownership of shares in Al Baraka Banking Group (B.S.C), Saleh Abdullah M. Kamel, Chairman of Al Baraka Banking Group (B.S.C), indirectly controls a 54.1 per cent. stake in the Bank. There were no other non-corporate shareholders controlling direct or indirect stakes in the Bank that amounted to more than five per cent. of the total number of shares as at 30 June 2017.

shareholders' equity (except for avals and sureties from the same risk group that the loan is extended to). In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests, payment of fees of movable and immovable property or services, profit and loss sharing investments, immovable equipment or property procurement and financial leasing and similar methods for participation banks according to the Banking Law.

- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group (directly or indirectly) to 25 per cent. of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to an unincorporated the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20 per cent. of a bank's equity capital, subject to BRSA's discretion to increase such lending limit up to 25 per cent. or to lower it to the legal limit.
- Loans made available to a bank's controlling shareholders or registered shareholders holding more
  than 1 per cent. of the share capital of the bank and their risk groups may not in aggregate exceed
  50 per cent. of its equity capital.

# Measures under the Capital Markets Legislation

The Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is the simple majority of the attendees who may vote. For banks and financial institutions, transactions with related parties arising from their ordinary activities are not subject to the requirements of related party transactions.

## Measures under the Turkish Commercial Code

Articles 195 through 210 of the Turkish Commercial Code No. 6102 regulate the group companies and bring certain level of liabilities to parent company. Under Article 202/1, if the parent used its dominant influence in an unlawful way and thus caused or induced the subsidiary to incur a loss, the subsidiary should be reimbursed or given a right to recoup its losses. The loss may be caused, for instance, by way of transactions outside the normal course of business or transactions which do not represent a profit enhancement opportunity; intra-group loans; guarantees; unnecessarily restricting or halting the subsidiary's investments or activities; encumbering its assets; having it make unnecessary payments; failing to take measures that enable it to operate in an efficient and profitable manner; or directing the company to conduct transactions for the transfer or assignment of its business, assets, funds, personnel, receivable and debts. In all cases, the transaction at hand would only trigger liability on the part of the parent if there is no sound business justification to support it, from the subsidiary's perspective. If the subsidiary is not compensated in the manner contemplated by the law, the minority shareholders of the subsidiary and creditors have the right to seek compensation/damages to be reimbursed to the company or alternatively the minorities may seek a ruling from the court against the parent requiring it to purchase their shares.

#### KEY FINANCING TRANSACTIONS UNDERTAKEN BY THE BANK

The Bank was involved in the following key financing transactions:

## **Syndicated Murabaha Facilities**

- US\$98 million and €108.5 million with a maturity of one year in 2010;
- US\$202.5 million and €103.3 million with a maturity of one year in 2011;
- US\$293.2 million and €124.5 million with a maturity of one year in 2012;
- US\$61 million and €64.5 million with a maturity of one year and US\$135 million and €98 million with a maturity of two years in 2013;
- US\$151 million and €54.4 million with a maturity of one year in 2014;
- US\$87.5 million and €98.25 million with a maturity of one year and US\$458.5 million and €56.25 million with a maturity of two years in 2015;
- US\$213 million with a maturity of one year in 2017; and
- US\$101 million with a maturity of one year in 2017.

#### Sukuk Issuances

- US\$200 million Tier 2 sukuk due 2023 in 2013;
- US\$350 million senior sukuk due 2019 in 2014; and
- US\$250 million Tier 2 sukuk due 2025 in 2015.

#### **Lease Certificates Issuances**

- In April 2016, TRY 100 million lease certificates with a maturity of 179 days;
- In June 2016, TRY 75 million lease certificates with a maturity of 179 days;
- In October 2016, TRY 100 million lease certificates with a maturity of 178 days;
- In December 2016, TRY 75 million lease certificates with a maturity of 179 days;
- In March 2017, TRY 110 million lease certificates with a maturity of 179 days;
- In May 2017, TRY 100 million lease certificates with a maturity of 97 days;
- In June 2017, TRY 115 million lease certificates with a maturity of 179 days;
- In August 2017, TRY 125 million lease certificates with a maturity of 92 days; and
- In September 2017, TRY 150 million lease certificates with a maturity of 178 days.

## STRATEGY

The Bank's strategy is to continue expanding its business, both domestically and internationally. To achieve its expansion strategy the Bank aims to:

- increase its market share from 2017 to 2021 by achieving an average combined growth rate of 15 per cent. for total assets and 16 per cent. for funded credits and funds collected;
- increase the number of branches to 300 by 2021 and to 400 by the end of 2025, in large part by utilising a smaller satellite branch concept;

- focus on the retail and commercial (SME) segments, with the goal of increasing the shares of each segment's cash credit risk within total funded credits to 30 per cent. by 2025. The Bank has recently launched the "Segmentation 2.0 Programme" in order to increase the effectiveness and the profitability of each segment;
- strengthen its digital banking infrastructure with a new-generation banking approach;
- focus on trade finance operations through more effective utilisation of the Bank's strong network of correspondent banks worldwide as well as the strategic support of other members of ABG within those jurisdictions where ABG has a presence;
- enhance both its information technology ("IT") and human resource ("HR") functions so that they
  remain able to support the Bank's expanded operations efficiently; and
- establish branches and acquire or establish subsidiaries outside Turkey. The Bank currently focuses on the Middle East, North Africa, the Balkans and the Commonwealth of Independent States, being regions where the Bank believes that there is strong potential for the growth of participation banking. The Bank opened its first offshore branch in Erbil, Northern Iraq in 2011. The Bank will also consider possible acquisition opportunities as they arise, particularly in the Balkans and the Gulf region.

# **COMPETITION**

The Bank faces competition in each of its principal business areas. According to the website of the BRSA, there are currently 52 banks operating in Turkey, including five participation banks and five branches of foreign banks. The private commercial banks in Turkey can be divided into three groups: large private banks, small private banks and banks under foreign control.

Although the main competition faced by the Bank is from the four other participation banks in Turkey (Kuveyt Türk Katilim Bankasi A.S., Türkiye Finans Katilim Bankasi A.S., Vakif Katilim Bankasi A.S. and Ziraat Katilim Bankasi A.S.), the Bank also faces competition from conventional Turkish banks and from foreign banks operating in Turkey. The principal areas, in which the Bank faces competition from these banks, are in relation to its corporate and retail banking activities and, in particular, in relation to its SME customers. See "Risk Factors – Risk factors relating to Albaraka's business – Increased competition from conventional Turkish banks and from foreign banks operating in Turkey could have a material adverse effect on the Bank".

As at 30 June 2017, the Bank's market share in Turkey (based on publicly available balance sheet information) amongst participation banks in respect of total assets, collected funds and funded credits was approximately 23.3 per cent., 26.0 per cent. and 23.5 per cent., respectively. In relation to the Turkish banking industry as a whole, as at 30 June 2017, the Bank's market share (based on publicly available balance sheet information) in respect of total assets, collected funds and funded credits was approximately 1.2 per cent., 1.4 per cent. and 1.2 per cent., respectively. As at 31 December 2016, the Bank's market share (based on publicly available balance sheet information) amongst participation banks in respect of total assets, collected funds and funded credits was approximately 24.7 per cent., 27.3 per cent. and 25.7 per cent., respectively. In relation to the Turkish banking industry as a whole, as at 31 December 2016 the Bank's market share (based on publicly available balance sheet information) in respect of total assets, collected funds and funded credits was approximately 1.2 per cent., 1.5 per cent. and 1.3 per cent., respectively.

It is expected that competition from both conventional banks and other participation banks will continue as additional institutions enter the sector.

In 2013, the Turkish government announced the expansion of the participation banking sector in Turkey by establishing public participation banks. To this end, Ziraat Katılım Bankası A.Ş. officially began operating as Turkey's first state-owned participation bank on 29 May 2015. Vakıf Katılım Bankası A.Ş., the second state-owned participation bank in Turkey, was founded on 17 February 2016. The Turkish government's main intention in creating these state-owned banks was to increase the market share of participation banking. The new public participation banks may have a negative impact on the Bank in that they will increase competition. As of 30 June 2017, the participation banks in Turkey are Albaraka Türk Katılım

Bankası A.Ş., Kuveyt Türk Katılım Bankası A.Ş., Türkiye Finans Katılım Bankası A.Ş., Ziraat Katılım Bankası A.Ş. and Vakıf Katılım Bankası A.Ş.

Despite the relatively high level of competition in the Turkish banking sector, the Bank expects the continued but limited growth of the economy to lead to an overall growth in demand for banking services, particularly in respect of interest-free products.

The Bank is a subsidiary of Al Baraka Banking Group (B.S.C) and, therefore, benefits from the synergies between the ABG Group's members. The ABG Group has established guidelines under which each member of the ABG Group enters into transactions with other members of the ABG Group. For example, the Bank conducted its North African originated trade finance businesses, in particular in Algeria and Tunisia, in a more efficient and customer orientated manner through the ABG Group's member banks, with which it had previously established direct contacts.

#### **BUSINESS**

The Bank's three principal business segments are: (i) Retail Banking, (ii) Commercial and Corporate Banking and (iii) Treasury.

## **Retail Banking**

#### Overview

The table below sets out certain financial information relating to the Retail Banking segment as at, or for the years ended, 31 December 2016 and 31 December 2015 and as at, or for the six month periods ended, 30 June 2017 and 30 June 2016.

	As at, or for the six month period ended, 30 June		As at, or for the year ended, 31 December	
	2017	2016	2016	2015
		(TL mil	lions)	
Total assets	3.365.800	2,772.561	3,143.162	2,772.567
Total liabilities	15,240.000	13,119.733	14,306.903	13,119.733
Net profit/(loss) for the period	(150.632)	(334.389)	(329.365)	(320.834)

Note

The Bank classifies as retail assets and retail liabilities the funds which it applies to, and receives from, retail customers. Accordingly, the Bank generally records losses in its retail segment as the retail business is principally a deposit taking business.

Within the retail banking segment, the Bank principally accepts deposits from its retail customers, although it also has a relatively small portfolio of retail loans.

The Bank's retail banking goals are to improve its service quality and increase its product range, to focus on developing its delivery channels to attract new customers and to strengthen the Bank's position in the sector. As at 30 June 2017 the Bank provided retail banking services to over 1,361,465 customers through a network of 213 branches and 278 ATMs in Turkey and one branch in Erbil, Northern Iraq, as well as through its alternative delivery channels (such as telephone and internet banking).

Within the framework of its "sell the right product to the right customer" approach, the Bank intends to continue emphasising its marketing activities to ensure that customers are aware of the products and services offered by it, thereby enhancing cross selling opportunities and encouraging customers to make greater use of its more cost-effective alternative delivery channels.

## Principal Products

Special Current Accounts

Special current accounts are instant access accounts denominated in Turkish Lira or other currencies (principally euro and U.S. dollars) on which no profit is paid to holders although customers are entitled to a full return of principal. Special current account customers are also entitled to a credit card and can use the Bank's alternative delivery channels (such as telephone and internet banking) to manage their accounts.

#### Participation Accounts

Participation accounts are time deposit accounts with maturities of one, three or six months, one year or longer periods. These accounts can be denominated in Turkish Lira, euro or U.S. dollars and each currency comprises a separate pool. The pooled funds are used by the Bank to provide finance to its customers and the profits (net of the depositors' share of any losses) earned on such financing are shared between the Bank and the relevant depositors in a pre-defined ratio (typically around 15 per cent. to 20 per cent. for the Bank, although in the case of deposits with a term of at least one year the Bank's share is lower, typically around 8 per cent. with the balance belonging to the depositors). The profit is paid at maturity of the deposit or, in the case of deposits with a term of at least one year, at pre-agreed periodic intervals. Although, unlike current accounts, there is no absolute entitlement to return of principal on these accounts, amounts of less than TL 100,000 in retail accounts benefit from a statutory savings deposits insurance fund guarantee. The ratios are modified by the Bank according to the Bank's marketing policy, deposit level and the Turkish banking sector positions (as determined by senior management and various committees such as the Asset and Liability Management Committee ("ALCO") and Free Transfer Pricing Committee created by the Board or general management).

The volume of total funds collected reached TL 23,770.8 million as at 30 June 2017, an increase of 2.7 per cent. compared to 31 December 2016 (TL 23,155.1 million) and funds collected through retail deposits reached TL 12,307.9 million, an increase of 2.4 per cent. compared to 31 December 2016 (TL 12,020.8 million). As at 30 June 2017, the Bank's Turkish Lira and foreign currency accounts were divided as 52.0 per cent. (Turkish Lira) and 48.0 per cent. (foreign currency). As of 30 June 2017, participation accounts amounted to the equivalent of TL 17,471.8 million (approximately 73.5 per cent. of total funds deposited) while special current accounts represented the equivalent of TL 6,298.9 million (approximately 26.5 per cent. of the total funds deposited).

## Gold Current Accounts and Participation Accounts

Gold current accounts are opened by customers who wish to purchase or sell gold. As at 30 June 2017, the Bank had 1,895 kg of gold (worth TL 267.3 million) on deposit in these accounts and 3,664 kg of gold (worth TL 516.9 million) on deposit in participation accounts. As at 31 December 2016, the Bank had 1,455 kg of gold (worth TL 189.9 million) on deposit in these accounts and 3,139 kg of gold (worth TL 409.8 million) on deposit in participation accounts. Gold accounts are opened by customers depositing gold with the Bank. The collected gold can be deposited either to the customer's gold current account ("Gold Current Accounts") to protect the gold from larceny or to a gold participation account ("Gold Participation Accounts"), a relatively new type of account first offered to customers in October 2012, which provides interest-free yield for account holders.

Gold deposited in the Gold Participation Accounts will have a pre-determined term. The Bank has a separate pool for the funds collected through Gold Participation Accounts and cannot lend any credit from this pool. The Turkish Central Bank allows banks to hold Turkish Lira required reserves in FX and gold. The Bank uses the Gold Participation Accounts to hold the required reserves in the Turkish Central Bank, hence required reserves in Turkish Lira are released against this gold amount. This provides the Bank with an additional funding resource in Turkish Lira. As a result, the Bank shares the profit and loss of this additional fund with gold participation accounts' holders.

All gold trading transactions carried out by the Bank are made by it as agent for its customers and the Bank does not hold any gold positions for its own account. The Bank closely follows up domestic and foreign gold markets and settles its pricing policy by keeping prices at a competitive level in the interbank market and focusing on customer satisfaction. The customers' demand for gold transaction are transmitted to the Gold Desk by branches via telephone or through the online system (Albaraka Operation System (ALBOS)).

## Finance Facilities

The Bank provides a range of finance facilities to its retail customers, each of which is structured under the interest-free banking principles. The principal retail loans offered by the Bank are home finance loans (with a maturity of up to 10 years and a loan to value ratio of 80 per cent.), vehicle finance loans and a range of consumer finance loans. In respect of vehicle finance loans, where the invoice amount of the vehicle is TL 50,000 or less, the loan to value ratio cannot be more than 70 per cent. If the invoice amount of the vehicle is more than TL 50,000, the loan to value ratio will be applied at 70 per cent. of the invoice amount up to TL 50,000 and at 50 per cent. of the invoice amount over and above TL 50,000. In respect of financing

"used vehicles", the vehicle's insurance value is used to determine its value for the purposes of the above loan to value ratio calculations.

As at 30 June 2017, credit extended as retail financing accounted for 14.6 per cent. of all of the Bank's funded credits. As at 31 December 2016, credit extended as retail financing accounted for 14.8 per cent. of all of the Bank's funded credits. The bulk of retail finance facilities are related to home-ownership lending.

The table below shows the Bank's funded retail credits as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016 by category.

	As at 30 June		at 30 June As at 31 Dece	
	2017	2016	2016	2015
	(TL millions)			
Housing loans	2,974.500	2,637.083	2,785.542	2,430.829
Vehicle loans	119.983	121.503	111.464	122.741
Retail credit cards	71.862	60.190	66.815	57.240
Consumer loans	176.177	159.452	179.696	167.472
Other	-	-	-	-
Personnel loans	7.190	11.345	8.905	8.985
Total	3,349.712	2,989.573	3,152.422	2,787.267

#### Alternative Delivery Channels

The Bank's alternative delivery channels comprise its ATM network, a call centre and its internet and mobile banking operations (all of which are available 24 hours a day, seven days a week). During 2016, the call centre handled 672,912 calls generating a business volume of TL 66.6 million, whilst the internet banking operation registered 376,095 users and experienced a transaction volume of TL 23.9 billion. As at 30 June 2017, 83 of the Bank's branches were located in Istanbul with a further 18 located in Ankara. The remaining 112 branches were located in 59 different cities across Turkey. The Bank's ATMs are located in its branches, with some branches having more than one ATM. In addition, as of 30 June 2017, the Bank had 65 off-site ATMs.

## Other Retail Banking Services

In 2016, the Bank completed its "Troy POS and ATM Acquiring" and "Troy Bank Card Issuing" projects. TROY (Türkiye'nin Ödeme Yöntemi – Turkey's Payment Method) is a card system established and operated by BKM (Bankalararası Kart Merkezi A.Ş – Interbank Card Center). TROY has started its operations following the permission by the BRSA for the establishment of a card payment system and the approval of the Central Bank of the Republic of Turkey in March 2016. TROY enables secure and fast non-cash payments between card users and merchants. In addition, customers can withdraw cash seven days a week and 24 hour a day from the ATMs using TROY bank cards.

The Bank offers both Visa and MasterCard charge cards to its retail and business customers, and this is an area in which the Bank intends to expand its operations over the coming years. Charge cards allow customers to make payments using the card although it is not possible for the customer to obtain a cash advance using the charge card and there are no extended loan periods available as the customer is required to pay off the balance in full at each payment date.

As at 31 December 2016, the number of bank cards issued increased by 10.3 per cent. to reach 594,005 compared to 518,623 as at 31 December 2015. In the year ended 31 December 2016, the credit card turnover was TL 1,757 million (compared to a turnover of TL 1,550 million in the year ended 31 December 2015). The number of credit cards in issue as at 31 December 2016 was 144,928 cards compared to 151,414 as at 31 December 2015.

	Development in the Bank's Number of Cards		
	2016	2015	Change (%)
Credit Cards  Business Cards (credit cards for corporate and commercial customers)	144,928 46,139	151,414 48,510	(4.5) (5.1)

	Cards		
	2016	2015	Change (%)
Bank Cards	594,005	518,623	14.5
Total	785,072	718,547	9.2

The Bank is also focusing on increasing its number of POS terminals. As at 30 June 2017, the number of POS terminals reached 22,756 an increase of 5.9 per cent. when compared to 31 December 2016.

The Bank acts as an agent for ten insurance providers, selling principally conventional life and vehicle collision damage policies to its customers (takaful insurance is not currently available in Turkey). For the six month period ended 30 June 2017, the total premium income recorded by the Bank was TL 22.7 million. For the six month period ending on 30 June 2016, the total premium income recorded by the Bank was TL 20.7 million. For the year ended 31 December 2016 and 31 December 2015, the total premium income recorded was TL 12 million and TL 9.5 million, respectively. Beginning in 1997, the Bank offered insurance services to its clients as an agent of Işık Sigorta A.Ş. ("Işık Sigorta"). Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey) took over the control of Işık Sigorta on 20 February 2017 with the permission of Rekabet Kurumu (Competition Authority of Turkey). On 17 May 2017, Işık Sigorta changed its name to Bereket Sigorta A.Ş. ("Bereket Sigorta"). The Bank continues to offer insurance services to its clients as an agent of Bereket Sigorta.

During 2010, the Bank became an authorised agent and member of the Turkish private pension system and, in 2011, the Bank entered into an agreement with Anadolu Hayat Emeklilik ("AHE") and Avivasa Emeklilik ve Hayat (a life insurance and private pension company), pursuant to which the Bank commenced selling its customers plans based on non-interest bearing pension funds operated by AHE and Avivasa Emeklilik ve Hayat. In 2013, the Bank set up an equal partnership joint venture with Kuveyt Türk Katılım Bankası A.Ş. called Katılım Emeklilik ve Hayat A.Ş ("Katılım Emeklilik") to provide retirement and pension services. Katılım Emeklilik started operations in June 2014 and, by 30 June 2017, reached a total volume of 168,832 insurance policies and achieved a fund size of TL 852.6 million.

#### **Commercial and Corporate Banking**

The table below sets out certain financial information relating to the Commercial and Corporate Banking segment as at, or for the years ended, 31 December 2016 and 31 December 2015 and as at, or for the six month periods ended, 30 June 2017 and 30 June 2016.

	As at, or for the six month period ended, 30 June		,	
	2017	2016	2016	2015
	(TL millions)			
Total assets	19,670,475	17,671.759	20,003.078	17,685.898
Total liabilities	9,495,331	8,133.235	9,396.852	8,367.686
Net profit for the period	524,635	1,266.378	789.747	1,356.173

The Commercial and Corporate Banking group offers a broad array of loan and deposit products and services designed for corporate and commercial customers with a particular focus on SMEs. The Bank's corporate and commercial loans are made to finance its customers' business activities and include term loans as well as working capital facilities. A significant part of the Bank's corporate and commercial loans are made to finance imports and exports effected by its customers. See "Loan Portfolio" for a breakdown of the Bank's loan portfolio by types of loan and by customer business segment.

The development of products offering different financial solutions for different industries in the SME market (which is one of the most competitive markets in commercial and corporate banking) maintained momentum in 2016. The Bank has also launched a web site (www.kureselkobiler.com.tr), which is specially designed for SMEs that desire to get into global markets. This global SMEs platform provides assistance to SMEs that want to grow from local to global with new products and services, wide international network, consultancy support and integrated service approach of the Bank. The website is expected to serve as a valuable resource for those SMEs which want to explore new business opportunities and help them to establish new business relationships and enhance their knowledge of the international markets.

As at 30 June 2017, the number of customers in the commercial segment rose by 3.8 per cent. compared to 31 December 2016 to reach 158,493, with the Bank having acquired 72,296 new customers. As at the same date, cash credit risk reached TL 22,229 million, and cash risk ratio in the commercial segment increased to 21 per cent. In terms of non-cash credits, the volume of financial leases amounted to TL 765,179 million, a decrease of 12.9 per cent. when compared to 31 December 2016.

The Bank accepts deposits from its corporate and commercial customers in Turkish Lira, U.S. dollars, euro and gold current accounts and participation accounts, which are described under "Retail Banking – Principal Products".

#### **Treasury**

The table below sets out certain financial information relating to the Treasury segment as at, or for the years ended, 31 December 2016 and 31 December 2015 and as at, or for the six month periods ended, 30 June 2017 and 30 June 2016.

	As at and for the six month period ended 30 June		As at and for the year ended 31 December	
	2017	2016	2016	2015
		(TL mill	ions)	
Total assets	9,298,031	2,226.479	6,718.972	2,263.190
Total liabilities	6,644,971	5,553.554	6,398.938	5,570.834
Net profit for the period	199,259	(112.020)	193.114	(18.796)

The Treasury Marketing Division is principally responsible for managing the assets and liabilities of the Bank in the most efficient manner and within the framework established by the Bank. It is also responsible for managing the Bank's investment portfolio, see "—*Investments*" below.

To assist it in managing the Bank's assets and liabilities, the Treasury maintains an active position in the global FX markets. The FX desk is primarily used as a tool to reduce rate risk. The desk operates within the Treasury Group and is responsible for planning foreign currency cash flow structuring, controlling the Bank's foreign currency position, monitoring local and foreign markets to ensure that FX funds are kept at an appropriate level and trading on the FX market to reduce rate risk. Within this framework, all speculative FX transactions are prohibited and FX transactions are made solely for the purpose of reducing open currency positions.

The Treasury also operates a Gold Desk, which is responsible for fulfilling the demands of the Bank's customers on gold exchange transactions and physical settlement of gold transactions by monitoring internal and international gold markets. The desk is also responsible for the Bank's relationship with BIST. As with the FX desk, all transactions are undertaken for customers and no speculative trading is permitted.

The Treasury also operates a Liquidity Management desk, which prepares a daily money position report for the Bank's management and maintains a regular flow of funds between the Bank's branches and the head office for the purpose of managing funds collected in foreign currencies. Another responsibility of the Liquidity Management desk is to form the connection between front office operations and back office.

The Money Market desk is currently responsible for running wakala and commodity murabaha investment transactions, monitoring markets and managing the liquidity position of the Bank. Operations performed by the Money Market desk are split into two main activities, borrowing and investment. The Money Market desk is also in charge of buying and selling hard currencies on behalf of the Bank's customers, giving securities as collateral for liquidity generation and also fulfilling primary dealership requirements for the International Islamic Liquidity Management Corporation's sukuk issuances. In addition, the Money Market desk operates open market transactions which include repo, reverse repo and buying and selling sovereign securities (sukuk) from the banks in the secondary markets. The Bank may get involved in these transactions with the Turkish Central Bank as a lender of last resort by using its sovereign sukuk to manage its liquidity position in a more effective way.

The Investment Banking and Structured Finance Desk is responsible for arranging structured finance facilities such as syndicated murabaha facilities, sukuk and lease certificates issuances and tawarruq on behalf of the Bank. The Investment Banking and Structured Finance Desk is also responsible for contacting local and international financial institutions to facilitate bank-to-bank bilateral deals.

#### FINANCIAL INSTITUTIONS

The Financial Institutions Department of the Bank (the "FI Department") manages the corporate relations with correspondent banks on a reciprocity basis and monitors transactions to detect money laundering and/or terrorism-related dealings. The FI Department also ensures that the Bank is in compliance with the relevant "Know Your Customer" ("KYC") policies and rules of Turkish Financial Crimes Investigation Board ("MASAK"), the Financial Action Task Force ("FATF"), the Office of Foreign Assets Control ("OFAC") and the UN Security Council.

The FI Department also monitors the Bank's accounts held with domestic and foreign banks. The FI Department has accordingly established a strong network of correspondent banks and developed relationships with international financial institutions both in the domestic and foreign markets. The Bank's global network of correspondent banks consisted of 1,060 banks operating in 118 countries as at 30 June 2017. In addition, the FI Department undertakes the necessary marketing activities with potential correspondent banks to guarantee customers' needs in respect of foreign trade. The FI Department also conducts research and development activities for the purposes of incorporating more instruments to the Bank's product portfolio in compliance with interest-free (Islamic) banking principles. For example, the Bank utilised the first Saudi Export Programme credits in Turkey. The FI Department also administers the diversification of the Bank's external borrowing activities through the implementation of instruments such as "bilateral murabaha" and Saudi Export Programme ("SEP" facilities related to the final customer-related financing facilities.

The FI Department also provides external credits via certain programmes such as those provided by the Exports Credit Agencies ("ECA"), Islamic Development Bank's members of the International Islamic Trade Finance Corporation (the "ITFC"), the Islamic Corporation for the Development of the Private Sector (the "ICD") and, in addition, provides the SEP credits for those corporate customers seeking a long term investment.

#### LOAN PORTFOLIO

The Bank's total funded loans (including finance lease receivables) and other receivables portfolio amounted to TL 22.9 billion as at 30 June 2017 compared to TL 22.7 billion as at 31 December 2016 and TL 19.5 billion as at 31 December 2015.

The table below classifies this portfolio by credit quality as at 31 December 2016 and 31 December 2015:

	As at 31 December		
	2016	2015	
	(%)		
Above average (Category A)	89.75	94.26	
Average (Categories B and C)	7.98	4.51	
Below average (Category D)	2.27	1.22	

Category A loans consist of loans that are further sub-divided by the Bank as either AAA, AA or A. Loans rated AAA are regarded as being of exceptional credit quality and substantially risk free. Loans rated AA are regarded as being of excellent credit quality with minimal risk and loans rated A are regarded as being of superior credit quality with modest risk.

Category B loans consist of loans that are further sub-divided by the Bank as either BBB, BB or B. Loans rated BBB are regarded as being of good credit quality and of better than average risk. Loans rated BB are regarded as being of satisfactory credit quality with average risk and loans rated B are regarded as being of adequate credit quality with borderline risk characteristics.

Category C loans consist of loans that are further sub-divided by the Bank as either CCC, CC or C. Loans rated CCC are loans to obligors with uncertain profitability which have volatile operating earnings, tight cash flows and return on asset/return on equity levels that are below peer levels. Loans rated CC are those constituting an undue and unwarranted credit risk although no loss of principal has yet taken place. Loans rated C constitute an unacceptable business credit for the Bank, normal repayment of these loans is in jeopardy and the financing is inadequately protected by the current net worth and paying capacity of the obligor.

Category D loans are loans for which there is only limited or no prospect of recovery.

Under the BRSA's requirements, the Bank is required to classify its loans into five separate risk groups as follows:

- Group 1: Loans and other receivables of a standard nature. Loans classified by the Bank as AAA and AA fall into this category;
- Group 2: Loans and other receivables under close monitoring. Loans classified by the Bank as A
  and BBB fall into this category;
- Group 3: Loans and other receivables with limited collectability. Loans classified by the Bank as BB fall into this category;
- Group 4: Loans and other receivables with doubtful collectability. Loans classified by the Bank as B and CCC fall into this category;
- Group 5: Loans and other receivables identified as loss. Loans classified by the Bank as CC, C and D fall into this category.

Loans within Groups 1 and 2 are classified as performing, whilst loans in Groups 3, 4 and 5 are classified as non-performing. See "- Risk Management - Credit Risk - Non-performing loans" for a description of the characteristics of the different classes of non-performing loan and the general provision rates applied by the Bank to its Group 1 and Group 2 loans. Under the BRSA's requirements, the Bank makes specific provisions against the non-performing loans as follows:

- at a minimum of 20 per cent, for Group 3 loans from the date of their inclusion in that group;
- at a minimum of 50 per cent. for Group 4 loans from the date of their inclusion in that group; and
- at a minimum of 100 per cent. for Group 5 loans from the date of their inclusion in that group.

Loans and other receivables determined as uncollectible are liquidated through commencing legal enforcement action and by converting any guarantees into cash.

The write-off policy of the Bank for receivables under follow up is to retire the receivables from assets where the Bank's management has determined that follow-up is not going to result in collection of the amount owed. Loans and other receivables, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette numbered 26333 dated 1 November 2006, are written-off. For the year ended 31 December 2016, non-performing loans amounting to TL 0.1 million were written-off, compared to the year ended 31 December 2015 when TL 94.6 million was written off.

The table below sets out details of the Bank's specific provisions for its funded loans and receivables as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016.

	As at 30 June		As at 31 December	
	2017	2016	2016	2015
	(TL millions)			
Loans and receivables with limited collectability	21,098	31.591	31.504	20.420
Loans and receivables with doubtful collectability	154,243	62.271	140.892	56.714
Uncollectible loans and receivables	580,667	261.557	387.789	192.801
Total	756,008	355.419	560.185	269.935

#### FUNDING AND LIQUIDITY

The Bank's principal source of funding is through customer deposits, which amounted to TL 23,770.8 million as at 30 June 2017, as compared to TL 23,155.1 million as at 31 December 2016 and TL 20,346.2 million as at 31 December 2015. This increase is principally due to the Bank's strategic emphasis on rapid growth in customer deposits (funds collected). See "– *Strategy*".

In addition, the Bank's shareholders' equity increased to TL 2,376.9 million as at 30 June 2017, as compared to TL 2,279.6 million as at 31 December 2016 and TL 2,103.9 million as at 31 December 2015 as a result of the increases in profit reserves.

Borrowings in the form of syndicated murabaha loans and wakala borrowings in U.S. dollars and/or euro and lease certificate issuances in Turkish Lira amounted to TL 5,060.2 million as at 30 June 2017, as compared to TL 4,424.2 million as at 31 December 2016 and TL 4,104.7 million as at 31 December 2015. International and local borrowings of the Bank have increased in parallel with the Bank's growth strategy.

The table below sets out the Bank's customer deposits by currency and by type of account as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016.

	As at 30 June		As at 31 December	
	2017	2016	2016	2015
	(TL millions, except percentages)			
Turkish Lira funds	12,389.894	11,029.651	12,557.143	11,336.176
Current accounts	2,381.942	1,873.230	2,666.540	2,007.284
Participation accounts	10,007.952	9,156.421	9,890.603	9,328.892
Foreign currency funds	11,380.908	8,736.950	10,597.991	9,010.002
Current accounts	3,405.051	2,215.989	2,764.410	2,253.907
Participation accounts	7,975.857	6,520.961	7,833.581	6,756.095
US\$ accounts	4,826.602	4,368.116	4,501.561	4,504.521
euro accounts	2,637.273	1,991.591	2,922.108	2,063.368
Gold accounts	511.982	161.254	409.912	188.206
Total funds collected	23,770.802	19,766.601	23,150.848	20,346.178
Share of Turkish Lira accounts	52.12%	55.80%	54.23%	55.72%
Share of foreign currency accounts	47.88%	44.20%	45.77%	44.28%
Current accounts	5,786.993	4,089.219	5,430.950	4,261.191
Participation accounts	17,983.809	15,677.382	17,724.184	16,084.987
Total	23,770.802	19,766.601	23,150.848	20,346.178
Share of current accounts	24.34%	20.68%	23.45%	20.94%
Share of participation accounts	75.66%	79.32%	76.55%	79.06%

In the banking sector, liquidity risk mainly arises from a maturity mismatch. Accordingly, the Bank's liquidity position is constantly monitored by the Treasury and Investment Banking Department to ensure compliance with minimum regulatory liquidity coverage ratio requirements as set forth by the regulator. Idle funds that cannot be used after reserves are set aside are placed in short term foreign investments such as murabahas, reverse wakalas and lease certificates.

The Bank collects funds through profit/loss sharing accounts for which the profit share rate is not predetermined and repayment of principal is not guaranteed. The share of profit/loss on projects funded from these accounts is allocated to such profit/loss sharing accounts.

The Bank covers Turkish Lira and foreign currency liquidity needs mostly by the funds collected and also utilises syndicated murabaha loans, wakala borrowings and sukuk and lease certificates issuances. Moreover, the Bank invests a portion of its assets in short term liquid assets and shortens the average maturity of any liabilities.

The Liquidity Contingency Plan is prepared by the Risk Management Department of the Bank and approved by the Board of Directors of the Bank and sent to the BRSA. The Board of Directors monitors both the BRSA liquidity ratios and certain other indicators defined in the liquidity contingency plan on a daily basis. The liquidity sources which will be utilised in case of a potential liquidity shortage are defined in the contingency plans.

Liquidity coverage ratios are calculated weekly and monthly starting from 1 January 2015 as per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette no. 28948, dated 21 March 2014. Liquidity coverage ratios for the six month period ended 30 June 2017 and the year ended 31 December 2016 were as follows:

	30 June 2017	December 2016
	Foreign currency and Turkish Lira	
Average liquidity coverage ratio (%)	158.63	171.54

#### RISK MANAGEMENT

The Bank faces a variety of financial and other risks in its operations (including market, liquidity, credit and operational risks). The Board of Directors is responsible for establishing and periodically reviewing the Bank's risk management policies and strategies. The General Manager of the Bank (the "General Manager") is responsible for ensuring that these policies and strategies are complied with.

The principal objective of the Bank's risk management is to ensure that all relevant risks are defined, measured, monitored and controlled through appropriate policies, implementation methods and limits.

The Bank operates the following committees to manage risk:

## The Asset and Liability Management Committee ("ALCO")

ALCO has 19 members including the General Manager and 13 assistant general managers of the Bank. ALCO was formed mainly to assess and evaluate the composition of assets and liabilities on the Bank's balance sheet for the purpose of ensuring effective management of the Bank's financials. In this context, ALCO examines all of the resources and the areas in which they are used, the structure of tenor maturity, liquidity levels, foreign currency and pricing risks, credit risks and capital adequacy factors that affect the quality of assets. It also aims to possess the resources, which are required for products and services rendered to the Bank's customers, readily available, and examine the factors that could affect the Bank's profitability. ALCO also ensures the measures to be taken as a result of its evaluations and examinations are executed.

ALCO meets at least once a week and has the following responsibilities:

- (a) providing the distribution of resources effectively and using sources efficiently in order to ensure growth of the Bank's operations;
- (b) evaluating general economic data, current and likely political and economic developments;
- (c) analysing the factors that could affect the quality of the balance sheet and effectiveness of the Bank (i.e. maturity mismatch, liquidity risk, foreign currency and pricing risks) in light of relevant reports and presentations;
- (d) ensuring that the resources required for the products and services extended to customers are readily available at the best cost and in sufficient quality;
- (e) as a result of the evaluation, developing investment, pricing and funding strategies and ensuring that necessary measures be taken in this direction;
- (f) evaluating the asset and liability composition of the Bank's balance sheet;
- (g) assessing the Bank's resources, as well as the areas and activities in which they are used;
- (h) assessing the credit risks that could affect asset quality;
- evaluating the Bank's capital adequacy, liquidity and FX position as well as efficiency of utilisation of resources;
- (j) examining the factors that could affect profitability of the Bank, including operational risks; and
- (k) ensuring that the actions required for implementing the findings of its evaluations are taken.

#### The Credit Committee

The Credit Committee is a Board committee comprising the Chairman, the General Manager and two other members of the Board. The Credit Committee meets twice weekly and all members must be present and its decisions must be unanimous to be effective. Decisions approved by a majority of the members of the Credit Committee can be implemented only after their approval by the Board of Directors. The Credit Committee is responsible for monitoring the general credit policy of the Bank and for approving credit applications (including in relation to renewals, amendments or changes in collateral) for amounts up to 10 per cent. of the Bank's shareholders' equity. The Credit Committee convened 96 times in 2016 with all members in attendance.

#### The Audit Committee

The Audit Committee assists the audit and supervision activities of the Board of Directors in accordance with article 24.6 of the Banking Law. The Audit Committee consists of at least two non-executive Board Members. The Audit Committee members have to meet the criteria specified by the Banking Regulation and Supervision Agency.

The Audit Committee meets at least four times a year and has the following responsibilities:

- (a) on behalf of the Board of Directors, the Audit Committee monitors the efficiency and capabilities of the internal systems of the Bank, the operation of these systems and of the accounting and reporting systems within the framework of the Banking Law and related regulations, and the integrity of the produced data;
- (b) provides preliminary evaluations to the Board of Directors when selecting the independent firms for auditing, ratings, appraisals and outsourcing;
- (c) regularly monitors the activities of the companies that are appointed by the Board of Directors and with which contracts are signed; and
- (d) ensures the consolidated internal auditing of partnerships as per the regulations introduced with respect to the Banking Law and coordinates their activities.

The Bank is exposed to four major areas of risk: market risk, liquidity risk, credit risk and operational risk, as well as other risks such as strategic and reputational risk. The Audit Committee convened five times in 2016 with all members in attendance.

#### **Market Risk**

Market risk is the probability of possible losses that may arise from the effect of fluctuations in exchange rates to the Bank's assets and liabilities held in different foreign currencies (both on and off balance sheets) and the probability of loss the Bank is likely to incur due to the price movements in any stocks held by the Bank.

The Bank measures market risk by using the standardised approach (the "Standard Method") in accordance with "Regulation on the Measurement and Assessment of Capital Adequacy of Banks" published by the BRSA in Official Gazette numbered 29511 dated 23 October 2015 and allocates legal capital accordingly. Market risk is also calculated for testing purposes using value at risk ("VaR"), predicted by internal models, and the results are validated by back test analysis. The VaR is calculated daily by using Variance-Covariance, EWMA, Monte Carlo and historical simulation methods and the results are reported to senior management.

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and the Bank's strategies. Furthermore, the Board of Directors ensures that necessary measures are taken by the risk management unit and top level management in respect of identifying, measuring, prioritising, monitoring and managing the risks the Bank is exposed to.

The risks associated with on and off balance sheet positions (which arises due to the market volatility) are measured regularly. The information related to market risk taken into consideration in calculation of legal capital is stated below.

		assets as at 31 December 2016
		(TL millions)
	Outright products	
1	Profit rate risk (general and specific)	37
2	Equity risk (general and specific)	1.908
3	FX risk	86.813
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	88.758

Risk-weighted

The FX rate risk (or foreign currency position risk) portion of the Bank's market risk is defined as the negative impact on the Bank's income caused by unexpected changes in exchange rates. The Bank monitors the "FX Net General Position / Equity Standard Ratio" daily in order to keep it at a balance. The main goal is to keep currency risk at a balance continuously and to that end, there is a 10 per cent. prudential ratio to limit sudden or gradual increases in this position as a result of exceptional circumstances.

The upper limit of Bank's "FX Net General Position / Equity Standard Ratio" is 20 per cent., which is the legal limit according to the BRSA regulation on the calculation and implementation of foreign currency net general position/equity standard ratio by banks on consolidated and non-consolidated basis. This limit is calculated via the difference between the sum of foreign currency assets and liabilities in local currency divided by the equity.

Similarly, security risk is defined as the negative impact on the Bank's income caused by unexpected changes in prices of the securities held in the balance sheet of the Bank. Accordingly, this risk may also impact the Bank's: equity, cash flows, quality of assets and the Bank's capacity to fulfil its commitments.

Within the coverage of market risk, the Bank calculates the FX and currency risk and the security risk, as well as specific risks associated with market risk, by using the Standard Method and reports it to the authorities on a regular basis. Additionally, the FX and currency risk of the Bank is measured by internal models. The Bank also utilises back testing applications by observing any deviations between actual values and daily VaR values (as predicted by internal models) to control the accuracy and performance of these models. The potential strength of the Bank's portfolios against unexpected risks is also measured via stress tests and stress scenarios.

In the context of market risk the Bank's conformity with legal regulations and determined limits is constantly monitored. The Bank's foreign currency risk is discussed and evaluated at every ALCO meeting and the Bank's foreign currency strategy is based on holding this risk constant by holding to square foreign currency position. No short or long positions are taken by the Bank.

The table below sets out the monthly average, maximum and minimum VaRs for the years ended 31 December 2016 and 31 December 2015.

	For the year ended 31 December 2016			For the year ended 31 December 2015			
	Avg.	Max	Min	Avg.	Max	Min	
	(TL millions)						
Interest rate risk	0.25	3.0	0	-	-	-	
Share certificate risk	133	153	125	125	129	122	
Currency risk	7,326	11,163	3,019	7,609	12,690	4,090	
Counterparty credit risk	511	693	328	925	2,271	0	
Total value subject to risk	7,970	12,012	3,472	8,659	15,090	4,212	

## **Currency Risk**

The Bank is exposed to the effect of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank seeks to reduce this risk by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency

position/shareholders' equity ratio are also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration when capital requirement to be employed for foreign currency risk is calculated. The Bank uses the Standard Method to calculate and report its currency risk on a monthly basis.

The Bank does not have any derivative financial instruments held for hedging purposes.

As a result of the uncertainty and volatility in the markets, foreign currency positions are kept balanced and, accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep currency risk to a minimum level.

#### **Profit Rate Risk**

Profit rate risk is the risk of loss to which the Bank may be exposed due to movements in the profit rates based on positions associated with financial instruments. Unlike conventional banks, the Bank's profit rate risk is considerably reduced through the operation of participation accounts that do not pay a defined rate of return but instead pay a defined proportion of the net profit made by the Bank from the use of funds provided through the deposits.

## Liquidity Risk

Liquidity risk is the risk that the Bank may not be able to meet the repayment of its participation funds which have matured or other liabilities due in a timely manner due to shortage of liquid funds and imbalances of cash flows.

The Bank acts in a conservative manner in liquidity management and keeps necessary reserves to meet liquidity requirements. The Bank uses some of its resources for short term foreign investments and receivables from loans are generally collected in monthly instalments.

The Bank collects funds through profit/loss sharing accounts for which the profit share rate is not predetermined and repayment of principal is not guaranteed. The profit/loss on projects funded from these accounts are shared with such profit/loss sharing accounts. Accordingly, the Bank's assets and liabilities and profit share ratios are compatible.

The Bank covers Turkish Lira and foreign currency liquidity needs mostly through funds deposited with it and also uses syndicated murabaha loans, wakala borrowings and sukuk and lease certificates issuances. In addition, the Bank takes care to keep assets as short term liquid assets and prolongs the average maturity of its liabilities.

The Board of Directors of the Bank monitors both the BRSA liquidity ratios and certain other indicators defined in the liquidity contingency plan on a daily basis. The liquidity sources which will be used in case of a potential liquidity shortage are defined in the contingency plans.

Liquidity risk could be caused by such factors as maturity mismatches, a deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and an economic crisis. In order to manage liquidity risk, the Bank monitors the cash flows on a daily basis and takes preventive and responsive measures to ensure that commitments are met duly in time. The liquidity risk is also evaluated by ALCO on a weekly basis. The Bank applies a policy whereby liquid assets of an appropriate quality are kept in sufficient volumes to meet the minimum liquidity ratios determined by the applicable regulations and the liquidity experiences of the past in order to meet any liquidity requirement that could arise as a result of unexpected volatilities in the markets.

## Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial exposure or instrument fails to meet its contractual obligations.

The authority to approve credits lies with the Board of Directors, which determines the policies concerning the allocation and approval of loans, credit risk management and other administrative issues. The Board of Directors is also responsible for the implementation and supervision of these policies. The Board of Directors has delegated credit approval authority to the Credit Committee and General Management Corporate Credits Committee in line with the policies and procedures defined by the legal regulations. The

Credit Committee exercises the credit allocation authority through units of the Bank and regional offices and branches. The Bank grants credit on the basis of limits determined for each customer and type of customer separately. Core banking systems make it impossible for customers' aggregate loans to exceed such predetermined and approved limits.

Close attention is paid to prevent over-concentration in any sector that might negatively affect the quality of the overall credit portfolio. The Bank is also continually working on preventing the concentration of risk in a small number of customers. Credit risk is continuously monitored and reported by the internal system units and risk management bodies.

All credit applications must be made through the Bank's branches. The Board of Directors has delegated credit approval authority as follows:

- customers with an annual turnover or total assets of up to TL 1 million (falling under the limit
  criteria of TL 500,000) are approved by the Branch Credit Committee. These loans are classified
  under the "Micro" segment of the Bank. There are pre-determined limits and conditions for each
  branch:
- customers with an annual turnover or total assets of up to TL 1 million (falling under the limit
  criteria of up to TL 1 million) are approved by the Retail Credits Department Micro Credits
  Committee (which comprises the banking assistant manager and manager and assistant general
  manager of the Bank responsible for credits. These loans are classified under the "Micro" segment
  of the Bank;
- customers with an annual turnover or total assets of up to TL 40 million (falling under the limit criteria of up to TL 3 million) are approved by the Regional Head Office Credit Committee (which comprises the marketing and allocation assistant managers and regional head office manager). These loans are classified under the "Commercial and SME" segment of the Bank;
- customers with an annual turnover or total assets of up to TL 40 million (falling under the limit criteria of up to TL 6 million) are approved by the General Management Corporate Credits Committee (which comprises the commercial credits department manager, assistant general manager responsible for credits and the General Manager). These loans are classified under the "Commercial and SME" segment of the Bank;
- customers with an annual turnover or total assets of up to TL 40 million (falling under the limit criteria of over TL 6 million) are approved by the Credit Committee. These loans are classified under the "Commercial and SME" segment of the Bank;
- customers with an annual turnover or total assets of over TL 40 million (falling under the limit criteria of up to TL 6 million) are approved by the General Management Corporate Credits Committee (which comprises the corporate credits department manager, assistant general manager responsible for credits and the General Manager). These loans are classified under the "Corporate" segment of the Bank; and
- customers with an annual turnover or total assets of over TL 40 million (falling under the "no limit" criteria) are approved by the Credit Committee. These loans are classified under the "Corporate" segment of the Bank.

Credit limits are determined for each individual customer, company, group of companies and risk group, respectively. When determining the credit risk and the applicable credit limit, the Bank considers criteria such as the customer's financial strength, its commercial capabilities, its sector, its geographical area of operation and its capital structure. Any loan in excess of 10 per cent. of the Bank's equity capital is subject to approval by the Board of Directors.

# Credit Approval Process

The Corporate Credits department, which consisted of 36 employees as at 30 June 2017, analyses the credit applications received by branches of the Bank that exceed TL 12 million and where the applicant has an annual turnover or total assets of more than TL 70 million. The analysis consists of preparing a brief report (including financial analysis, investigation report, performance data and industry and market analysis),

which is then presented by the Corporate Credits department to the relevant approval committees. The Corporate Credits department informs the relevant branch of the decision and, where the application has been successful, enters the credit line into the IT system. The Credit Operations Department ensures that the facility documentation, covenants and collateral received from the customer conform to the terms and conditions stipulated in the approval and, following confirmation of this, activates the credit line for the release of funds to the customer. The average length of time for the approval process to be completed is 12 working days.

The Bank generally requires collateral to be provided in respect of loans made by it. Collateral accepted by the Bank includes cash and cash equivalents (including government securities and other liquid assets), securities issued by banks with strong credit ratings, mortgages of real estate, security over vehicles, third party guarantees from guarantors with acceptable credit ratings, share pledges and assignments of receivables. Individual credit committees are authorised to determine whether collateral is required and, if so, the amount of collateral required. Periodic inspections and internal audit checks are made to determine the adequacy of collateral taken and that all necessary formalities to make the collateral enforceable have been complied with.

The Bank has an improved system that integrates the Bank's internal rating system with its credit approval process. The Bank also uses financial data and credit scores obtained from the Credit Bureau of Turkey to supplement its internal credit systems.

# **Credit Monitoring**

The Credit Administration and Monitoring Department ("CAM") produces periodic reports regarding early warning signals that may be indications of increased credit risk. These early warning signals ("EWSs") relate both to specific companies and to sectors in general or to some other criteria. EWSs are evaluated in the meetings chaired by the General Manager, where decisions are taken as to appropriate measures which need to be implemented. Moreover, the Credit Risk Management Committee discusses the issues which have arisen in relation to credit risk and takes necessary action in this regard.

Allocated credit lines are valid for one year (unless otherwise specified) and credit lines that are not renewed on time cannot be utilised.

## Non-Performing Loans

Non-performing loans are categorised into three groups, which correspond to the BRSA risk groups 3, 4 and 5 described under "- Loan Portfolio", as follows:

- loans with limited collectability (being loans where the debtors have suffered a deterioration in their creditworthiness or where the collateral given is perceived to have become inadequate or where payment of principal, profit share or both are, or are likely to become, more than 90 days but less than 180 days overdue);
- loans with doubtful collectability (being loans where repayment is not considered likely or where it is considered quite likely that all of the sums falling due will not be recovered in accordance with the loan contract or where the debtors have suffered a substantial deterioration in their creditworthiness, but which are still not considered to have the nature of loss or where payment of principal, profit share or both are more than 180 days, but less than one year overdue); and
- loans which are identified as a loss (being loans where it is firmly believed that recovery is not possible or where recovery of principal, profit share or both are more than one year overdue).

In addition to specific provisions made in respect of non-performing loans (see "- Loan Portfolio"), the Bank also makes general provisions in respect of its BRSA Group 1 (standard loans) and Group 2 (closely monitored) loans:

• at a rate of 1.0 per cent. of the total sum of Group 1 cash credits of a standard nature and 0.2 per cent. of the total sum of guarantee letters, sureties and other non-cash loans of a standard nature; and

• at a rate of 2.0 per cent. of the total sum of Group 2 cash loans which are closely monitored and 0.4 per cent. of the total sum of guarantee letters, sureties and other non-cash loans which are closely monitored.

# Write Offs

Once it has been determined that there is no further likelihood of a bad debt being recovered, a report to this effect is made to the Risk Follow-up Committee requesting that the debt be written off. The Risk Follow-up Committee has authority to approve write off requests relating to amounts of up to TL 10 million (or its equivalent in Turkish Lira) per client per annum.

Write off requests in respect of amounts falling between 0.5 per cent. and 5.0 per cent. of the Bank's equity are approved by the Credit Committee of the Board of Directors. The decision to write off any amount exceeding 5.0 per cent. of the Bank's equity will be submitted to the Board of Directors for approval. The Risk Follow-up Committee pursues and implements the above mentioned resolutions.

Write off requests in respect of amounts between TL 10 million and TL 15 million also requires the approval of the Credit Committee of the Board of Directors. Write off requests in respect of amounts in excess of TL 15 million require the approval of the Board of Directors.

# Exposure to Credit Risk

The table below shows the distribution of credit risk exposure by sectors and geographical concentration as at 31 December 2016 and 31 December 2015:

	As at 31 December				
	2016		2015	l	
	(TL		(TL		
	Millions)	%	Millions)	%	
Agriculture	172.751	0.57	198.208	0.65	
Farming and stockbreeding	78.893	0.26	143.147	0.47	
Forestry	84.326	0.28	48.685	0.16	
Fishery	9.532	0.03	6.376	0.02	
Manufacturing	9,223.794	30.67	8,639.178	28.43	
Mining	462.613	1.54	156.560	0.52	
Production	7,825.704	26.02	7,627.399	25.10	
Electricity, gas, water	935.477	3.11	855.219	2.81	
Construction	5,043.383	16.77	5,501.254	18.11	
Services	10,416.947	34.64	13,448.594	44.26	
Wholesale and retail trade	1,994.079	6.63	2,053.653	6.76	
Hotel, food and beverage services	432.930	1.44	119.216	0.39	
Transportation and telecommunication	264.567	0.88	229.384	0.75	
Financial institutions	6,382.462	21.23	10,070.712	33.15	
Real estate and renting services	975.935	3.25	512.682	1.69	
Self-employment services	-	-	300.635	0.99	
Education services	30.815	0.10	35.558	0.12	
Health and social services	336.159	1.12	126.754	0.42	
Other	5,213.602	17.34	2,595.428	8.54	
Total funded loans	30,070.477	100	30,382.662	100	

	As at 31 December			
	2016		2015	
	(TL millions)	%	(TL millions)	%
Information according to geographical concentration				
Domestic	28,983.984	96.39	29,192.046	96.08
European Union ("EU") countries	288.397	0.96	281.322	0.93
OECD countries(1)	11.422	0.04	5.328	0.02
Off-shore banking regions	127.237	0.42	220.028	0.72
USA, Canada	169.308	0.56	86.481	0.28
Other countries	462.660	1.54	545.404	1.80
Associates, subsidiaries and jointly controlled entities	27.469	0.09	52.053	0.17
Total	30,070.477	100	30,382.662	100

Note:

(1) OECD countries other than EU countries, USA and Canada.

### **Operational Risk**

At the Bank, operational risk is a risk of loss resulting from insufficient, inadequate or unsuccessful internal processes, due to persons, systems or external events.

Operational risk is present in all activities of the Bank. It could arise from many areas, such as:

- errors made by staff;
- the failure of systems;
- transactions that have been made based on insufficient or incorrect information or documents;
- impediments in the flow of information between divisions of the Bank; uncertainties surrounding limits set by authorities;
- structural and/or operational changes;
- natural disasters;
- acts of terror; or
- frauds, etc.

The Bank classifies operational risks into five groups according to their sources: staff risks, technological risks, organisational risks, legal and compliance risks and external risks. The Bank also takes appropriate measures to maintain operational risks at acceptable levels and aims to keep operational risk at an acceptable level through an operational risk management framework that focuses on identifying these risks and using appropriate preventative or corrective applications to manage them. Information processing systems and software are integrated to ensure that data is accessible and documented and sufficient back-up systems are in place to prevent against data and system losses. The framework also includes an emphasis on supervision of the flow of information within the Bank and ensuring that there is compliance within the Bank with the relevant charters and procedures. Furthermore, the framework also includes security measures aimed at ensuring data protection and also includes an emergency management plan in order to provide for external events which impact upon the Bank's business.

### Other Risks

Other risks the Bank is exposed to include strategic risk, reputational risk, counterparty risk, compliance risk, residual risk, geographical risk and concentration risk. The Bank's risk management system seeks to identify and prevent and/or control strategic risks and is prepared against changes in economic, political and socio-political conditions, laws, legislation and similar regulations that could have a significant effect on the Bank's operations, status and strategies and continuously observes these issues within its business continuity plan and implementation.

Reputational risk is defined as events and situations arising from any services, functions and relations of the Bank that would cause a loss of confidence in, or adversely affect, the Bank and its brand or image.

In order to prevent and/or control reputational risk, the Bank's risk management system adopts a proactive communication mechanism, which involves giving priority to its customers whenever it is determined that the Bank's reputation or image could be adversely affected. The system is prepared for the worst case scenario and takes into account the degree of the relationship between operational risk and reputational risk.

Residual risk is the risk that arises if the risk mitigation techniques employed by the Bank are not as effective as expected. Senior management requires business units to implement the residual risk management policies and strategies that are approved by the Board of Directors. Senior management establishes necessary communication channels in order to publish such policies and strategies to relevant Bank personnel and to inform them of their responsibilities.

Compliance risk means those risks which are related to non-compliance with sanctions, laws, regulations, standards and/or rules. The Bank may suffer financial losses and/or loss of reputation if its operations and the acts of its staff members are not in conformity and compliance with current applicable sanctions, laws, regulations, standards and/or rules. The Head of the Legislation and Compliance Unit, who is appointed by the Board of Directors, is accountable for the purposes of planning, arranging, conducting, managing, assessing, monitoring and co-ordinating the corporate compliance activities.

Geographical risk is the risk of loss that the Bank may be exposed to where the borrowers in one country fail to fulfil their foreign obligations due to uncertainties in economic, social and political conditions. The Bank makes decisions to enter into its commercial arrangements with foreign financial institutions on the basis of feasibility studies made in respect of that country's economic conditions within legal restrictions and through consideration of market conditions and customer satisfaction.

Concentration risk is the risk of experiencing large scale losses due to one single risk amount or risk amounts in particular risk types that may adversely affect the Bank or its business, financial position, results of operations or prospects. Policies in regards to concentration risk are classified as sectoral concentration, concentration to be created on the basis of collateral, concentration on the basis of market risk, concentration on the basis of types of losses, concentration arising from participation funds and other financing providers.

# CAPITAL ADEQUACY

The Bank calculates its capital adequacy ratio in accordance with guidelines promulgated by the BRSA. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposure. In accordance with these guidelines, the Bank has to maintain a minimum capital adequacy ratio of 12 per cent. The risk calculation methods used in the calculation of the capital adequacy ratio include the determination of risk weighted on and off balance sheet assets as well as measuring the Bank's market risk and operational risk in accordance with applicable regulations. As at 30 June 2017, the Bank's capital adequacy ratio was 16.9 per cent. and as at 30 June 2016 the Bank's capital adequacy ratio was 12.2 per cent.

As at 31 December 2016, the Bank's capital adequacy ratio was 13.5 per cent. For the year ended 31 December 2016, the Bank's capital adequacy ratio calculations are made in accordance with the BRSA regulation entitled "Regulation on Equity of Banks" published on 5 September 2013 and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published on 23 October 2015.

As at 31 December 2015, the Bank's capital adequacy ratio was 15.3 per cent., which was calculated as per previously existing regulations.

## **COMPLIANCE**

Anti-Money Laundering ("AML") and KYC procedures are subject to local regulations, which require transaction monitoring, suspicious activity reporting and staff training to form a part of such procedures. The Bank's Compliance Department is responsible for preparing and updating the Bank's policies in compliance with those regulations and is also responsible for carrying out compliance risk management, monitoring and control functions. The Compliance Department is required to ensure that any suspicious transactions are reported to the MASAK, to carry out all necessary training activities and to prepare reports regarding its monitoring, control, education and inspection activities for the Board of Directors.

Risk reports are sent to the Bank's branches and units for the purpose of monitoring high-risk customers and transactions (as determined by the policies of the Bank). In addition, training programmes which are approved by the Board of Directors and are compulsory for all employees of the Bank are prepared annually.

The Bank's policies aim to ensure that the Compliance Department is provided with sufficient information in respect of each customer and the level of such information required is based on the nature of the relationship that the customer has with the Bank and the banking services that will be provided to such customer. The Compliance Department maintains an internal suspicious person list and also monitors the OFAC, UN sanctions lists and EU sanctions lists, the Federal Bureau of Investigation most wanted terrorists list, the U.S. Bureau of Industry and Security denied persons list and the UK sanctions list and ensures that all persons included in these lists are recorded in the Bank's systems. In addition, all local and international

sanction programmes are monitored closely and the Compliance Department ensures that no transaction with any sanctioned persons or entities will be conducted by the Bank.

### **INVESTMENTS**

The Bank has a portfolio of debt securities and equity investments which are classified as held to maturity investments (which are investments with fixed maturities which the Bank intends to hold to their maturity), as financial assets at fair value through profit and loss (which are investments acquired by the Bank for generating profit from short-term fluctuations in prices or are investments which are included in a portfolio in which a pattern of short-term profit making exists) or as financial assets available for sale (which are investments not falling within either of the previous categories). The table below shows the classification of the Bank's investment portfolio as at 31 December 2016 and 31 December 2015 and as at 30 June 2017 and 30 June 2016.

	As at 30 June		As at 31 D	ecember
	2017	2016	2016	2015
		(TL mill	lions)	
Financial assets at fair value through profit and loss (net)				
Equity securities	1.122	0.814	0.954	0.790
Derivative financial assets held for trading	0.109	-	65.068	20.822
Other marketable securities	977.624	0.421	0.074	0.671
Financial assets available for sale				
Quoted debt securities	1,641.880	1,176.603	1,376.340	1,038.701
Unquoted share certificates	7.126	5.102	6.350	12.865
Impairment provision	-	-	-	-
Held to maturity investments				
Quoted on a stock exchange (including debt securities which				
are not traded at the related period ends.)	625,372	762.889	668.582	762.890
Total investments	3,253.233	1,945.829	2,117.368	1,836.739

The Bank's held to maturity instruments consist of sukuk and lease certificates issued by the Undersecretariat of the Turkish Treasury. As at 30 June 2017 and 30 June 2016, 100 per cent. of these securities were denominated in Turkish Lira. As at 31 December 2016 and 31 December 2015, 100 per cent. of these securities were denominated in Turkish Lira.

# INFORMATION TECHNOLOGY

The Bank recognises the substantial importance of IT in assisting it to reach its objectives of growth, expansion and competitive market positioning. The Bank has placed high emphasis on growth and other opportunities made possible by the use of modern technology and has used IT as a main factor to strengthen its competitive market position.

The IT division within the Bank is organised into five distinct, yet highly interactive teams, which are:

- IT Strategy and Governance Department;
- Core Banking Application Development Department;
- Customer, Channels, Analytics Application Development Department;
- IT Infrastructure and Operations Department; and
- Information Security Service.

The Bank implemented various IT related initiatives, which have positively transformed the business operations at the Bank. All core and sub IT systems were fully integrated with Albatros, the new core banking system, at the end of June 2015. While the legacy system was built on the IBM iSeries platform, the new integrated core banking system was developed on the Microsoft Internet-based .Net technology, which is a high-tech, user friendly system. One year after the completion of this project, the Bank cleared all back-log items related to the transformation, and all development activities on the core banking system were brought in-house. In addition, Albaraka Türk continues to transform the business processes and introduce new technologies and products. For example, the Bank has introduced new mobile banking applications, such as "Albaraka Wallet" mobile application on NFC (near field communication) compatible

Android devices, which, among other things, allows its customers to check their card information anytime and anywhere and make payment by means of mobile phones while shopping at contactless payment-compatible member businesses. Another mobile banking application, "Albaraka is With Me" allows the Bank's customers to login into the Bank's "Internet branch" (online banking), get information about their accounts and conduct various banking transactions. In 2017, operations of the Bank's sales force were improved by the completion of the "Tablet Project", as a result of which sales teams are now able to access the core banking system from outside of the branch using their tablet devices.

The Bank's IT department has started to develop a generic version of the core banking system for the Bank's foreign branches in 2017. With this new core banking system, the Bank's foreign branch(es) can be fully integrated with the Bank's core banking system, while at the same time being in full compliance with the local financial and accounting regulations. This new system is multi-lingual and has a generic infrastructure that allows the Bank to commence operations within a very short period of time in any country.

In terms of IT security, the Bank has established stable and secure backup systems. As part of the backup system, two disaster recovery sites were established: one located in Istanbul, and a newer centre was established in the western Turkish city of Izmir in 2012. All user data is stored in terminal servers and file servers. Data is constantly backed up in real-time, on a daily, weekly, monthly, and yearly basis. All weekly back-ups are full back-ups, whereas daily back-ups are incremental. The daily, weekly, monthly, and annual back-ups are stored in offsite locations. In addition, the Bank periodically conducts penetration testing to ensure that its network infrastructure is immune to attacks. Moreover, the Bank follows the latest security recommendations and all security systems are monitored and continually updated, to ensure utmost protection at all times.

# RELATED PARTY TRANSACTIONS

The Bank's related parties include its shareholders, directors and key management (including ABG executives), as well as entities owned and controlled by its key management. The Bank enters into transactions with its related parties in the ordinary course of its activities and the principal related party transactions include deposits from and, to a limit extent, loans to directors and members of key management. All such transactions are undertaken on arm's length terms.

#### CORPORATE GOVERNANCE

### The Board

The Board of Directors of the Bank (the "Board") is comprised of a maximum of 15 directors ("Board Members"), including the General Manager, and a minimum of four and a maximum of 11 other members appointed by the shareholders at the general meeting. Each member of the Board is appointed for a three year term and may be re-appointed when his term expires. The shareholders of the Bank have the power to dismiss the directors at the general meeting.

The following table sets out the names of the current members of the Board:

Name	Position	Date joined
Adnan Ahmed Yusuf Abdulmalek	Chairman	2005
Yalçin Öner	Vice Chairman	1985
Osman Akyüz	Board Member	1996
Ibrahim Fayez Humaid AlShamsi	Board Member	2005
Hamad Abdulla A. Eqab	Board Member	2008
Fahad Abdullah A. Al Rajhi	Board Member	2008
Hood Hashem Ahmed Hashem	Board Member	2011
Prof. Dr Kemal Varol	Board Member	2013
Muhammad Zarrug M. Rajab	Board Member	2015
Dr Bekir Pakdemirli	Board Member	2016
Dr Khalid Abdulla Mohamed Ateeq	Board Member	2017
Mustafa Büyükabacı	Board Member	2017
Melikşah Utku	Board Member	2016

The address of each Board Member is Saray Mahallesi, Dr Adnan Büyükdeniz Caddesi, No: 6 34768, Ümraniye, Istanbul.

There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Bank.

## Adnan Ahmed Yusuf Abdulmalek

#### Chairman

Mr Adnan Yusuf was born in 1955 in Manama (Bahrain). He studied Administrative Sciences at the Hull University (England), where he also completed his master's degree. He commenced his banking career in 1973 at Habib Bank. He worked at the American Express Bank between 1975 and 1980 as assistant manager of credit transactions. He then held the following positions at Arab Banking Corporation (ABC) from 1980 onwards: Manager of the main branch, Deputy General Manager and Vice-Chairman, Director of Global Marketing and Financial Institutions Division, Head of Arab World division and Vice Manager of Subsidiaries and Investments. In 1998, Mr Yusuf became Chairman of ABC Islamic Bank (EC). He was then appointed as the General Manager of Al Baraka Banking Group (ABG) in March 2000. He was the CEO of Bahrain Islamic Bank from 2002 to 2004 and served two terms (2007-2013) as the Chairman of the Board of the Arab Bankers' Union in Lebanon. Since August 2004, he has been working as a board member and the CEO of the ABG. On the board of directors of several banks in the ABG family, Adnan Yusuf is either a member or the chairman. Mr Adnan Yusuf has twice been the recipient of the "Islamic Banker of the Year" Award at the World Islamic Banking Conference in December 2004 and December 2009. He was awarded the 2012 "LARIBA Award for Excellence in Achievement" by LARIBA American Finance House in recognition of his leadership role in consolidating and operating the largest diversified Islamic banking group in the world. Mr Yusuf was awarded the Accolade of the Sudanese Presidency for Excellency in Social Responsibility in December 2015. In December 2016, Mr Adnan Yusuf received the title of "High Commissioner to preach the United Nations Sustainable Development Goals 2030". He also won the Gold Award for Sustainable Development in recognition of his major role in the service and social responsibility programmes both nationally and internationally, as well as recognition for the leading role of Al Baraka Group in the field of CSR activities at Oman International Conference on Social Responsibility 2016. In 2017, Mr Yusuf was elected the Chairman of Bahrain Association of Banks. Mr Yusuf currently serves as the Chairman of the Board, as well as on the Bank's Credit Committee, Remuneration Committee and Executive Committee.

# Yalçın Öner

# Vice Chairman

Yalçın Öner was born in 1938 in the town of Araç (Kastamonu). He received his degree from the Faculty of Political Sciences at Ankara University and received his master's degree in Public Administration at Minnesota University (USA). He started his professional career in 1959 at the Ministry of Finance as a tax inspector. Later on, he worked for the Devlet Yatırım Bankası between 1972 and 1978 and for Yatırım Finansman Investment A.Ş. after 1978. He became the first general manager of Albaraka in 1985 and held this position until 1996. Yalçın Öner has been a Board Member since 1996. He has been the Board Member responsible for internal audit and risk management from July 2001 onwards. He served as the Executive (Resident) Board Member of the Bank between April 2002 and January 2007. During the period from December 2006 to March 2008, he was the Board Member responsible for internal systems and Audit Committee members of Albaraka. He has been the Vice Chairman of the Board since April 2002 and currently serves as the Vice Chairman of the Executive Committee and a reserve member of the Credit Committee.

## Osman Akyüz

#### **Board Member**

Mr Akyüz was born in 1954 in Trabzon, Turkey and received a degree from the Faculty of Political Sciences at Ankara University. He commenced his professional career as a tax inspector at the Turkish Ministry of Finance in 1978. He was then transferred to Sezai Türkes – Fevzi Akkaya Group as an auditor and financial consultant in 1983. In 1985, he started working as the Manager of Financial and Administrative Affairs at the Bank. Thereafter, he worked as the Manager of Fund Allocations (1991-1994), as an Assistant General Manager (1994-1995) and as the General Manager (1996-2002). Mr Akyüz has been a member of the Credit Committee and Remuneration Committee of the Bank since November 2001 and the Executive (Resident) Board Member since April 2002. Mr Akyüz also holds a position in the Union of Turkish Participation Banks as the Secretary General since July 2002, as well as a board membership in the Istanbul Chamber of Commerce since April 2005. In addition, Mr Akyüz was a board member of Borsa Istanbul A.S. ("BIST") between 2012 and 2015. He is also the Chairman of the Development Board in Istanbul Development Agency, an independent board member of Sinpas Real Estate Investment Trust Co. and a board member of EYG Real Estate Portfolio Management Inc.

#### Ibrahim Fayez Humaid Al Shamsi

## Board Member

Mr Ibrahim Fayez was born in 1949 in the Ajman city of the United Arab Emirates (UAE). He received a degree in Economics from the Arab University of Beirut in Lebanon in 1972. Mr Ibrahim Fayez commenced his professional career in 1969 to 1971 as the Head of Current Accounts at Bank of Oman. In 1971, he became the manager of its Ajman branch. Since then, Mr Ibrahim Fayez held the following positions: Manager of Financial Affairs at the Ministry of Housing and Town Planning of the UAE (1972-1976); Assistant General Manager at Abu Dhabi Fund for Arab Economic Development (1976-1989); board of directors member at European Arab Bank Holding in Luxembourg (1978); board of directors member at Industrial Bank of UAE (1983-1999); board of directors member at Austrian Conference Centre Co in Vienna (1984) and board of directors member at Dubai Islamic Bank (1998-2001). He also worked as the chairman of UAE Bangladesh Investment Co in Bangladesh (1988-1989) and a board of directors member at the Arab Fund for Economic and Social Development in Kuwait (1983-2010). Mr Ibrahim Fayez was the Chairman and CEO of the Emirates Islamic Bank in Dubai between 2004 and 2011. Since then, he has been working at his own company - AlRabiah Trading Co. in Dubai. Mr Ibrahim Fayez has been a Board Member of Albaraka since April 2005. He also serves as a member of the Corporate Governance Committee and the Social Responsibility Committee and as an observer of the Audit Committee of Albaraka.

## Hamad Abdulla A. Eqab

# Board Member

Mr Eqab was born in 1970 in Manama City, the Kingdom of Bahrain, and received a degree in Accounting from the University of Bahrain in 1993. He commenced his professional career as banks' inspector for the Bahrain Monetary Agency in 1993. Mr Eqab moved to the Bahrain office of Arthur Andersen Auditing and

Consultancy firm as an insurance auditor in 1996. He then worked at Shamil Bank of Bahrain BSC as an internal auditing manager responsible for numerous auditing and consultancy projects between 2002 and 2004 and, following this, joined Ithmaar Bank as a senior manager overseeing internal audit operations (2004-2005). Between February 2005 and 2015, Mr Eqab worked at ABG in Bahrain as a senior vice-president responsible for financial control. Since 2015, he has been serving as the Executive Vice President/Head of Finance at ABG. Currently, Mr Eqab is the Chairman of the Accounting Standard Board of AAOIFI. He is also a board and audit committee member of Jordan Islamic Bank and of AlBaraka Algeria. Mr Eqab has held a CPA certificate and CGMA (Chartered Global Management Accountant) certificate since 1996. He has been a Board Member since March 2008.

# Fahad Abdullah A. Al Rajhi

#### Board Member

Mr Al Rajhi was born in Riyadh, the Kingdom of Saudi Arabia, in 1961 and graduated from the Industrial Management Department at King Fahd University of Petroleum and Minerals in 1984. He commenced his professional career at Al Rajhi Banking and Investment Corporation as Vice Manager of the central branch in 1987. He was then promoted to Manager of the central branch and, subsequently, as Assistant Manager of the Collaterals Department. In the same bank, he was responsible for liaising with government offices and investments. Mr Rajhi worked as a board member for the Saudi Public Transportation Company between 1995 and 2001. He also worked as the General Manager of the Treasury and Finance Department at Al Rajhi Banking and Investment Corporation until May 2008. Currently, he is the chairman of the board of directors of Fahad Abdullah Rajhi Venture Company, Raysut Cement in Oman and Najran Cement. Mr Al Rajhi has been a Board Member and a member of the Corporate Governance Committee since March 2008.

#### Hood Hashem Ahmed Hashem

#### Board Member

Mr Hashem was born in 1965 in Bahrain. He graduated from the Faculty of Computer Science and Engineering at King Fahd University of Petroleum and Minerals in 1989 and completed an MBA programme at the University of Glamorgan Cardiff in the United Kingdom in 2005. Mr Hashem worked as a senior analyst at Bahrain National Oil Company between 1989 and 1996. In August 1996, he joined the Arab Insurance Group (ARIG) as a senior systems developer. Mr Hashem worked as a senior consultant in Bahrain at the airlines computer data centre of the SABRE Group in 1998 and 1999 and at Arthur Anderson in 1999 and 2000. He then worked as a senior IT manager in Bahrain Islamic Bank between 2000 and 2007. Mr Hashem joined ABG in February 2007. Mr Hashem was appointed as a Board Member of Albaraka and a member of the Audit Committee in 2011. He is also a board member and a member of the risk committee, credit committee and the chairman of the IT governance committee at Jordan Islamic Bank. Mr Hashem is a Certified International

Project Manager (CIPM) and Certified Information Systems Auditor (CISA).

# Prof. Dr Kemal Varol

#### Board Member

Dr Varol was born in 1943 in Igdir. He completed his master's degree in Textile Chemistry at the Institute of Science and Technology at Manchester University in 1965, where he also completed his Doctorate in 1968. Since 1974, Dr Varol has worked as a senior manager at various companies, including at Sümerbank, where he was the general manager and the chairman of the board of directors. He is currently an Associate Professor at Istanbul Commerce University. Dr Varol was appointed as an independent Board Member in 2013. He is also the chairman of the Corporate Governance Committee and a member of the Credit Committee.

# Muhammad Zarrug M. Rajab

### Board Member

Mr Rajab was born in Tripoli, Libya in 1937. He graduated from the Department of Accounting at the University of Libya, and he worked at the same university between 1967 and 1969. Mr Rajab received the Chartered Accountant Certificate (FCA) in the United Kingdom in 1967. He worked as a general inspector

at the Libyan Court of Accounts between 1969 and 1972 and again between 1992 and 1994. Mr Rajab served as the Secretary of Treasury in Libya between 1972 and 1980. He took senior positions in the Libyan Foreign Investment Institution between 1985 and 1987 and between 2004 and 2006. Mr Rajab served as the Governor of the Libyan Central Bank in 1987 and 1990. Later, he worked for the Libyan Development Bank between 1994 and 2004. Mr Rajab was a board member at Banca UBAE between 1996 and 2004, Islamic Development Bank (Jeddah) between 1994 and 2008, ITFC (International Trade Finance Cooperation-a subsidiary Islamic Development Bank) and Bahrain Islamic Bank between 2006 and 2011. He then retired from the Libyan government duties in 2011. Mr Rajab is a board member in Al-Mizan Bank (Pakistan). He was appointed a Board Member of the Bank in December 2015.

### Dr Bekir Pakdemirli

#### Board Member

Dr Pakdemirli was born in İzmir in 1973. After graduating from Bilkent University, the Faculty of Business Administration, he completed his master's degree in Management at Baskent University and his Ph.D. degree in Economics at Celal Bayar University. Dr Pakdemirli has been an entrepreneur in food, computer and automotive industries, including taking roles in the establishment and management of various companies. During his career, he also served as the general manager of a ceramics company, which is among the 500 industrial companies in Turkey and a publicly-traded food company. Dr Pakdemirli has served in executive management positions at McCain Foods, a multinational company, and still offers consultancy services to McCain Company. Serving as a member of the Board of the Bank and a member of the board of directors of Turkcell İletişim Hizmetleri A.Ş., Mr Pakdemirli also continues his roles as a member of the board of directors of Tarkem–Tarihi Kemeraltı A.S., Turkish Foundation for Mental Healthcare, as well as being a member of the Board of Trustees of Anatolian Autism Foundation and a member of Capital Markets Investors Association.

# Dr Khalid Abdulla Mohamed Ateeq

### Board Member

Dr Khalid Abdulla Mohamed Ateeq was born in 1955 in Bahrain. After graduating from the University of Kuwait with a degree in Accounting and Finance, he completed his MBA degree at Armstrong University in the USA and his Ph.D. in Accounting at Hull University in England in 1992. In 1978, Dr Khalid Abdulla Mohamed Ateeq started to work as a financial accountant in Bahrain Foreign Ministry. Between 1979 and 1981, he worked as a financial analyst at Bahrain Islamic Bank. From 1981 to 1982, he worked as a senior accountant at Gulf Petrochemical Industrial Company. Between 1984 and 1988, Dr Khalid Abdulla Mohamed Ateeq taught at the University of Bahrain in the fields of banking, accounting and finance. In 1992 and 1993, he worked as an associate professor in Accounting and Auditing at the University of Bahrain. From 1993 to 2005, Dr Khalid Abdulla Mohamed Ateeq worked as an executive director in the Banking Supervision Department at the Central Bank of Bahrain. From 2005 until 2012, he served as a Deputy General Manager at Venture Capital Bank. He has been a member of the board of directors and the general manager of Family Bank since 2013. Dr Khalid Abdulla Mohamed Ateeq has become a Board Member of Albaraka in 2017. He is also an observer at the Audit Committee and the Corporate Governance Committee of Albaraka.

# Mustafa Büyükabacı

## Board Member

Mr Büyükabacı graduated from the Industrial Engineering Department of Boğaziçi University Engineering Faculty in Istanbul. After the graduation in 1984, he completed his master of science programme in Industrial Engineering at the same university. Mr Büyükabacı worked as an assistant at the same department during his postgraduate studies. After 1989, he worked as a manager at several capital markets and asset management institutions. At that time he specialised in asset management and developing investment vehicles. In 1993, Mr Büyükabacı joined Ülker Group and founded Taç Investment Trust, which is a public fund management company, as the founding managing director and a board member. In addition to the management of TAC Investment, Mr Büyükabacı worked as a capital markets advisor and investment advisor to Yıldız Holding, a sa board of directors member at Family Special Finance House and as a board of directors member at several other industrial or commercial companies in Ülker Group. During his career at Ülker Group, he founded BMD Securities as the founding managing director and a board member. He

led and finalised several takeovers, mergers and acquisitions projects for Yıldız Holding. Mr Büyükabacı also founded Real Estate Investment Group under the umbrella of Ülker Group and became its Chief Executive Officer. He established real estate investment activities as a separate business line among other industrial and commercial activities of Yıldız Holding and Ülker Group. He resigned from Ülker Group at the end of 2010 and, from then on, he set up his own business, which involves asset management, investment in real estate, capital markets and agrobusiness. Mr Büyükabacı was a board of directors member at BIST from 2013 to 2016. He is currently serving as an independent board of directors member at BİM Birleşik Mağazalar A.Ş. and Albaraka Gayrimenkul Portföy Yönetimi A.Ş. In addition, Mr. Büyükabacı currently serves as the vice chairman of the Board of Trustees at Istanbul Sabahattin Zaim University. Mr. Büyükabacı has become a Board Member of Albaraka in 2017. He also serves as the Chairman of the Audit Committee and a member of the Social Responsibility Committee.

## Melikşah Utku

# Board Member and General Manager

Mr Utku was born in Ankara in 1968. He graduated from the Mechanical Engineering Department of Boğaziçi University in Istanbul in 1990. He completed his graduate studies at the London School of Economics in 1992 and received a master's degree in Economic Development from Marmara University in Istanbul in 1998. In 2004, Mr Utku became a consultant to the General Manager of the Bank. In 2006 and 2007, he was the Head Economist at the Bank. In addition, he was an economics columnist for Yeni Şafak newspaper for over 10 years between 1995 and 2009. Mr Utku worked as the Investor Relations Manager from 2007 to 2009. He then became the CIO-Assistant General Manager in December 2009 and was subsequently appointed as the CFO and became primarily responsible for Financial Affairs, Budget and Financial Reporting and Corporate Communication Departments. Mr Utku became the General Manager of the Bank in October 2016. Mr Utku was a board member of BIST from 2013 to 2016. He is also the chairman of the board of directors of Turkey Union of Participation Banks (TKBB), Bereket Varlık Kiralama A.Ş. Albaraka Gayrimenkul Portföy Yönetimi A.Ş. and Katılım Emeklilik ve Hayat A.Ş.

### Senior Management

The Bank's senior management is responsible for the day-to-day management of the Bank in accordance with the instructions, policies and operating guidelines set by the Board.

The following table sets out the names of the current members of the Bank's senior management:

ame Position		Date joined
Meliksah Utku	Board Member, General Manager	2016
Turgut Simitçioğlu	Senior Assistant General Manager	2009
Mehmet Ali Verçin	Senior Assistant General Manager	2005
Temel Hazıroğlu	Assistant General Manager	2003
Nihat Boz	Assistant General Manager	2009
Ali Tuğlu	Assistant General Manager	2014
Suleyman Çelik	Assistant General Manager	2017
Nevzat Bayraktar	Assistant General Manager	2017
Fatih Boz	Assistant General Manager	2017
Hasan Altundağ	Assistant General Manager	2017
Deniz Aksu	Assistant General Manager	2017
Malek Khodr Temsah	Assistant General Manager	2017
Cenk Demiröz	Assistant General Manager	2017

The address of each member of the Bank's senior management is Saray Mahallesi, Dr Adnan Büyükdeniz Caddesi, No: 6 34768, Ümraniye, Istanbul.

There are no potential conflicts of interest between the private interests or other duties of the senior management listed above and their duties to the Bank.

# Melikşah Utku

Board Member, General Manager

See "-The Board-Melikşah Utku" above.

## Turgut Simitçioğlu

Senior Assistant General Manager

Mr Simitçioğlu started his professional career as an officer in the Central branch of the Bank in 1990. He became the Manager of the Central branch of the Bank in 2003 and worked in this position until 2009. In 2009, he has been appointed an Assistant General Manager primarily responsible for Credit Operations, International Banking Operations, Payment Systems Operations, Risk Follow-Up and the Banking Services Operations Departments. In January 2017, Mr Simitçioğlu was appointed as a Senior Assistant General Manager and Deputy General Manager with the following Assistant General Managers reporting to him: Assistant General Manager for Sales, Assistant General Manager for Marketing and Assistant General Manager for Treasury and Financial Institutions.

# Mehmet Ali Verçin

Senior Assistant General Manager

Mr Verçin worked for several private companies between 1984 and 1993 as exporting affairs manager and marketing manager and began to work as a specialist for marketing projects at the Bank in 1993. Mr Verçin was appointed Assistant General Manager responsible for Corporate Marketing Department, Treasury Marketing Department and the Investment Projects Department in 2005. In January 2017, he was appointed a Senior Assistant General Manager and Deputy General Manager with the following Assistant General Managers reporting to him: Assistant General Manager for Information Technologies, Assistant General Manager for Operations and Assistant General Manager for Human Values.

## Temel Hazıroğlu

Assistant General Manager

Mr Hazıroğlu worked as the IT Manager and Deputy Manager for the Human Resources and Administrative Affairs Department of the Bank. He has been an Assistant General Manager since 2003 and is primarily responsible for the Human Values, Training and Organisation, Performance and Career Management and Administrative Services Departments. Since January 2017, Mr Hazıroğlu is responsible for the Financial Affairs Department, Financial Reporting Department, Strategic Planning Department and Process Management and Organisation Department.

# Nihat Boz

Assistant General Manager

Mr Boz was appointed as a lawyer to the Department of Legal Affairs of the Bank in 1987. He later became Assistant Manager and Manager within the same department. Between 2002 and 2009, Mr Boz was Chief Legal Counsel at the Bank and, since December 2009, he has served as Assistant General Manager and Chief Legal Counsel responsible for the Legal Advisory and Legal Follow-Up Departments. Since January 2017, Mr Boz has been the Assistant General Manager for Legal Advisory.

### Ali Tuğlu

Assistant General Manager

Mr Tuğlu worked as an Assistant General Manager responsible for Information Technologies at Bank Asya Participation Bank between 2008 and 2014. In October 2014, he was appointed as an Assistant General Manager at the Bank responsible for Information Technologies. Mr Tuğlu has also been primarily responsible for the Core Banking Applications Development, IT Support and Infrastructure, Customer Channels and Analytical Applications Development and Governance and Strategy of Information Technologies Departments.

## Süleyman Çelik

# Assistant General Manager

Mr Çelik started his working life in the Foreign Operations Department at the Bank in 1988, where he worked until 1996. He then worked at the Fatih branch between 1996 and 1997 and the Ümraniye branch between 1997 and 2000. In 2000, Mr Çelik resigned from the Bank to join Türkiye Finans Participation Bank. In 2011, he returned to the Bank and became a manager in the Üsküdar Branch. In 2012, he was appointed as a manager of Human Values Department. He was appointed as an Assistant General Manager in January 2017 and he is responsible for the operations of the Human Values Department, Training and Career Management Department, Administrative Affairs Department and Construction and Real Estate Department.

# Nevzat Bayraktar

# Assistant General Manager

Mr Bayraktar started to work as an assistant specialist at the Bank's Project and Marketing Department in 1996. In 2003, he became the Deputy Manager in the Central branch. Between 2010 and 2016, Mr Bayraktar was the Head of the Central branch of the Bank. In January 2017, he was appointed as an Assistant General Manager and became responsible for the Corporate Sales Department, Commercial Sales Department, Retail Sales Department, Regional Department and the Bank's branches.

### Fatih Boz

## Assistant General Manager

Mr Boz joined the Bank as an inspector assistant in the Inspection Board in 1998. He later served as a Deputy Director of the Operations Department, a branch manager, the Manager of the Project Management Department and the Credits Operations Manager. In January 2017, Mr Boz was appointed as an Assistant General Manager responsible for the Credit Limit Management Department, Banking Services Operations Department, Foreign Trade Operations Department, Payment Systems Operations Department and Credits Operations Department.

# Hasan Altundağ

#### Assistant General Manager

Mr Altundağ served as the Manager of the Sultanhamam and Merter branches at Asya Participation Bank prior to joining the Bank in 2004. In March 2004, he was appointed as the Manager of the Sultanhamam branch of the Bank. He served as the Regional Manager for Marketing at the Bank between 2005 and 2011, the Director of the Transformation Administration Office between 2011 and 2013 and the Manager of Strategy and Corporate Performance Management between 2013 and 2016. In January 2017, Mr Altundağ was appointed as an Assistant General Manager responsible for the Product Management Department, Alternative Distribution Channels Department, Marketing Department and Corporate Communications Department.

# Deniz Aksu

### Assistant General Manager

Mr Aksu worked at Citibank and HSBC before joining the Bank in 2012. He was the Head of the Corporate Marketing Department between 2012 and 2017. In January 2017, Mr Aksu became an Assistant General Manager responsible for Credit Risk, in which capacity he supervises the work of the Credit Intelligence Management, Credit Risk Monitoring Management, Collection Management and Legal Follow-up Departments.

#### Malek Khodr Temsah

# Assistant General Manager

Mr Temsah worked at Bank of America Business Banking in Washington DC and at London-based European Islamic Investment Bank prior to joining Al Baraka Banking Group, Bahrain, as the Vice President of the Treasury in 2010, where he established and oversaw the sukuk desk until 2014. Since 2014, Mr. Temsah has been working at the Bank. In January 2017, Mr Temsah was appointed as an Assistant General Manager responsible for the Treasury, Investment Banking Department, Financial Institutions and Investor Relations Department and Investment Projects Department.

#### Cenk Demiroz

# Assistant General Manager

Mr Demiroz started his career as a corporate risk manager at HSBC Bank in 2000 and served as the Department Manager between 2002 and 2010 in the Corporate and Commercial Credit Department. In 2010, he joined ING Bank as a Co-Head of Commercial and SME Credit and Risk. He returned back to HSBC Bank in November 2010 a role of a director responsible for corporate, commercial and financial institutions credit approvals and counterparty and market risk management. Mr Demiroz joined the Bank in February 2017 as an Assistant General Manager responsible for Corporate, Commercial and Retail Credits.

#### Committees

#### **Board Committees**

The Board has delegated certain of its functions to six Board committees: the Credit Committee (see "Description of Albaraka Türk Katılım Bankası A.Ş. – Risk Management"), the Audit Committee, the Corporate Governance Committee, the Remuneration Committee, the Social Responsibility Committee and the Executive Committee.

The Audit Committee consists of at least two non-executive directors and is principally responsible for monitoring the internal systems of the Bank, including the accounting and reporting systems, and for evaluating proposals for the appointment of external audit and other firms as well as for monitoring their performance.

The Corporate Governance Committee consists of at least two directors and is principally responsible for ensuring that the Bank's corporate governance principles are properly applied, co-ordinating investor relations and ensuring the proper appointment and evaluation of Board Members and senior management.

The Remuneration Committee currently comprises the Bank's Chairman and two other Board Members and is responsible for ensuring a balanced distribution between the benefits and rights of Board Members, senior management, Bank employees and partners.

The Social Responsibility Committee was established in May 2012. It consists of three directors and is responsible for the review of the Bank's global best practices on social responsibility, establishment of socially responsible policies within the Bank in line with the core values adopted by the Bank, assessing the social impact of the Bank's business, overseeing the actions taken by the Bank in this regard and discussing the issues and report provided by the Executive Committee for Social Responsibility.

The Executive Committee was established on 29 December 2016. The purpose of the Executive Committee is to help to resolve issues that need to be decided at the Board meetings in a quicker and more effective manner, as well as to help to resolve urgent matters that cannot be adequately addressed by the Board that meets relatively infrequently. The Executive Committee is involved in drafting proposals, reports and memoranda (notifications) concerning the general business of the Bank, such as the Bank's strategic plans, business plans, policies and procedures.

## Credit Committee

One of the authorities vested by the Board in the Credit Committee is to resolve demands for credit line allocations up to 10 per cent. of the Bank's equity, including their renewal, amendment and/or collateral

changes relating to them, on the basis that the tasks, powers and responsibilities of the Credit Committee remain within the restrictions defined in the Banking Law.

Members of the Credit Committee:

President: Adnan Ahmed Yusuf Abdulmalek, Chairman

Member: Osman Akyüz, Executive Board Member

Member: Melikşah Utku, Board Member and General Manager

Member: Kemal Varol, Board Member

Reserve Members: Yalçın Öner, Bekir Pakdemirli

# Audit Committee

The Audit Committee assists the audit and supervision activities of the Board in accordance with article 24.6 of the Banking Law.

Members of the Audit Committee:

President: Hamad Abdulla A. Eqab, Board Member

Member: Hood Hashem Ahmed Hashem, Board Member

Member: Mitat Aktaş, Board Member and Internal Systems Executive

Member: Muhammad Zarrug M. Rajab, Board Member

Observer: Yalçın Öner, Vice Chairman

Observer: Ibrahim Fayez Humaid Al Shamsi, Board Member

Observer: Melikşah Utku, Board Member and General Manager

## Corporate Governance Committee

The Corporate Governance Committee was formed to follow-up, evaluate and improve the Bank's compliance with the principles of Corporate Governance and submit proposals to the Board in this respect.

Members of the Corporate Governance Committee:

President: Kemal Varol, Board Member

Member: Ibrahim Fayez Humaid Al Shamsi, Board Member

Member: Fahad Abdullah A. Al Rajhi, Board Member

Member: Mustafa Karamehmetoglu, Investor Relations Service Manager

Observer: Melikşah Utku, Board Member and General Manager

Observer: Osman Akyüz, Board Member

## Remuneration Committee

The Remuneration Committee ensures the establishment of a balanced distribution between the benefits and rights of the Board, senior management, the Bank's employees and partners and rewarding the Board, senior management and the Bank's employees to the extent of their participation in the Bank's business.

Members of the Remuneration Committee:

President: Adnan Ahmed Yusuf Abdulmalek, Chairman

Member: Osman Akyüz, Board Member

Member: Melikşah Utku, Board Member and General Manager

# Social Responsibility Committee

The Social Responsibility Committee was founded in order to implement best social responsibility practices by considering core values and social responsibility principles of the Bank.

Members of the Social Responsibility Committee:

President: Bekir Pakdemirli, Board Member

Member: Ibrahim Fayez Humaid Alshamsi, Board Member

Member: Melikşah Utku, Board Member and General Manager

The Social Responsibility Committee appoints one of its members to carry out the duty of reporter and one to be the secretary to the Social Responsibility Committee. That person is responsible for maintaining and publishing meeting minutes and reports and co-ordinating the operations of the Social Responsibility Committee in accordance with its guidance. The secretary and the reporter do not have the right to vote.

#### **Executive Committee**

The Executive Committee typically meets prior to Board meetings. However, when necessary, it may also be convened when there is no scheduled meeting of the Board. The Executive Committee is required to hold at least four meetings per year. The meeting of the Executive Committee can take place with the participation of at least three members of the committee.

The Executive Committee consists of the Chairman of the Board, the Vice Chairman of the Board, the Managing Director and the General Manager. The Board may change the number of members of the Executive Committee at any time. The Chairman of the Board holds the position of the Chairman of the Executive Committee, while the Vice-Chairman of the Board serves as the Vice Chairman of the Executive Committee. The secretary of the Executive Committee cannot be elected from among the members of the committee.

# Consultancy Council

The Consultancy Council was founded in order to audit the Bank's banking activities with respect to their compliance with the interest free banking model.

The responsibilities of the Bank's Consultancy Council include:

- responding to questions addressed to the committee regarding the principles of interest-free banking;
- monitoring market developments regarding interest-free banking;
- monitoring the Bank's operations to ensure compliance with interest-free banking principles;
- organising training for the Bank's employees to develop the interest-free banking culture in the Bank;
- representing the Bank at interest-free banking conferences;
- presenting an annual executive report regarding the committee's activities to the Board;
- auditing all interest-free activities in the Bank in accordance with procedures approved by the Board;
- approving the Bank's standard contracts and, if required, assisting in the development and improvement of them;

- monitoring the Bank's business activities in coordination with the general management;
- suggesting interest-free banking solutions where financial transactions conflict with interest-free banking principles and, in cooperation with the Bank's management, identifying interest-free banking alternatives to products which are not compatible with interest-free banking principles;
   and
- preparing the annual activity budget of the committee for approval by the Board.

The Consultancy Council's members are:

Sheikh Dr Abdul Sattar Abu Ghuddah, President

Dr Abu Ghuddah obtained a PhD in *Shari'a* from Al-Azhar University, Egypt in 1975, an M.A in Ulum Hadith from Al-Azhar University, Egypt in 1967, an M.A. in *Shari'a* from Al-Azhar University, Egypt in 1966, a Bachelor of Law degree from the University of Damascus, Syria in 1965 and a Bachelor of *Shari'a* degree from the University of Damascus, Syria in 1964.

Prof. Dr Hayrettin Karaman, Member

Professor Karaman graduated from Konya School for Imams & Sermons in 1959 and from the Istanbul High Institute for Islamic Studies in 1963. In 1971, he became a teaching staff member at Istanbul High Institute for Islamic Studies in the field of Islamic jurisprudence. His thesis is titled "*The Issue of Ijtihad in Islamic Law from Beginning until 4th Century AH*".

Professor Karaman assisted in the conversion of the High Institutes for Islamic Studies into Faculties of Divinity in Turkey and was granted a doctorate and a professorship. In 2001, he retired from the Faculty of Divinity of Marmara University. He is currently a visiting teaching staff member at the Europe International Islamic University, Netherlands.

Prof. Dr Ahmed Mohyuiddin Ahmed, Member

Professor Ahmed obtained a PhD. in Islamic Economics from Um Al Qorah University, Saudi Arabia in 1989, an M.A. in Figh transactions from Um Al Qorah University, Saudi Arabia 1984 and a BSc in Economics from Omdurman Islamic University in 1979. He is currently the Manager of Research and Development in ABG and Assistant Secretary General for the Economic Islamic Chamber of Commerce and Industry.

Prof. Dr Hamdi Döndüren, Member

Professor Döndüren obtained a bachelor's degree from the Istanbul High Institute for Islamic Studies in 1970 and from the Istanbul University Faculty of Law in 1971. He gained a doctorate from Ankara University Social Sciences Institute in 1983. He is currently a teaching staff member at Uludağ University, Department of Islamic Law.

## **Employees**

As at 30 June 2017, the Bank had 3,816 employees compared with 3,796 as at 31 December 2016 and 3,736 as at 31 December 2015.

The Bank is committed to the development of its employees and its human resources policy aims to reward employees' successes, increasing their job motivation and encouraging them to supply more productive and high-quality service. Integrated into this policy is a strong career progression and fair compensation system.

The Bank provides both in-house and external training to its employees. In 2016, on average, 58 hours of training was provided to employees compared to 47 hours on average in 2015.

#### TURKISH BANKING SYSTEM

The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that Albaraka's management believes to be reliable but Albaraka has not independently verified such information.

# General Outlook of the Turkish Banking Sector as at June 2017

As at the date of this prospectus, there are currently 49 banks operating from 11,508 branches with a total work force of 208,280 in Turkey, including five participation banks.

As of September 2017, the total asset size of the Turkish Banking Sector reached TRY 3,054 billion. Total assets of the sector increased by 11.8 per cent compared to 2016. As of September 2017, loans which are the biggest item composed of 65.3 per cent of total assets amounting to TRY 1,994 billion. As of September 2017, the sector's profit was TRY 37 billion; Net income of September 2017 period increased in public, domestic private and foreign bank groups when compared to the same period of 2016. The sector's return on assets and return on equities were realised respectively as 1.58 per cent and 12.16 per cent. The sector's capital adequacy standard ratio was 17.20 per cent as of September 2017. NPL ratio which was realised as 3.1 per cent as of June 2017 is formed as 3.05 per cent as of September 2017. Along with the new bank cards regulations on the instalments in Turkey, the volume of the sales in instalments have started to decrease by September 2013.

After the Federal Reserve's decision to taper programs, an increase of the currency and the interest rates have resulted in a major outflow of funds from emerging markets. Besides, the Turkish authorities have taken the necessary steps to mitigate the long term risks of credit increase and deposits decrease as the results of increase of currency and the interest rates. These policies effected positively and slowed down the all types of credits increase.

# THE TURKISH BANKING SECTOR

## Types of Banks in Turkey

Banks in Turkey are classified into one of the following categories:(i) public sector commercial banks; (ii) private sector commercial banks; (iii) foreign commercial banks; (iv) development and investment banks; (v) participation banks; and (vi) banks under the control of the Savings Deposit Insurance Fund ("SDIF").

The following table sets out certain statistical information for the Turkish banking sector as at 30 September 2017 under BRSA accounting principles.

	Public Sector Banks	Private Sector Banks	Foreign Banks	Development and Investment Bank*	Participation Banks	Total
			(TRY in millions,	where applicable)		
Total assets	938,287	1,056,087	745,721	165,411	148,377	3,053,883
Total loans	634,884	677,595	467,001	123,463	91,001	1,993,944
Total deposits	541,597	595,279	400,651	0	97,733	1,635,260
Total shareholders'						
equity	93,063	123,481	85,557	29,669	13,198	344,968
Net income	12,391	12,465	9,070	2,090	1,165	37,181
Number of domestic						
branches	3,665	4,048	2,826	48	998	11,585
Number of domestic						
employees	58,138	73,270	57,372	5,222	14,874	208,876
Number of banks	3	8	20	13	5	49
Source: BRSA						

The public and private sector commercial banks form the majority of the Turkish banking sector in terms of assets and operations. The three public sector banks, which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full-service banks and corporate/trade finance-orientated banks. The four largest private commercial banks are Türkiye İş Bankası A.Ş., Türkiye Garanti Bankası A.Ş. ("Garanti Bankası"), Akbank T.A.Ş. ("Akbank") and Yapi Kredi Bankası A.Ş. These banks provide a large proportion of retail banking services and related financial

products to the Turkish population in addition to providing large Turkish corporations and Turkish subsidiaries of large foreign companies with corporate and foreign trade related banking services.

In recent years, the liberalisation of the Turkish economy has resulted in an increase in the number of foreign-banks operating in Turkey, either as locally incorporated banks, branches or joint ventures with domestic banks. The following are examples of notable merger and acquisition activities by foreign banks in recent years. In February 2005, BNP Paribas acquired 50 per cent. of the shares of TEB Mali Yatırımlar A.S. which owns 84.3 per cent. of the shares of TEB A.S. In October 2006, Denizbank was acquired from the Zorlu Group by Dexia for U.S.\$2.4 billion. Latterly, in September 2012, Sberbank acquired 99.9 per cent. of Denizbank from Dexia for U.S.\$3.6 billion (subject to post-closing adjustments). In January 2007, Citigroup acquired a 20 per cent. stake in Akbank and later in the same year ING acquired Oyakbank for U.S.\$2.7 billion. More recently, in March 2011, General Electric Co. and Doğuş Holding A.Ş. sold their 18.6 per cent. and 6.3 per cent. stakes, respectively, in Garanti Bankası to Banco Bilbao Vizcaya Argentaria S.A. ("BBVA") for U.S.\$3.8 billion and U.S.\$2 billion, respectively. In December 2012, Burgan Bank SAK purchased 99.3 per cent. of Eurobank Tekfen A.S. for U.S. \$355 million. The Commercial Bank of Qatar (Q.S.C.) acquired 70.84 per cent. of Alternatif Bank A.Ş. in July 2013 by paying twice the book value at 30 June 2013. Finally, in July 2015, BBVA acquired an additional 14.89 per cent. of the shares of Garanti Bankası from Doğus Holding A.S., making it the majority shareholder of Garanti Bankası with 39.9 per cent. of overall shares.

The Turkish banking industry has undergone significant consolidation over the past decade, with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 as of 31 December 2008. The total number of banks remained at that level until February 2011, when Fortis Bank A.Ş. merged with Türk Ekonomi Bankası A.Ş. Since 2012, Odea Bank A.Ş., Bank of Tokyo-Mitsubishi UFJ Ltd., Intesa Sanpaolo S.p.A. and Rabobank A.Ş. started their operations in Turkey. In October 2012, Standard Chartered Bank purchased Credit Agricole Yatırım Bankası Türk Anonim Şirketi. On 2 April 2015, the BRSA announced that Commercial Bank of China acquired 75.5 per cent. of the shares of Tekstil Bank A.S. from GSD Holding A.S. In December 2015, National Bank of Greece entered into an agreement with QNB regarding the sale of its entire stake in Finansbank A.Ş., which share transfer was finalized in 2016. The Turkish government has recently established a sovereign wealth fund. While the structure, mandate and use of this fund are not yet clear, shares held by the government in certain banks and other companies, including T.C. Ziraat Bankası and Türkiye Halk Bankası, have been transferred to (or announced to be transferred to) this fund.

Development banks are funded by international banks and institutions such as the World Bank. Their objective is to provide medium and long-term financing to Turkish companies that cannot raise such funding easily through the market. These banks do not accept customer deposits.

In October 2014, one of Turkey's largest state-owned banks, T.C. Ziraat Bankası, was given permission by the BRSA to establish a participation bank with U.S.\$300 million capital. T.C. Ziraat Bankası received approval in January 2015 and launched its participation bank in May 2015. Also in January 2015, Vakıflar Bankası T.A.O. announced that it would apply for regulatory approval to establish a participation bank and received the approval in March 2015 and launched its participation bank.

The Banking Law permits commercial banks to engage in all areas of financial activities including deposit taking, corporate and consumer lending, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds and financial leasing activities). The Banking Law permits participation banks to engage in all areas of financial activities (other than accepting deposits).

# Public Sector Commercial Banks

There are three public sector commercial banks within Turkey, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit motives.

Through their broad branch networks and ownership structures, these banks have traditionally been able to collect a substantial amount of deposits and thereby access cost-efficient funding sources.

The following table sets out the three state-owned commercial banks in Turkey, ranked for size of assets under Turkish GAAP accounting principles as at the dates presented.

Bank	Total Assets as at 30 September 2017	Number of branches as at 30 September 2017
	(TRY in	millions)
Vakıflar Bankasi T.A.O	246,815	926
Türkiye Halk Bankası	279,726	969
T.C. Ziraat Bankası	408,186	1,802

According to the BRSA, total loans provided by these banks as at 30 June 2015 were TL 619,634 million.

# **Private Sector Commercial Banks**

Private sector commercial banks comprise full-service banks and corporate/trade finance-oriented banks. Private sector commercial banks can be divided into large and small branch network commercial banks. Most private sector banks belong to large industrial groups, which may provide additional support to the banks.

The following table ranks the larger branch network private sector commercial banks by asset size under BRSA accounting principles as at the dates presented.

Bank	Ownership	Total Assets as at 30 September 2017	Number of branches as at 30 September 2017
Türkiye İş Bankası A.Ş	Bank Pension Fund and Republican People's Party	(TRY in 346,439	millions)
Akbank T.A.Ş	Sabancı Group	293,065	826
Yapı ve Kredi Bankası A.Ş	Koç Financial Services	272,366	888
Türk Ekonomi Bankası A.Ş	TEB Holding A.Ş., BNP Yatırımlar Holding A.Ş. and BNP Paribas Employee Pension Funds, Samruk Kazyna and	81,029	515
Şekerbank	Şekerbank	28,147	273

Source: The Banks Association of Turkey.

The following table ranks the small branch network private sector commercial banks by asset size as at the dates presented.

Bank	Ownership	Total Assets as at 30 September 2017	Number of branches as at 30 September 2017
		(TRY in millions)	
Fibabanka A.Ş	Fiba Holding A.Ş.	18,670	80
Anadolubank A.Ş	Habas Group	14,208	111
Turkish Bank A.Ş	Mehmet Tanju Özyol	1,450	13
Adabank	Transferred to SDIF	57	1

Source: The Banks Association of Turkey.

Despite significant growth in the number of small commercial banks, larger commercial banks (both private and public) continue to dominate the banking sector. As at the date of this Prospectus, out of 8 privately owned commercial banks, apart from the three largest banks, there are five medium sized privately owned commercial banks. Two of these private sector commercial banks are smaller banks, which have, in aggregate, relatively negligible banking market share (i.e. having less than U.S.\$1 billion in total assets).

## Foreign Commercial Banks

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Turkey. As at the date of this Prospectus there are 24 foreign banks in total, 19 of which are locally incorporated banks and five of which are Turkish branches of foreign banks.

The table below indicates certain information regarding foreign commercial banks in Turkey, together with their asset size, under Turkish BRSA accounting principles as at the dates presented.

Bank	Ownership	Total Assets as at 30 September 2015	Number of branches as at 30 September 2015
		(TRY in	millions)
Türkiye Garanti Bankasi A.Ş	BBVA	311,042	950
Finansbank A.Ş	Qatar National Bank	119,987	580
Denizbank A.Ş	Sberbank of Russia	115,156	697
ING Bank A.Ş	ING Bank N.V.	50,105	266
Odea Bank A.Ş.	Bank Audi Sal and Audi	36,354	51
•	Saradar Private Bank Sal		
HSBC Bank A.Ş	HSBC Bank PLC	24,626	89
Alternatifbank A.Ş	Commercial Bank of Qatar	17,603	53
Burgan Bank A.Ş	Burgan Bank S.A.K.	15,499	47
ICBC Turkey Bank A.Ş	ICBC	11,360	44
Citibank A.Ş	Citi Group	8,508	7
Bank of Tokyo-Mitsubishi UFT	The Bank of Tokyo-Mitsubishi UFJ Ltd	8,463	1
Türkland Bank A.Ş	Arab Bank Suisse, Arab Bank and BankMed	5,525	33
Arap Türk Bankası A.Ş	Libyan Arab Foreign Bank Tripoli Libya	4,722	7
Deutsche Bank A.Ş	Deutsche Bank AG	3,690	1
Rabobank A.Ş.	Rabobank NV	1,402	1
Branches of Foreign Banks	Country of Incorporation		
Intesa Sanpaolo S.p.A	Italy	6,524	1
Bank Mellat	Iran	805	3
JP Morgan Chase Bank N.A	United States	497	1
Société Générale	France	225	1
Habib Bank Limited	Pakistan	177	1

Source: The Banks Association of Turkey

### **Development and Investment Banks**

Development banks are funded by the Central Bank, international banks and institutions such as the World Bank, the European Investment Bank and various export credit agencies. Their objective is to provide medium and long-term financing to large and medium sized companies on a project basis. Development banks do not accept deposits and are also active in foreign exchange and securities transactions. These banks are not subject to the Banking Law.

There are four state-owned, six privately-owned and three foreign development and investment banks in

Turkey. The following table sets out these banks and their assets and number of branches as at the dates presented.

Bank	Total Asset Total Assets as at 30 September 2017	Number of branches as at 30 September 2017
	(TRY in	millions)
State-owned Development Banks		
Türk Eximbank	81,118	10
Iller Bankası A.Ş	23,236	19
Istanbul Takas ve Saklama Bankası A.Ş	9,913	1
Türkiye Kalkinma Bankası A.Ş	7,936	1
Privately-owned Development and Investment Banks		
Türkiye Sınai Kalkinma Bankası A.Ş	27,225	3
Aktif Yatırım Bankası A.Ş	10,941	8
Nurol Yatırım Bankası A.Ş	1,908	1
GSD Yatırım Bankası A.Ş	309	1
Diler Yatırım Bankası A.Ş	134	1
Foreign Development and Investment Banks		
BankPozitif Kredı ve Kalkınma Bankası	1,356	1
Pasha Yatirim Bankast A.Ş.	799	1
Merrill Lynch Yatırım Bankası	394	1
Standard Chartered Yatırım Bankası Turk A.Ş	79	1

Source: The Banks Association of Turkey.

#### PARTICIPATION BANKS

As at the date of this Prospectus, there are currently five participation banks operating in Turkey, namely the Bank, Türkiye Finans Katılım Bankası A.Ş., Kuveyt Türk Katılım Bankası A.Ş., Ziraat Katılım Bankası A.Ş. and Vakif Katılım Bankası A.Ş. Participation banks are subject to the Banking Law and are permitted to engage in financial activities other than accepting deposits. Each of these participation banks is a member of The Participation Banks Association of Turkey, a cooperative organisation of Turkish participation banks.

Participation banks structure their products and provide services on an interest-free basis. Accordingly, participation banks may collect funds in two ways:

- (i) Special current accounts: special current accounts are instant access accounts on which no income is paid to holders although customers are entitled to full or partial return of principal; and
- (ii) **Participation accounts:** these are time deposit accounts with varying maturities. The funds are used by the participation bank to provide finance to its customers and the profits (net of the account holders' share of any losses) earned on such financing are shared between the Bank and the relevant account holders in a pre-defined ratio. The profit is either paid at maturity of the deposit or at preagreed periodic intervals.

Participation banks may designate special fund pools exclusively for the financing of pre-determined projects and other investments. Such funds are utilised in separate pools as per their maturities and are segregated from other pools of accounts. The BRSA must be informed within 15 days of the formalisation of special fund pools and must be updated as to the status of such pools at three-month intervals. Such special fund pools must remain apart for a minimum of one month and must be liquidated at the end of the financing period.

The table below sets out the five participation banks in Turkey, ranked by size of assets (non-consolidated basis) under Turkish GAAP accounting principles as at the dates presented.

Bank	Total Assets as at 30 September 2017	Number of branches as at 30 September 2017
	(TRY in th	housands)
Kuveyt Türk	54,569,619	393
Türkiye Finans	37,325,449	287
Albaraka Türk	33,826,640	220
Ziraat KatılımVakıf	12,043,555.8	63
Katılım	10,507,014	63

Source: The PBAT; BRSA

Note: As at the date of this Prospectus, Total Assets as at 30 September 2017 were unavailable from The PBAT

In 2013, the Turkish government announced the expansion of the participation banking sector in Turkey by establishing participation banks by the state owned banks. The Turkish government shall be issuing a new legislation based on which the state owned Turkish banks shall be entitled to either carry out participation banking activities or establish new participation banks. The Turkish Participation Banks Association has hosted a workshop regarding the participation banking and the interest free financing between 21 December 2013-23 December 2013 in Kızılcahamam, Ankara and it has been discussed whether the establishment of participation banks by the state owned banks shall be creating an unfair competition for the existing five participation banks in Turkey. The new public participation banks may have a positive impact on overall the market share enjoyed by participation banks and human resources in the participation banking sector, but it could also have a negative impact on Albaraka by increasing the competition which it faces.

# **COMPETITION**

The Turkish banking industry is highly competitive but the Bank's management believes that it is well-positioned to compete in the market. The Bank principally competes with the three other participation banks in Turkey but also faces competition from the rest of the Turkish banking industry.

The following table shows major shareholders, total assets and market shares of the five Turkish participation banks as at 30 June 2017 according to the BRSA data.

Bank	Major Shareholders	Assets (TL millions)	Assets market share	Loans market share(1)	Deposits market share	Branches
Albaraka Türk Katılım	Al Baraka Banking Group	34,217	23.9%	24.0%	25.2%	213
Bankası A.Ş. Türkiye Finans Katılım Bankası A.S.	(54.06%) National Commercial Bank (67.03%)	37,490	26.10%	26.0%	21.9%	287
Kuveyt Türk Katılım Bankası A.Ş.	Kuwait Finance House (62.24%)	55,022	36.36%	34.99%	39.59%	389
Ziraat Katılım Bankası A.Ş.	T.C. Ziraat Bankası A.Ş. (99.99%)	10,925	7.6%	8.6%	8.0%	56
Vakıf Katılım Bankası A.Ş.	T.C. Başbakanlık Vakıflar Genel Müdürlüğü (99.0%)	8,399	5.87%	5.45%	7.2%	45

#### OVERVIEW OF TURKISH BANKING SECTOR REGULATIONS

Turkish banks are governed by two primary regulatory authorities in Turkey, the BRSA and the Turkish Central Bank. The Savings Deposit Insurance Fund is also a regulatory authority which has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks.

In June 1999, the BRSA was established by the former Banks Act (Law No. 4389) (which has subsequently been replaced by the Banking Law No. 5411, (the "**Banking Law**"), which came into force upon publication in the Official Gazette dated 1 November 2005 and numbered 25983). The BRSA ensures that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The BRSA has administrative and financial autonomy.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of authority granted to it by the Banking Law. It is the sole regulatory and supervisory authority for the Turkish banking sector. The BRSA's role is to protect the rights and benefits of depositors and to establish a competitive, disciplined and efficient banking and financial sector within Turkey. Accordingly, the BRSA is authorised to undertake all necessary steps, within the limits of the autonomy granted to it by the Banking Law, to ensure it effectively monitors and regulates the Turkish banking sector.

The BRSA has responsibility for all banks operating in Turkey, including foreign and participation banks. The BRSA sets various mandatory ratios such as capital adequacy and liquidity ratios. In addition, all banks operating in Turkey must provide the BRSA, on a regular and timely basis, with information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examines all banking operations and analyses the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure. The BRSA's on-site supervision is conducted through a team of sworn bank auditors and other experts who are employed by the BRSA. In addition, the chairman of the BRSA has the authority to commission independent audit teams to examine specific matters within any bank.

Pursuant to the regulation regarding the internal systems and internal capital adequacy assessment process of Banks issued by the BRSA and published in the official gazette dated 11 July 2014 and numbered 29057, banks are obligated to establish, manage and develop, both for themselves and all of their consolidated affiliates, internal audit and risk management systems in line with the scope and structure of their organisations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. Furthermore, pursuant to Article 20 of the regulation, internal control personnel cannot also be appointed to work in a role which conflicts with their internal control duties.

The Turkish Central Bank ("Central Bank") was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the government's fiscal and monetary policies, regulation of the money supply, management of official gold and foreign exchange reserves, supervision of the banking system and advising the government on financial matters. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only institution authorised and responsible for the implementation of such monetary policy.

The Central Bank sets mandatory reserve levels and liquidity ratios. In addition, each bank must provide the Central Bank, with up to date, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports.

There are bank auditors, who are officially certified and responsible for the on-site examination of banks, implementing the provisions of the Banking Law and other related legislation, examining on behalf of the BRSA all banking operations and analysing the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

The Participation Banks Association of Turkey ("PBAT"), established in accordance with the Banking Law, acts as an organisation with limited supervision and coordination in respect of participation banks. All participation banks in Turkey are obliged to become members of this association. As the representative body of the participation banking sector, the association aims to examine, protect and promote its members' professional interests; however, despite its regulatory and disciplinary functions, it does not possess any powers to regulate participation banking. This remains the responsibility of the BRSA.

#### SHAREHOLDING

The direct or indirect acquisition by a person of shares that represent 10 per cent. or more of the share capital of any bank, or the direct or indirect acquisition or disposal of such shares by a person if the total number of shares held by such shareholder increases above, or falls below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the above thresholds, an assignment and transfer of preference shares to which attach the right to nominate a member to the board of directors or audit committee or the issuance of new shares with such preferences is also subject to the authorisation of the BRSA. In the absence of such authorisation, shareholders on such thresholds cannot be registered in the share ledger, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares. Additionally, the direct and indirect acquisition or the transfer of the shares of a legal entity owning more than 10 per cent. of the share capital of a bank is also subject to BRSA approval if such transfer directly or indirectly results in the total number of the shares held by a shareholder increasing above or falling below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of such legal entity. If such approval is not sought, then the relevant shares would merely entitle its owner to the dividend rights attaching to any such shares. In such case, the voting and other shareholder rights are exercised by the SDIF.

The board of directors of a bank is responsible for ensuring that shareholders attending general assembly's have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholder's rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to cancel any applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

### LENDING LIMITS

Turkish law sets out certain limits on the asset profile of banks and other financial institutions which are designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties), in particular:

• Credits extended in amounts of 10 per cent. or more of a bank's shareholders' equity are classified as major credits and the total of such credits cannot be more than eight times the bank's shareholders' equity (except for avals and sureties from the same risk group that the loan is extended to). In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests, payment of fees of movable and immovable property or services, profit and loss sharing investments, immovable equipment or property

procurement and financial leasing and similar methods for participation banks according to the Banking Law.

- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group (directly or indirectly) to 25 per cent. of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to an unincorporated the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20 per cent. of a bank's equity capital, subject to BRSA's discretion to increase such lending limit up to 25 per cent. or to lower it to the legal limit.
- Loans made available to a bank's controlling shareholders or registered shareholders holding more
  than 1 per cent. of the share capital of the bank and their risk groups may not in aggregate exceed
  50 per cent. of its equity capital.

Non cash loans, futures and option contracts and other similar contracts, warranties, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- transactions against cash, cash-like assets and accounts and precious metals;
- transactions carried out with the Undersecretariat of Treasury of the Republic of Turkey, Central Bank, Privatisation Administration of the Republic of Turkey and the Housing Development Administration of the Republic of Turkey, as well as the transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions;
- transactions carried out on markets established by the Central Bank and on money markets organised as per special laws;
- any increase in a credit resulting from an increase in the value of the respective currency and
  interests accrued and other charges on overdue credits provided that subsequently allocated credits
  in a foreign currency shall be taken into consideration at the exchange rate applied on the date of
  utilisation thereof for calculation of lines of credit in the event a new credit is allocated to the same
  person or the same risk group;
- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow;
- interbank operations within the framework of the principles set out by the BRSA;
- shares acquired within the framework of underwriting services for public offering activities, provided that such shares are disposed of in the time and manner determined by the BRSA;

- transactions considered as "deductibles" in the shareholders' equity calculation; and
- other transactions to be determined by the BRSA.

### LOAN LOSS RESERVES

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year in which they are set aside.

Procedures relating to loan loss reserves for NPLs are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. Pursuant to the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside published in the Official Gazette No. 26333 on 1 November 2006 and amended from time to time thereafter (the "Regulation on Provisions and Classification of Loans and Receivables"), banks are required to classify their loans and receivables into one of the following groups:

- Group I: Loans of a Standard Nature and Other Receivables: This Group involves loans and other receivables:
  - (a) that have been disbursed to financially creditworthy natural persons and legal entities;
  - (b) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;
  - (c) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and that can be fully collected; and
  - (d) for which no weakening of the creditworthiness of the applicable debtor has been found.

The terms of a bank's loans and receivables monitored in this Group may be modified if such loans and receivables continue to have the conditions envisaged for this Group.

- Group II: Loans and Other Receivables Under Close Monitoring: This Group involves loans and other receivables:
  - (e) that have been disbursed to financially creditworthy natural persons and legal entities and where the principal and interest payments of which there is no problem at present, but that need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialization of the latter or significant financial risk carried by the person utilizing the loan;
  - (f) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk;
  - (g) that are very likely to be repaid but collection of principal and interest payments have been delayed for more than 30 days from their due dates for justifiable reasons but not falling within the scope of "Loans and other Receivables with Limited Recovery" set forth under Group III below; or
  - (h) although the credit standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a loan customer has multiple loans and any of these loans is classified in Group II and others are classified in Group I, then all of such customer's loans are required to be classified in Group II.

The terms of a bank's loans and receivables monitored in this Group may be modified if such loans and receivables continue to have the conditions envisaged for this Group.

- Group III: Loans and Other Receivables with Limited Recovery: This Group involves loans and other receivables:
  - (a) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and in case the problems observed are not eliminated, they are likely to cause loss;
  - (b) the credit standing of whose debtor has weakened and where the loan is deemed to have weakened:
  - (c) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date; or
  - (d) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.
- Group IV: Loans and Other Receivables with Suspicious Recovery: This Group involves loans and other receivables:
  - (a) that seem unlikely to be repaid or liquidated under existing conditions,
  - (b) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement,
  - (c) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase, or
  - (d) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.
- Group V: Loans and Other Receivables Having the Nature of Loss: This Group involves loans and other receivables:
  - (a) that are deemed to be uncollectible;
  - (b) collection of whose principal or interest or both has been delayed by one year or more from the due date; or
  - (c) for which, although sharing the characteristics stated in Groups III and IV, the bank is of the opinion that they have become weakened and that the debtor has lost creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. Banks must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor loans under review and monitor the repayment of overdue loans and establish and operate systems to perform these functions. All provisions set aside for loans and other receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also requires Turkish banks to

provide a general reserve calculated at 1 per cent. of the total cash loan portfolio plus 0.2 per cent. of the total non-cash loan portfolio (i.e., letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in Group I, for which the general reserve is calculated at 0.5 per cent. of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in Group I, for which the general reserve is calculated at 0.1 per cent. of the total commercial non-cash commercial loan portfolio, (c) cash and non-cash loans defined in Group I for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve is calculated at 0 per cent.) for standard loans defined in Group I and a general reserve calculated at 2.0 per cent. of the total cash loan portfolio plus 0.4 per cent. of the total non-cash loan portfolio (i.e., letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in Group II (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, and activities resulting in gains of foreign currency, for which the general loan loss reserve is calculated at 1.0 per cent. and (ii) non-cash loans related to the items stated in (i) for which the general loan loss reserve is calculated at 0.2 per cent.). The exceptions regarding the loan loss reserve calculation stated above will be applied to the respective loans defined in Group I and Group II until 31 December 2017. For payment obligations arising from the relevant law in relation to a cheque slip that was delivered by a bank at least five years previously, 25 per cent. of the non-cash rates referred to above will be applied.

In order to support certain sectors, on 7 April and 5 August 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to loans and other receivables that banks provide to borrowers operating in the tourism and energy industries. These provisional articles provided that (among other things) the terms of loans and other receivables that are granted to these borrowers and classified under Group II (Loans and Other Receivables *Under Close Monitoring*) may be modified up to two times until 31 December 2016. If at least 10 per cent. of the total receivables have been repaid, then such loan or other receivable may be re-classified under Group I (Loans of a Standard Nature and Other Receivables) to the extent the terms set out in the new loan agreement are satisfied. If the terms of a loan or other receivable are modified for the second time and such loan or other receivable is re-classified under Group II from Group I or continues to be monitored under Group II due to not satisfying the conditions for re-classification under Group I, then these may be reclassified under Group I only if at least 15 per cent. of the total receivables have been repaid. If there was additional funding in the second modification of a loan or other receivable, then these will be classified under Group III (Loans and Other Receivables with Limited Recovery) until at least 5 per cent. of the total receivables are repaid. The banks may re-classify loans and other receivables with modified terms under Group III (Loans and Other Receivables with Limited Recovery), Group IV (Loans and Other Receivables with Suspicious Recovery) and Group V (Loans and Other Receivables Having the Nature of Loss) as per the applicable provisions of the Regulation on Provisions and Classification of Loans and Receivables.

On 14 December 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional article 12 states that (among other things) the loans and other receivables classified as NPLs by the banks may be restructured up to two times until 31 December 2017. Such restructured loans may be classified under Group II (Loans and Other Receivables Under Close Monitoring) if: (a) in the first restructuring, there is no overdue debt as of the date of the re-classification and the last three payments prior to the date of the reclassification have been made in a timely manner and in full, and (b) in the second restructuring, there is no overdue debt as of the date of the re-classification and the last six payments prior to the date of the reclassification have been made in a timely manner and in full. Banks must continue to reserve the required provisions during such restructuring period. Loans and other receivables classified under Group II after the restructuring are monitored under the "Renewed/Restructured Loans Account". Information regarding renewed/restructured loans and other receivables is required to be disclosed in the annual and interim financial reports of the banks. Furthermore, the provisional article 13 (which entered into force retroactively as of 21 July 2016) states (among other things) that the delay periods of payments stipulated for the loans defined in Group II, Group III, Group IV and Group V may be counted as of 21 January 2017 for the obligations of the credit debtors that have been liquidated, assigned to the Directorate General of Foundations or the Undersecretariat of Treasury or to which the SDIF is assigned as the trustee as per the Decrees enforced within the scope of the state of emergency declared in Turkey by the Decree of the Council of Ministers dated 20 July 2016 and for: (i) public officials who have been discharged from their positions within the scope of the state of emergency and (ii) real persons and legal entities the assets of which are subject to injunctions within the scope of the state of emergency.

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and prefinancing loans without letters of guarantee of a bank is higher than ten times its equity calculated pursuant to banking regulations, a 0.3 per cent. general provision ratio is required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA may apply the same ratio or a higher ratio as the general reserve requirement ratio.

In addition to the general provisions, specific provisions must be set aside for the loans and receivables in Banks III, IV and V at least in the amounts of 20 per cent., 50 per cent. and 100 per cent., respectively. An amount equal to 25 per cent. of the specific provisions set forth in the preceding sentence is required to be set aside for each check slip of customers who have loans under Groups III, IV and V, which checks were delivered by the bank at least five years previously; however, if a bank sets aside specific provisions at a rate of 100 per cent. for NPLs, then it does not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously; *provided* that a registered letter has been sent to the relevant customer requiring it to return the check slips to the bank in no later than 15 days.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as "NPLs". If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as an NPL, then all outstanding risks of such loan customer are classified in the same group as the NPLs even if such loans would not otherwise fall under the same group as such NPLs. If an NPL is repaid in full, then the other loans of the loan customer may be re-classified into the applicable Bank as if there were no related NPL.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase these provision rates taking into account the sector and country risk status of the borrower.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: (a) cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements and funds gained from repo transactions over notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Undersecretariat of Treasury, the Housing Development Administration of Turkey or the Privatization Administration and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the applicable bank, (b) transactions executed with the Undersecretariat of Treasury, the Central Bank, the Housing Development Administration of Turkey or the Privatization Administration and transactions made against notes, debenture bonds, lease certificates issued under the Law on Regulating or guaranteed by the ECB or guarantees and sureties given by the ECB, (f) sureties, letters of guarantee, avals and acceptance and endorsement of non-cash loans issued by banks operating in Turkey in compliance with their maximum lending limits and (g) bonds, debentures and covered bonds issued, or lease certificates the underlying assets of which are originated, by banks operating in Turkey.

Category II Collateral: (a) precious metals other than gold, (b) shares quoted on a stock exchange and Atype investment profit sharing funds, (c) asset-backed securities and private sector bonds except ones issued by the borrower, (d) credit derivatives providing protection against credit risk, (e) the assignment or pledge of accrued entitlements of real and legal persons from public agencies, (f) liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value, (g) mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate, provided that their appraised value is sufficient, (h) export documents based upon marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, (i) bills of exchange stemming from actual trading relations, which are received from natural persons and legal entities, (j) insurance policies for trade receivables and (k) CGF guarantees not benefitting from Treasury support.

Category III Collateral: (a) commercial enterprise pledges, (b) other export documents, (c) auto pledges, commercial route license pledges and commercial auto license pledges, (d) mortgages on aircraft or ships,

(e) sureties from real or legal persons whose creditworthiness is higher than the debtor itself and (f) promissory notes of real and legal persons.

Category IV Collateral: any other security not otherwise included in Category I, II or III.

Assets owned by banks and leased to third parties under financial lease agreements must also be classified in accordance with the above-mentioned categories.

When calculating the special provision requirements for NPLs, the value of collateral received from an applicable borrower is deducted from such borrower's loans and receivables in Groups III, IV and V above in the following proportions in order to determine the amount of the required reserves:

Category	Discount Rate		
Category I collateral	100%		
Category II collateral	75%		
Category III collateral	50%		
Category IV collateral	25%		

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether Group III, IV or V) for at least the subsequent six-month period and, within such period, provisions continue to be set aside at the special provision rates applicable to the group in which they are included. After the lapse of such six-month period, if total collections reach at least 15 per cent. of the total receivables for restructured loans, then the remaining receivables are reclassified to the "Renewed/Restructured Loans Account". The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; provided that at least 20 per cent. of the principal and other receivables are collected on a yearly basis.

On 14 December 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional article 12 states that (among other things) the loans and other receivables classified as frozen receivables by the banks may be restructured up to two times until 31 December 2017. Such restructured loans may be classified under Group II (Loans and Other Receivables Under Close Monitoring) if: (a) in the first restructuring, there is no overdue debt as of the date of the re- classification and the last three payments prior to the date of the re-classification have been made in a timely manner and in full, and (b) in case of the second restructuring, there is no overdue debt as of the date of the re-classification and the last six payments prior to the date of the re-classification have been made in a timely manner and in full. Banks must continue to reserve the required provisions during such restructuring period. Loans and other receivables classified under Group II (Loans and Other Receivables Under Close Monitoring) after the restructuring are monitored under the "Renewed/Restructured Loans Account". Information regarding renewed/restructured loans and other receivables is required to be disclosed in the annual and interim financial reports of the banks.

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries.

In June 2016, the BRSA published a regulation (which is amended from time to time) that will replace the Regulation on Provisions and Classification of Loans and Receivables as of 1 January 2018 in order to ensure compliance (by 1 January 2018) with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint program of the IMF and the World Bank.

Investors should note that group classification and provisions levels for periods before and after 1 January 2018 will not be directly comparable. The Classification of Loans and Provisions Regulation requires the banks to classify their loans and receivables into one of the following groups:

- (a) *Group I: Loans of a Standard Nature and Other Receivables:* This group involves each loan (which, for purposes of the Classification of Loans and Provisions Regulation, includes other receivables; and shall be understood as such elsewhere in this Base Prospectus):
  - (i) that has been disbursed to financially creditworthy natural persons and legal entities;
  - (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor:
  - (iii) repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no reimbursement problems are expected in the future, and that have the ability to be collected in full without recourse to any security;
  - (iv) for which no weakening of the creditworthiness of the applicable debtor has been found; and
  - (v) to which 12 month expected credit loss reserve applies under TFRS 9.
- (b) Group II: Loans Under Close Monitoring: This group involves each loan:
  - (i) that has been extended to financially creditworthy natural and legal persons and where negative changes in the debtor's solvency or cash flow have been observed or predicted due to adverse events in macroeconomic conditions or in the sector in which the debtor operates, or other adverse events solely related to the respective debtor;
  - (ii) that needs to be closely monitored due to reasons such as significant financial risk carried by the debtor at the time of the utilisation of the loan;
  - (iii) in connection with which problems are likely to occur as to principal and interest payments under the conditions of the loan agreement, and where such problems (in case not resolved) might result in non-payment risk before recourse to any security;
  - (iv) although the credit standing of the debtor has not weakened in comparison with its credit standing on the day the loan is granted, there is likelihood of such weakening due to the debtor's irregular and unmanageable cash flow;
  - (v) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following any payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in credit standing;
  - (vi) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9;
  - (vii) repayments of which are fully dependent upon security and the net realisable value of such security falls under the receivable amount;
  - (viii) that has been subject to restructuring when monitored under Group I or Group II without being subject to classification as an NPL; or
  - (ix) that has been subject to restructuring while being monitored as an NPL and classified as a performing loan upon satisfaction of the relevant conditions stated in the regulation.
- (c) Group III: Loans with Limited Recovery: This group involves each loan:
  - (i) in connection with which the debtor's creditworthiness has weakened;
  - (ii) that demonstrates limited possibility for the collection of the full amount due to the insufficiency of net realisable value of the security or the debtor's resources to meet the collection of the full amount on the due date without any recourse to the security, and that would likely result in losses in case such problems are not resolved;

- (iii) collection of the principal and interest (or both) of which has/have been delayed for more than 90 days but not more than 180 days from the payment due date;
- (iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the payment due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or other adverse events solely related to the debtor; or
- (v) that has been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of restructuring or have been subject to another restructuring within a year of a previous restructuring.
- (d) Group IV: Loans with Suspicious Recovery: This group involves each loan:
  - (i) principal and/or interest payments of which will probably not be repaid in full under the terms of the loan agreement without recourse to any security;
  - (ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not considered as an actual loss due to expected factors such as merger, the possibility of finding new financing or a capital increase to enhance the debtor's credit standing or the possibility of the credit being collected;
  - (iii) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following any payment due date (including the maturity date); or
  - (iv) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following any payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.
- (e) Group V: Loans Having the Nature of Loss: This group involves each loan:
  - (i) for which, as a result of the complete loss of the debtor's creditworthiness, no collection is expected or only a negligible part of the total receivable amount is expected to be collected;
  - (ii) although having the characteristics stated in Groups III and IV, the collection of the total receivable amount of which, albeit due and payable, is unlikely within a period exceeding one year; or
  - (iii) the collection of principal and/or interest payments of which has been overdue for more than one year following any payment due date.

Pursuant to the Classification of Loans and Provisions Regulation, loans: (a) that are classified under Groups III, IV and V, (b) the debtors of which are deemed to have defaulted pursuant to the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches (published in the Official Gazette dated 23 October 2015 and numbered 29511) or (c) to which, as a result of debtor's default, the lifetime expected credit loss reserve applies under TFRS 9 are classified as NPLs. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in case where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in clause (a), (b) or (c). If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs; however, for consumer loans, even if any of these loans is classified as an NPL, other consumer loans granted to the same debtor may be classified in the respective applicable group other than Group I.

The Classification of Loans and Provisions Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. As for the reclassification of loans, banks are required to evaluate such loans with a view to whether such loans are to be reclassified under different groups, which evaluation is to be made at least once during each three-month financial statement term or (irrespective of this period) upon the occurrence of developments in macroeconomic circumstances or the sector in which the respective debtor operates that pose risk on such debtor's performance of its obligations.

Such evaluation shall be conducted independently from the credit and risk analysis made at the time of the extension of the loan.

The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as NPL have been collected in full without any recourse to any security, (b) as of the date of the reclassification, there has not been any overdue repayment and the last two repayments preceding such date (except the repayments mentioned in clause (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Group I or II have been fulfilled. Furthermore, loans that have been fully or partially excluded from the assets of the banks, security for which has been enforced to satisfy the debt or repayment of which has been made in kind, cannot be classified as a performing loan.

The restructuring of a loan is defined as privileges granted to a debtor who faces or would probably face financial difficulties in relation to the repayment of the loan, which privileges would not be granted to other debtors not facing such repayment difficulties. These privileges consist of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL at least for one year following restructuring, (iii) as of the date of reclassification as a Group II loan, there has not been any delay in principal and/or interest payments nor are there any expectation of any such delay in the future, and (iv) overdue payments and/or principal payments excluded from assets in relation to the restructured loan have been collected. Furthermore, such restructured NPL being reclassified as a performing Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10 per cent. of the outstanding debt amount has been repaid during such one year monitoring period, (C) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (D) the financial difficulty that led to the restructuring of the loan no longer exists.

Pursuant to the Classification of Loans and Provisions Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; *however*, the BRSA may, on exceptional basis, authorise a bank to apply the applicable provisions set forth in the Classification of Loans and Provisions Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, "twelve-months expected credit loss reserve" and "lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor" are considered as general provisions while "lifetime expected credit loss reserve set aside due to debtor's default" is considered as special provisions.

Banks that have been authorised not to apply provisions under TFRS 9 are required to determine their general and special provisions in accordance with Articles 9 and 10 of the Classification of Loans and Provisions Regulation. In this respect, such banks shall set aside general provisions for at least 1.5 per cent. and 3.0 per cent. of their total cash loans portfolio under Groups I and II, respectively. For non-cash loans, undertakings and derivatives, general provisions to be set aside shall be calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the 2015 Capital Adequacy Regulation. Subject to the presence of a written pledge or assignment agreement, loans secured with cash, deposit, participation funds and gold deposit accounts, bonds that are issued by the Turkish government and the Central Bank and guarantees and sureties provided by such are not subject to the general set aside calculation. Loans extended to the Turkish government and the Central Bank are not to be considered in such calculation. As to special provisions, banks are required to comply with provision rules for NPLs under Groups III, IV and V at 20 per cent, 50 per cent, and 100 per cent, respectively.

For both general provisions and special provisions, banks are required to consider country risks and transfer risks. In addition, the BRSA may increase such provision requirements depending upon the size, type, due date, currency, interest structure, sector to which it is extended, geographic circumstances, security and concentration in time in the context of credit risk level and management.

Given the nature of the Group's operations, TFRS 9 is expected to impact the Group's financial statements, in particular the calculation of impairment of financial instruments on an expected credit loss basis, which, in turn, is expected to result in a change in the overall level of impairment allowance; *however*, such impact cannot be quantified until the Group's assessment is complete.

## **CAPITAL ADEQUACY**

Pursuant to Article 45 of the Banking Law Capital Adequacy is defined as having adequate equity against losses that could arise from the risks encountered. The banks must calculate, and report their capital adequacy ratio, which cannot be less than 8 per cent.

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, by taking into account each bank's internal systems as well as its asset and financial structures. The Bank's minimum total capital adequacy ratio as required by the BRSA is (as of the date of this Prospectus) 8 per cent.. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4 per cent. higher than the legal capital ratio of 8 per cent..

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee on Banking Supervision (the "Basel Committee") in December 2010 and revised in June 2011 (i.e., Basel III) the Regulation on Equities of Banks and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks were published by the BRSA in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into force on 1 January 2014 (the "2013 Equity Regulation") and the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in the Official Gazette dated 23 October 2015 and numbered 29511 (the "2015 Capital Adequacy Regulation") entered into force on 31 March 2016. The 2013 Equity Regulation defines capital of a bank as the sum of: (a) principal capital (i.e., Tier 1 capital), which is composed of core capital (i.e., Common Equity Tier 1 capital) and additional principal capital (i.e., additional Tier 1 capital) and (b) supplementary capital (i.e., Tier 2 capital) minus capital deductions. Pursuant to the 2015 Capital Adequacy Regulation (as so amended): (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5 per cent. and (ii) both the minimum Tier 1 capital adequacy ratio and the minimum consolidated Tier 1 capital ratio are 6.0 per cent..

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués on various matters, such as internal capital adequacy ratios and internal systems, in accordance with the Basel Committee's RCAP, which is conducted by the BIS with a view to ensure Turkey's compliance with Basel regulations. These amendments relating to the 2013 Equity Regulation and the 2015 Capital Adequacy Regulation entered into force on 31 March 2016.

The 2015 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. According to such regulation, the risk weights of foreign currency-denominated claims against the Central Bank in the form of required reserves were increased from 0 per cent. per cent. to 50 per cent.; however, on 24 February 2017, the BRSA published a decision that enables banks to use a 0 per cent. risk weight for foreign currency required reserves in the Central Bank.

On the other hand, the 2015 Capital Adequacy Regulation lowered the risk weights of certain assets, including reducing: (a) the risk weights of residential mortgage loans from 50 per cent. to 35 per cent. and (b) the risk weights of consumer loans qualifying as retail loans (*perakende alacaklar*) (excluding residential mortgage loans and credit cards) and installment payments of credit cards from a range of 100 per cent. to 250 per cent. (depending upon their outstanding tenor) to 75 per cent. (irrespective of their tenor); *provided* that such receivables are not reclassified as NPLs (*donuk alacaklar*).

Amendments to the 2013 Equity Regulation introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional Tier 1 and Tier 2 instruments prior to 1 January 2014. While the Bank does not have any additional Tier 1 instruments, according to these amendments, Tier 2 instruments that were issued (among others): (a) between 12 September 2010 and 1 January 2013 (so long as they satisfied the New Tier 2 Conditions other than the condition stated in sub-clause (i) of the New Tier 2 Conditions (i.e., the condition regarding the loss absorption due to the cancellation of a bank's license or transfer of Management to the SDIF pursuant to Article 71 of the Banking Law)) will be included in Tier 2 calculations after being reduced by 20 per cent. for the period between 1 January 2014 and 31 December 2014 and by 10 per cent. for each subsequent year (the calculations being made based upon the total amount of the debt instruments as of 1 January 2013) and (b) after 1 January 2013 will be included in Tier 2 calculations only if they satisfy all of the New Tier 2 Conditions.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital conservation buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks is 1.25 per cent. for 2017, which will be phased to 2.5 per cent. through 2019. The BRSA has published: (a) its decision dated 18 December 2015 No. 6602 regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 No. 6619 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0 per cent. of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio might fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA. While deciding on the countercyclical capital buffer, the BRSA will rely upon the credit-to-GDP gap as a common reference point in line with the guidance of the BIS. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, which entered into force on 1 January 2014 (with the exception of certain provisions that entered into effect on 1 January 2015) and seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks. Lastly, the Regulation on Liquidity Coverage Ratios seeks to ensure that a bank maintains an adequate level of unencumbered, highquality liquid assets that can be converted into cash to meet its liquidity needs for a 30-calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100 per cent. in respect of total consolidated and non-consolidated liquidity and 80 per cent. in respect of total consolidated and non-consolidated foreign exchange liquidity; however, pursuant to the BRSA Decision on Liquidity Ratios, for a period between 5 January 2015 and 31 December 2015, such ratios were applied as 70 per cent. and 50 per cent., respectively, in 2016 and such ratios shall be (and have been) applied in increments of ten percentage points for each year from 1 January 2017 until 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes non-compliance that has already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including non-compliance that has already been remedied.

Under the 2013 Equity Regulation, debt instruments and their issuance premia could be included either in additional Tier 1 capital or in Tier 2 capital subject to certain conditions; however, as of 31 March 2016, such amount is required to be reduced (for purposes of calculating capital) by any investment by a Turkish bank in additional Tier 1 or Tier 2 capital of another bank or financial institution holding such Turkish bank's additional Tier 1 or Tier 2 capital, as applicable.

In accordance with Basel III rules, each bank is required to prepare an internal capital adequacy assessment process report (the "ICAAP Report") representing its own assessment of its capital requirements. The first ICAAP Report covering the activities of Albaraka in Istanbul, Turkey was submitted to the BRSA on 27 June 2013. Subsequent filings of the ICAAP Report are required to be made at the end of March in each year.

Please see the section Basel Committee – Basel III below for further details on the abovementioned new regulations.

The Regulation on Equities of Banks, debt instruments and their issuance premium can be included either in additional Tier I capital or in Tier II capital subject to certain conditions; however, such amount is required to be reduced by the amount of any cash credit extended to creditors holding 10 per cent. or more of such debt instruments of a bank (or to any person within such creditors' risk group).

Tier II Rules set forth under the Regulation on Equities of Banks

According to the 2013 Equity Regulation, which came into force on 1 January 2014, Tier 2 capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as

the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the Board of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "Tier 2 Conditions")

- (a) the debt instrument must be issued by the bank and registered with the CMB and must be fully paid in cash;
- (b) the debt instrument must have priority over debt instruments that are included in additional Tier I capital and must be subordinated with respect to rights of deposit holders and all other creditors;
- (c) the debt instrument must not be related to any derivative operation or contract breaching the condition set forth in clause (b) nor can it be tied to any guarantee or security, directly or indirectly;
- (d) the debt instrument must have an initial maturity of at least five years and must not include any provision that may incentivises prepayment, such as dividends and increase of interest rate;
- (e) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and subject to the approval of the BRSA. The BRSA approval is subject to the following conditions:
  - the bank cannot create any market expectation that the option will be exercised by the bank,
  - (ii) the debt instrument must be replaced by another debt instrument either of the same quality or higher quality, and such replacement must not have a restrictive effect on the bank's ability to sustain its operations, or
  - (iii) following the exercise of the option, the equity of the bank must exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the 2015 Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Countercyclical Capital Buffer, (B) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; provided that the above conditions in clause (e) are met and the BRSA approves,

- (f) the debt instrument must not provide for acceleration except in the case of a bankruptcy or dissolution process relating to the issuer;
- (g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer;
- (h) the debt instrument must not be: (i) purchased by the issuer or by entities directly or indirectly controlled by the issuer; or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself;
- (i) if there is a possibility that the bank's operating license would be cancelled or the probability of transfer of management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law, temporary or permanent removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates would be possible if the BRSA so decides;
- (j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above.; and
- (k) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described under clause (e).

In addition, procedures and principles regarding the deduction of the debt instrument's value and/or removal of the debt instrument from the bank's records, and/or the debt instrument's conversion to shares, are determined by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the Tier II Conditions (except the issuance and registration with the CMB) are met also can be included in Tier II capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the 2013 Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by the Bank to calculate the credit risk amount of such receivables) in Tier 2 capital such that: (a) the portion of general provisions that exceeds 1.25 per cent. of the risk-weighted sum of the receivables and/or (b) the portion of surplus of provisions and capital deductions that exceeds six parts per 1,000 of the receivables to which they relate is not taken into consideration.

The BRSA may require new conditions for each debt instrument in addition to the Tier II Conditions set forth above.

Applications to include debt instruments or loans into Tier II capital must be accompanied with the original copy or a notarised copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy to the BRSA within five business days of the signing of such agreement). The 2013 Equity Regulation provides that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the Board confirming that such difference does not affect Tier 2 capital qualifications is required to be submitted to the BRSA within five business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the interest rate is not explicitly indicated in the loan agreement or the prospectus of the debt instrument (borçlanma araci izahnamesi), or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital.

Debt instruments and loans which are approved by the BRSA are included in accounts of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years maturity, shall be included in Tier II capital calculations after being reduced by 20 per cent. each year.

#### Basel Committee

Basel II. The main difference between the capital adequacy regulations which were in effect before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The Basel II regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the Basel II regulations on the capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. Whereas the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Central Bank, the Basel II rules requires that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50 per cent. risk weighting for Turkey. The Turkish rules implementing the Basel principles in Turkey revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign currency-denominated claims on the Central Bank will have a 0 per cent. risk weight. According to the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, the risk weights of foreign currency-denominated reserves on the Central Bank in the form of required reserves were increased from 0 per cent. to 50 per cent.; however, on 24 February 2017, the BRSA published guidance to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0 per cent. risk weight. As a result of these implementation rules, the impact of the new regulations has been fairly limited when compared to the previous regime.

Basel III. The Turkish banks' capital adequacy requirements may be further affected by Basel III including requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk

measurements, which are expected to be implemented between 2014 and 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and issued the following regulations and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to 2012 Capital Adequacy Regulation, which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier I capital, whereas the amendments to the previous Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 2012 and numbered 28337 and entered into force on 1 July 2012 (the "2012 Capital Adequacy Regulation"): (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier 1 capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and nonconsolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) changed the risk weights of certain items that are categorized under "other assets". The 2013 Equity Regulation has also introduced new Tier 2 rules and determined new criteria for debt instruments to be included in the Tier 2 capital. In order to further align Turkish banking legislation with Basel principles, the BRSA also amended some of its other regulations and communiqués as published in the Official Gazette dated 23 October 2015, No. 29511 and 20 January 2016, No. 29599, which amendments also entered into force on 31 March 2016.

The BIS reviewed Turkey's compliance with Basel regulations within the scope of the Basel Committee's RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards.

If the Bank is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

On 23 February 2016, the BRSA issued a domestic systemically important banks ("**D-SIBs**") regulation (the "**D-SIBs Regulation**") in line with the Basel Committee standards, introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The BRSA defines D-SIBs according to their size, complexity and impact on the financial system and economic activity. The banks are to be classified under four categories based upon a score set by the BRSA and will be required to keep additional core Tier 1 capital buffers up to a further 3 per cent. buffer for Group 4 banks, 2 per cent. for Group 3, 1.5 per cent. for Group 2 and 1 per cent. for Group 1. In 2016, capital buffer requirements for D-SIBs were introduced at one-fourth of the full requirements (i.e., Group 4: 0.75 per cent.; Group 3: 0.5 per cent., Group 2: 0.375 per cent.; and Group 1: 0.25 per cent.). The buffers are to be fully implemented by 2019.

## LIQUIDITY RESERVE REQUIREMENT

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures to be set out by the BRSA. Within this framework, a comprehensive liquidity arrangement was put into force by the BRSA, following the consent of the Central Bank.

The reserve requirements regarding foreign currency liabilities vary by category, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio for Liabilities
Demand deposits, notice deposits and private current accounts, precious metal	12%
deposit accounts, deposits/participation accounts up to 1-month, up to 3-month,	
up to 6-month and up to 1-year maturities	
Deposits/participation accounts and precious metal deposit accounts, with 1-	8%
year and longer maturity and cumulative deposits/participation accounts	
Liabilities other than deposits/participation funds up to 1-year maturity	24%
(including 1-year)	
Liabilities other than deposits/participation funds up to 2-year maturity	19%
(including 2-year)	

Liabilities other than deposits/participation funds up to 3-year maturity	14%
(including 3-year)	
Liabilities other than deposits/participation funds up to 5-year maturity	6%
(including 5-year)	
Liabilities other than deposits/participation funds longer than 5-year maturity	6%
Special fund pools	Ratios for
	corresponding
	maturities

The reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

	Required
Category of Turkish Lira Liabilities	Reserve Ratio
Demand deposits, notice deposits and private current accounts	10.5%
Deposits/participation accounts up to 1-month maturity (including 1-month)	10.5%
Deposits/participation accounts up to 3-month maturity (including 3-month)	10.5%
Deposits/participation accounts up to 6-month maturity (including 6-month)	7.5%
Deposits/participation accounts up to 1-year maturity	5.5%
Deposits/participation accounts with 1-year and longer maturity and cumulative	
deposits/participation accounts	4%
Liabilities other than deposits/participation funds up to 1-year maturity (including	
1-year)	10.5%
Liabilities other than deposits/participation funds up to 3-year maturity (including	
3-year)	7%
Liabilities other than deposits/participation funds with longer than 3-year maturity.	4%
	Ratios for
	corresponding
Special fund pools	maturities above

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (i) a portion of the Turkish Lira reserve requirements in U.S. dollars and another portion of the Turkish Lira reserve requirements in standard gold and (ii) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only.

According to the Regulation on Liquidity Coverage Ratios, a bank is required to maintain an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. In this context, the BRSA Decision on Liquidity Ratios provides that, for the period from 5 January 2015 to 31 December 2015, the minimum total liquidity coverage ratios and foreign currency coverage ratios for deposit banks were 60 per cent. and 40 per cent., respectively, and (in the absence of any new arrangement) such ratios shall be (and have been) increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- its total liabilities;
- its total non-cash loans and obligations;
- its revocable commitments multiplied by 0.1;
- the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate; and
- its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

		Additional Reserve
Calculation Period for the Leverage Ratio	Leverage Ratio	Requirement
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2015 (inclusive)	Below 3.0%	2%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

#### FOREIGN EXCHANGE REQUIREMENTS

The weekly average of the absolute values of the standard ratios of a bank's foreign exchange net position to its capital base calculated over the working days in weeks should not exceed 20 per cent. based on both consolidated and unconsolidated financials. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank and its foreign branches, its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds 20 per cent., then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

#### **AUDIT OF BANKS**

According to Article 24 of the Banking Law, banks' boards of directors shall establish audit committees for the performance of audit and monitoring functions. Audit committees shall consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems, the functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and the integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation and operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the regulation of the BRSA related to the authorisation and activities of independent firms to perform auditing of banks. Independent auditors are held liable for damages and losses to relevant parties referred to under the same legislation. Professional liability insurance is required for (a) independent auditors and (b) evaluators, rating agencies and certain other outsourcing services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. The Internal Systems Regulation established standards as to

principles of internal control, internal audit and risk management systems and an internal capital adequacy assessment process in order to bring such regulations into compliance with Basel II requirements.

In 2015 and 2016, the BRSA issued certain amendments to the Internal Systems Regulation to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entered into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among others things, new stress test requirements. Accordingly, the Board and senior management of a bank are required to ensure that a bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on the Borsa Istanbul. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

All banks (public and private) also undergo an annual audit by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through off-site examinations.

In 2015, the BRSA amended the Regulation on Principles and Procedures of Audits to expand the scope of the audit of banks in compliance with the Internal Systems Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

## THE SDIF

Article 111 of the Banking Law relates to the SDIF and its principles. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits and participation funds of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits and participation funds held with banks. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

## (a) Insurance of Deposits and Participation Funds

Pursuant to Article 63 of the Banking Law, savings deposits and participation funds (belonging to real persons) held with banks are insured by the SDIF. The scope and amount of savings deposits and participation funds subject to the insurance, the tariff of the risk-based insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon consultation with the Undersecretariat of the Treasury, the BRSA and the Central Bank.

## (b) Borrowings of the SDIF

Under Article 131 of the Banking Law, the SDIF may, in extraordinary situations, borrow with the authorisation of the Undersecretariat of the Treasury and/or, if necessary, the Undersecretariat of the Treasury can issue government securities, the proceeds of which shall be allocated to the SDIF. The principles and procedures regarding government debt securities, including their interest rates and terms and conditions of repayment to the Undersecretariat of the Treasury, are to be determined together by the Undersecretariat of the Treasury and the SDIF.

#### (c) Power to require Advances from Banks

If the assets of the SDIF do not meet the demands and the resources of the SDIF are insufficient, then (subject to the consent of the BRSA) banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations.

#### (d) *Contribution of the Central Bank*

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

## (e) Savings Deposits and Participation Funds that are not subject to Insurance

Deposits and participation funds held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the BRSA are not covered by insurance.

#### (f) Premiums as an Expense Item

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

#### (g) Liquidation

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Enforcement and Bankruptcy Act, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

#### (h) Claims

In the event of the bankruptcy of a bank, holders of savings deposits and participation funds will have a first-degree privileged claim in respect of the part of their deposit and participation fund that is not covered by the SDIF.

Up to TL 100,000 of the amounts of deposit accounts and participation funds benefit from the SDIF insurance guarantee.

#### CANCELLATION OF BANKING LICENSE

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between the expenses and profit;
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient;
- the quality of assets of such bank have been impaired in a manner potentially weakening its financial structure;

- the by-laws and regulations of such bank are in breach of the Banking Law or relevant regulations or the decisions of the BRSA;
- the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the supervision of such systems, or any factor impedes the audit; or
- imprudent acts of such bank's managers materially increase or weaken the bank's financial structure,

then the BRSA may require the board of directors of such bank:

- to increase its equity capital;
- not to distribute dividends for a period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to stop extension of loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit or stop its new investments;
- to restrict payment of fees and other types of payments;
- to cease its long term investments;
- to comply with the relevant banking legislation;
- to cease its risky transactions, by re-evaluating its credit policy;
- to take all actions to decrease any maturity foreign exchange and interest rate risks; and/or
- to exercise other necessary actions to be determined by the BRSA,

for a period determined by BRSA and in accordance with a plan approved by the BRSA.

In the event the aforementioned actions are not taken (in whole or in part) by that bank or its financial structure cannot be strengthened despite its having taken such actions, or its financial structure has become so weak that it could not be strengthened, then the BRSA may require such bank:

- to strengthen its financial structure, to increase its liquidity and/or capital adequacy;
- to dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA;
- to decrease its operational and management costs;
- to postpone its payments under any name whatsoever, excluding the regular payments to be made to its members;
- to limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- to convene an extraordinary general assembly in order to change the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for non-compliance with relevant legislation or increase of risks as stipulated above by the failure to apply the aforementioned actions;

- to implement short, medium or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank; and/or
- to exercise other necessary actions to be determined by the BRSA.

In the event the aforementioned actions are not (in whole or in part) taken by that bank or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSA may require such bank:

- to limit the scope of its business or cease its business or its whole organisation for a temporary period (to include its relations with its local or foreign branches and correspondents);
- to apply various restrictions, including restrictions on interest rate ratio and maturity with respect to resource collection and utilisation:
- to remove from office (in whole or in part) its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace these individually;
- to make available long-term loans, provided that these will not exceed the amount of deposit or participation funds subject to insurance, and be secured by the shares or other assets of the controlling shareholders;
- to limit or cease its non-performing operations and to dispose of its non-performing assets;
- to merge with one or more other banks;
- to provide new shareholders in order to increase its equity capital;
- to cover its losses with its equity capital; and/or
- to exercise other necessary actions to be determined by the BRSA.

In the event: (a) the aforementioned actions are not (in whole or in part) taken by that bank within a period of time set forth by the BRSA or in any case within twelve months; (b) the financial structure of such bank cannot be strengthened despite its having taken such actions or the financial structure of such bank has become so weak that it could not be strengthened even if the actions were taken; (c) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system; (d) such bank cannot cover its liabilities as they become due; (e) the total amount of the liabilities of such bank exceeds the total amount of its assets; or (f) the controlling shareholders of such bank are found to have made use of that bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the license of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the privileges of shareholders (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or merger thereof, provided that the loss is deducted from the share capital of current shareholders.

In the event that the license of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as and from the date on which the BRSA's decision to revoke such bank's license is published in the Official Gazette. From the date of revocation of such bank's license, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking license is revoked.

#### ANNUAL REPORTING

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade when preparing their annual reports. Additionally, annual reports of publicly listed companies are also subject to the provisions of the Corporate Governance Communiqué. These reports include the following information: management and organisation structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

Independent auditors must approve all annual reports that banks present to their general assemblies.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Furthermore, banks are required to submit and publish activity reports that comply with the BRSA's established guidelines. These reports include the following information: management and organisation structures, human resources, activities, financial positions, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

The Regulation on the Preparation and Publication of Annual Reports regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. The annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Each bank must submit a copy of its annual report to the BRSA by the end of April and keep a copy of it at its headquarters and each branch and publish it on its website by the end of May.

Amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which entered into force on 31 March 2016, require annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

#### FINANCIAL SERVICES FEE

Pursuant to Heading XI of Article 8 of the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

## CORPORATE GOVERNANCE PRINCIPLES

On 2 January 2014, the CMB issued the Corporate Governance Communiqué, which provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party

transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (i) the composition of the Board; (ii) appointment of independent board members; (iii) board committees; (iv) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué; and (v) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, who should meet the mandatory qualifications required for independent board members as set out in the Corporate Governance Communiqué, Independent board members should constitute at least one third of the Board and should not be fewer than two; however, publicly traded banks are required to appoint at least three independent board members to their Board, which directors may be selected from the members of the bank's audit committee, in which case the above-mentioned qualifications for independent members are not applicable; provided that when all independent board members are selected from audit committee, at least one member should meet the mandatory qualification required for independent board members as set out in the Corporate Governance Communiqué. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "1st Group" and "2nd Group" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, of the Board for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The Board is required to prepare a list of nominees based upon this evaluation for final review by the CMB, which is authorized to issue a "negative view" on any nominee and prevent their appointment as independent members of the Board. The Corporate Governance Communiqué also requires listed companies, except banks, to establish certain other board committees.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is the simple majority of the attendees who may vote. For banks and financial institutions, transactions with related parties arising from their ordinary activities are not subject to the requirements of related party transactions.

The Capital Markets Law authorizes the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to monitor compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

#### Anti-Money Laundering and Combating the Finance of Terrorism (AML/CFT) Policies

The AML/CFT policies applicable to banks are defined under the Law No. 5549 on Prevention of Laundering Proceeds of Crime, the Turkish Criminal Code No. 5237 and the Regulation on Programme of Compliance with Obligations of Anti-Money Laundering and Combating the Finance of Terrorism and the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism and related Financial Crime Investigation Board Communiques (together the "Anti-Money Laundering Laws"). In addition, a new law on Combating the Finance of Terrorism number 6415 has been published in the Official Gazette on 16 February 2013.

Pursuant to the Anti-Money Laundering Laws, banks are required to identify their customers and the persons carrying out transactions on behalf of, or on account of, their customers. In the event there is any information or concern that a transaction concluded by a customer is a suspicious transaction or there are reasonable grounds to suspect that the asset which is the subject of the transaction, carried out or attempted to be carried out within or through a bank, is acquired through illegal means or used for illegal purposes, such a transaction must be reported by the relevant bank to the Turkish Financial Crimes Investigation

Board. The notifying bank cannot disclose such notification to third parties, including the parties to the suspicious transaction, other than to the investigators assigned to inspect the transaction and the competent courts during legal proceedings.

When requested by the Financial Crimes Investigation Board or the investigators thereof, banks are required to provide information relating to their customers and their transactions. Furthermore, banks are required to maintain all documents, books and records of identification documents regarding all transactions for eight years starting from the transaction date, the last record date and the last transaction date.

Banks breaching any of the obligations set out in the Anti-Money Laundering Laws may be subject to an administrative fine of approximately TL10,000,000. Furthermore, real persons who are found not to have complied with their duty to notify suspicious transactions to the Financial Crimes Investigation Board may be subject to imprisonment with terms ranging from one year to three years.

Although Turkey has a high-level political commitment to work with the Financial Action Task Force (the "FATF") to seek to address Turkey's deficiencies in combating the financing of terrorism, the FATF requested that Turkey make progress in implementing its action plan. In particular, Turkey: (a) is required to make sufficient progress in adequately criminalising terrorist financing and (b) was required, before 23 February 2013, to implement an adequate legal framework for identifying and freezing terrorist assets. If sufficient progress is not realised, the FATF has advised that it might call upon its members to apply countermeasures proportionate to the risks associated with Turkey (for example, the FATF may require banks in member states to apply extra procedures on any transactions with banks in Turkey).

In an effort to ensure compliance with the FATF requirements, new measures against financing terrorist activities in Turkey were introduced with the entry into force of the Law No. 6415 on the Prevention of the Financing of Terrorism on 16 February 2013 (the "CFT Law"). In order to address shortcomings identified by the FATF and with a view to achieving compatibility with international standards as outlined under the International Convention for the Suppression of the Financing of Terrorism and annexes thereto, the CFT Law introduced an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The CFT Law also presents new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular those relating to entities and/or individuals placed on sanction lists. On 31 May 2013, the Regulation on Procedures and Principles Regarding the Application of the Law on the Prevention of the Financing of Terrorism became effective, which regulation provides the procedures and principles for the decision-making, execution and termination of the freezing of assets as well as the management and supervision of frozen assets. In addition, the Council of Ministers' Decree dated 30 September 2013 implementing United Nations Security Council Resolutions ("UNSCR") 1267, 1988 and 1989 and recent court decisions have further improved Turkey's CFT regime and compliance with the FATF standard on criminalisation of terrorist financing; however, certain concerns remain regarding Turkey's framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373, and the FATF has encouraged Turkey to address these remaining strategic deficiencies and continue the process of implementing its action plan. In the event that the FATF finds Turkey's efforts to be insufficient, then FATF measures as described above may be imposed on Turkey and this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

#### Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments, especially credit card installments. The rules: (i) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements; (ii) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank; (iii) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card; and (iv) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit cards limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30 per cent., 35 per cent. and 40 per cent. for credit cards with limits lower than TL 15,000, from TL 15,000 to but excluding TL 20,000 and from TL 20,000, respectively, or 40 per cent. for newly-issued credit cards for one year from the date of first use. The 2015 Capital Adequacy Regulation lowered the risk weight for instalment payments of credit cards to 75 per cent., irrespective of their tenor, which was in a range of 100 per cent. to 250 per cent., depending upon their outstanding tenor.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated among existing cardholders (based upon their credit card limits) and between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or shopping, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on installments of credit cards. Pursuant to such limitations, the installment payment period for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months, whereas such limit is four months for jewelry expenditures, six months for electronic appliance and computer purchasing and nine months for expenditures relating to airlines, travel agencies, transportation, accommodation, health and social services and for purchases of health products, payments made to clubs and associations and tax payments). In addition, credit card installment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the installments for the purchase of goods and services and cash withdrawals are not permitted to exceed 12 months. Also, pursuant to the provisional article to the Regulation on Bank Cards and Credit Cards, the debt balance of a credit card calculated as of 27 September 2016 can be split into installments limited to 72 months upon the request of the relevant cardholder.

Furthermore, in 2013, the Law on the Protection of Consumers (Law No. 6502) imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

In 2013, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, which amendments reduced the general reserve requirements for cash and non-cash loans relating to transit trade, export sales, deliveries and services and activities resulting in gains of foreign currency. On 27 September 2016, the BRSA published further amendments to the Regulation on Provisions and Classification of Loans and Receivables, which amendments removed the requirements for the consumer loan provisions calculated according to the ratio of consumer loans to total loans and the ratio of non-performing consumer loans to total consumer loans. In 2013, credit cards were included in the calculation of consumer loans by this regulation and on 27 September 2016, the consumer loan provision rate for credit cards in Group I (Loans of a Standard Nature and Other Receivables) and Group II (Loans and Other Receivables under Close Monitoring) were reduced from 4 per cent. and 8 per cent. to 1 per cent. and 2 per cent., respectively.

In November 2016, the Central Bank published the Communiqué on Maximum Interest Rates to be Applied for Credit Card Transactions, replacing the existing communiqué as of 1 January 2017. Under the new regulation, the Central Bank determined revised maximum contractual and default interest rates for Turkish Lira and foreign currency credit card transactions. The new monthly maximum contractual and default interest rates are (as of the date of this Prospectus) 1.84 per cent. and 1.47 per cent. for credit card transactions in Turkish Lira and foreign currency, respectively. The new monthly maximum default interest rates are (as of the date of this Prospectus) 2.34 per cent. and 1.97 per cent. for credit card transactions in Turkish Lira and foreign currency, respectively. The Central Bank announces maximum contractual and default interest rates for each January-March, April-June, July-September and October-December period.

On 31 December 2013, the BRSA adopted new rules on loan to value and installments of certain types of loans and on 27 September 2016, the BRSA made certain amendments to such rules. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, for loans (except

auto loans) secured by houses is 80 per cent.. In addition, for auto loans extended to consumers, for loans secured by autos and for autos leased under financial lease transactions, the loan-to-value requirement is set at 70 per cent.; provided that in each case the sale price of the respective auto is not higher than TL 50,000; however, if the sale price of the respective auto is above this TL 50,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70 per cent. and the remainder is set at 50 per cent.. As for limitations regarding installments (as amended by the BRSA from time to time), the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and any refinancing of the same) are not permitted to exceed 48 months. Also, pursuant to the provisional article of the Regulation on Loan Transactions of Banks, the debt balances of individual loans, which include loans provided for durable and semi-durable consumer goods, weddings, education and health, utilized before 27 September 2016 may be restructured upon the request of the borrower over a period of up to 72 months (or up to 48 months if an additional loan is provided to the customer within the scope of such restructuring).

On 3 October 2014, the BRSA published its Regulation on the Procedures and Principles Regarding Fees to be Collected from Financial Institutions' Customers, which limits the level of fees and commissions that banks may charge customers. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees.

#### Credit Guarantee Fund

The Credit Guarantee Fund or CGF was established pursuant to Decree No. 93/4496 dated 14 July 1993 in order to provide guarantees for SMEs and other enterprises that are not able to obtain bank loans due to their insufficient collateral. In order to improve financing possibilities and contribute to the effective operation of the credit system, pursuant to provisional article 20 of the Law regarding the Regulation of Public Financing and Debt Management (Law No. 4749) dated 28 March 2002, resources up to TL 2 billion could be transferred by the Minister in charge of the Turkish Treasury to the credit guarantee institutions. Such amount has been increased to TL 25 billion in accordance with the Law No. 6670 dated 18 January 2017. In addition, pursuant to Decree No. 2016/9538 on Treasury Support to be provided to the Credit Guarantee Institutions (published in the Official Gazette No. 29896 and dated 22 November 2016) and Decree No. 2017/9969 regarding amendments to the Decree on Treasury Support to be provided to the Credit Guarantee Institutions, the CGF guarantees are supported by the Turkish Treasury. The CGF can provide guarantees for up to 90 per cent. of the sum of interest, dividend and rent payments except for the default interest and principal balance on the date of loan payment for SMEs and up to 85 per cent. of such amounts for non-SMEs.

#### SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

#### **Declaration of Trust**

The Declaration of Trust will be entered into on the Issue Date between the Bank, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets will comprise: (i) the cash proceeds of the issuance of the Certificates pending application thereof in accordance with the terms of the Transaction Documents; (ii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets; (iii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and certain covenants given to the Trustee and the Delegate, given by the Bank pursuant to the Declaration of Trust); and (iv) all amounts standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in Condition 5 (*The Trust*). After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, inter alia:

- (a) hold the Trust Assets on trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee shall irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including but not limited to the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the rights of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the provisions of the Declaration of Trust and the Conditions. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject to certain provisions of the Declaration of Trust, shall not affect the Trustee's continuing role and obligations as trustee. Pursuant to the Declaration of Trust:

(a) upon the occurrence of a Bank Event and the delivery of a Dissolution Notice by the Delegate to the Trustee, to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 14.1 (*Bank Events*), the Delegate may at its discretion or shall, if so requested in writing by Certificateholders holding at least 25 per cent. of the then aggregate face amount of the Certificates outstanding, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction take one or more of the following steps: (i) institute any steps, actions or proceedings for the winding-up of the Bank; and/or (ii) prove in the winding-up of the Bank;

and/or (iii) institute any steps, actions or proceedings for the bankruptcy of the Bank; and/or (iv) claim in the liquidation of the Bank; and/or (v) take such other steps, actions or proceedings which, under the laws of Turkey, have an analogous effect to the actions referred to in (i) to (iv) above, in each case for (subject to the provisos contained in Condition 14.3(a) (*Proceedings for Winding-up*), all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due (if any) to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents; and

(b) without prejudice to Conditions 14.1 (Bank Events) and 14.3 (Winding-up, Dissolution or Liquidation) and the provisions of clause 16 of the Declaration of Trust, the Trustee (or the Delegate) may at its discretion and the Delegate shall, in each case subject to Condition 14.3(e)(i) (Realisation of Trust Assets) if so requested in writing by Certificateholders holding at least 25 per cent. of the then aggregate face amount of the Certificates outstanding and without further notice institute such steps, actions or proceedings against the Bank and/or the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations) including, without limitation, any failure by the Bank to procure the substitution of the Trustee in the circumstances described in Condition 14.2 (Trustee Events), and in no event shall the Bank, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents.

A Transaction Account will be established in the name of the Trustee. Monies received in the Transaction Account will, *inter alia*, comprise payments of amounts payable under the Mudaraba Agreement immediately prior to each Periodic Distribution Date (see "-Mudaraba Agreement" below). The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in Condition 5 (*The Trust*).

To the extent permitted by law, each of the Trustee and Albaraka have agreed that it has accepted the Shari'a compliant nature of the Declaration of Trust and has agreed that (a) it shall not claim that any of its obligations under the Declaration of Trust (or any provision thereof) is ultra vires or not compliant with the principles of Shari'a; (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Declaration of Trust; and (c) to the extent permitted by law and/or consistent with any ruling of any competent court of tribunal, none of its obligations under the Declaration of Trust shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Declaration of Trust to which it is a party is not compliant with the principles of Shari'a.

#### **Mudaraba Agreement**

The Mudaraba Agreement will be entered into on the Issue Date between the Bank (as the Mudareb) and Bereket One Ltd. (as Trustee and Rab-al-Maal) and will be governed by English law (except for clause 2.4 thereof, which shall be governed by the laws of Turkey).

The Mudaraba will commence on the date of payment of the Mudaraba Capital to the Mudareb, being the date of the Mudaraba Agreement, and will: end (i) on the date on which the Certificates are redeemed in whole but not in part in accordance with the Conditions following the liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement (the "Mudaraba End Date"); or (ii) (if earlier), in the case of a Non-Viability Event Write-down in whole only, on the Non-Viability Event Write-down Date.

Pursuant to the Mudaraba Agreement, the proceeds of the issue of the Certificates will be contributed by the Rab-al-Maal to the Mudaraba and shall form the Mudaraba Capital. The Mudaraba Capital shall be invested by the Bank (as Mudareb), on an unrestricted co-mingling basis, in its general business activities in accordance with the investment plan prepared by the Mudareb and scheduled to the Mudaraba Agreement (the "Investment Plan"). The Mudareb will acknowledge and agree in the Mudaraba Agreement that the Investment Plan was prepared by it with due skill, care and attention, and acknowledge that the Rab-al-Maal has entered into the Mudaraba in reliance on the Investment Plan.

The Mudareb is expressly authorised to co-mingle the Mudaraba Capital with its shareholders' equity and such amounts may be co-mingled in its general business activities, **provided that** prior to the calculation of any Mudaraba Profit or Final Mudaraba Profit the Mudareb shall exclude a proportion of any profit earned for its own account.

The Mudaraba Agreement provides that the profit (if any) generated by the Mudaraba will be distributed by the Mudaraba on each Mudaraba Profit Distribution Date on the basis of a constructive liquidation of the Mudaraba by the Mudaraba in accordance with the following profit sharing ratio:

- (a) the Rab-al-Maal 99 per cent.; and
- (b) the Mudareb 1 per cent.

If the Mudareb elects to make a payment of Mudaraba Profit, or Final Mudaraba Profit is otherwise payable pursuant to the Mudaraba Agreement, and if the Rab-al-Maal's share of the Mudaraba Profit (the "Rab-al-Maal Mudaraba Profit") or the Rab-al-Maal's share of the Final Mudaraba Profit (the "Rab-al-Maal Final Mudaraba Profit") (as applicable) payable to the Rab-al-Maal is: (i) greater than the then applicable Periodic Distribution Amount, the amount of any excess shall be credited to a reserve account (the "Mudaraba Reserve") and the Rab-al-Maal Mudaraba Profit or the Rab-al-Maal Final Mudaraba Profit (as applicable) payable to the Rab-al-Maal will be reduced accordingly or; (ii) is less than the then applicable Periodic Distribution Amount, the Mudareb shall first utilise any amount available in the Mudaraba Reserve (after re-crediting amounts to it in accordance with the terms of the Mudaraba Agreement if there is any such shortfall) and, if a shortfall still exists following such re-credit, it may (at its sole discretion) elect (but shall not be obliged) to make one or more payments from its own cash resources in order to cover such shortfall. Provided that, in either case, and at any time, the amount standing to the credit of the Mudaraba Reserve is not less than the aggregate Periodic Distribution Amounts which are, or would, but for the occurrence of a Non-Payment Event or a Non-Payment Election, be payable by the Trustee on the next two following Periodic Distribution Dates (the "Minimum Reserve Amount"), the Mudareb shall be entitled to deduct and retain for its own account as an incentive fee for its performance under the Mudaraba Agreement, any amounts over and above the Minimum Reserve Amount standing to the credit of the Mudaraba Reserve (at its sole discretion) at any time prior to the Mudaraba End Date.

If the Mudareb makes a Non-Payment Election or a Non-Payment Event occurs, then the Mudareb shall give notice to the Rab-al-Maal, the Principal Paying Agent and the Delegate and the Trustee in turn shall give notice to the Certificateholders, in each case providing details of such Non-Payment Election or Non-Payment Event (as the case may be) in accordance with the notice periods set out in the Mudaraba Agreement. The Rab-al-Maal shall have no claim in respect of any Rab-al-Maal Mudaraba Profit (or any part thereof, as applicable) or Rab-al-Maal Final Mudaraba Profit not paid as a result of either a Non-Payment Event or (in the case of any Rab-al-Maal Mudaraba Profit only) a Non-Payment Election and any such non-payment in whole or in part, as applicable, in such circumstance will not constitute a Dissolution Event. If the Mudareb makes a Non-Payment Election or a Non-Payment Event occurs, then from the date of such Non-Payment Election or Non-Payment Event (the "Dividend Stopper Date"), the Mudareb shall be prohibited from declaring or paying certain distributions or dividends, paying profit or other distributions on, or in respect of, any of its securities issued directly or indirectly by the Mudareb, or redeeming, purchasing, cancelling, reducing or otherwise acquiring any of its share capital or securities, in each case unless or until: (i) the next following payment of Rab-al-Maal Mudaraba Profit; or (ii) as the case may be, payment of Rab-al-Maal Final Mudaraba Profit following the Divided Stopper Date, is made in full to the Rab-al-Maal following such Non-Payment Election or Non-Payment Event (or an amount equal to that amount has been duly set aside or provided for in full for the benefit of the Rab-al-Maal).

Subject to certain conditions as set out in the Mudaraba Agreement, the Bank (as Mudareb) may (in its sole and absolute discretion) liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba in the following circumstances:

- (a) on the First Call Date or any Periodic Distribution Date thereafter by giving not less than 30 nor more than 60 days' prior notice to the Rab-al-Maal; or
- (b) on any date, on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 30 nor more than 60 days' prior notice to the Rab-al-Maal:
  - (i) if a Tax Event occurs; or

#### (ii) if a Capital Event occurs and is continuing.

If the Mudareb were to exercise its option to liquidate in accordance with paragraph (a) or (b)(i) above and the amount of capital to be returned to the Trustee upon liquidation of the Mudaraba (the "Dissolution Mudaraba Capital") which would be generated upon such liquidation is less than the Mudaraba Capital, the Mudareb shall either continue investing the Dissolution Mudaraba Capital in the Mudaraba, and accordingly no distribution of the liquidation proceeds shall occur, or shall, if it were to proceed with such final constructive liquidation, indemnify the Rab-al-Maal in respect of such shortfall and shall pay an amount equal to the aggregate of the Dissolution Mudaraba Capital and such shortfall to the Rab-al-Maal in which case there shall be a final constructive liquidation of the Mudaraba.

If the Mudareb were to exercise its option to liquidate in accordance with paragraph (b)(ii) above and the Dissolution Mudaraba Capital which would be generated upon such liquidation is less than the aggregate of the Mudaraba Capital and the Capital Event Profit Amount, the Mudareb shall either continue investing the Dissolution Mudaraba Capital in the Mudaraba, and accordingly no distribution of the liquidation proceeds shall occur, or shall, if it were to proceed with such final constructive liquidation, indemnify Rabal-Maal in respect of such shortfall and shall pay an amount equal to the aggregate of the Dissolution Mudaraba Capital, the Capital Event Profit Amount and such shortfall to the Rab-al-Maal in which case there shall be a final constructive liquidation of the Mudaraba.

Under the terms of the Mudaraba Agreement, the Mudaraba will mandatorily be liquidated in whole but not in part if a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 14.1 (*Bank Events*). The Mudareb acknowledges under the Mudaraba Agreement that the Rab-al-Maal shall in such case be entitled to claim for all amounts due (if any) in accordance with the terms of the Mudaraba Agreement in such winding-up, bankruptcy, dissolution or liquidation (or analogous event) subject to certain conditions being satisfied.

The Mudaraba Agreement also provides that if a Non-Viability Event occurs at any time, a Non-Viability Event Write-down (in whole or in part, as applicable) will take place on the Non-Viability Event Write-down Date. In such circumstances, in the case of a Non-Viability Event Write-down in whole only, the Mudaraba Agreement will be automatically terminated (and the Rab-al-Maal shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets), and in the case of a Non-Viability Event Write-down in part only, the Mudaraba Capital shall be reduced in proportion to the face amount of each Certificate that is to be written-down and the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally written-down in the same manner and in the same proportion as the Certificates.

Additionally, the Mudaraba Agreement provides that if a Trigger Event occurs at any time, a Trigger Event Write-down will take place at the Trigger Event Write-down Amount on the Trigger Event Write-down Date. In such circumstances, other than in the case of a Reinstatement (and then only to the extent of any Reinstatement, at the sole and absolute discretion of the Mudareb) the Mudaraba Capital shall be reduced in proportion to the face amount of each Certificate that is to be written-down and the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) and a corresponding portion of the Mudaraba Capital shall automatically be deemed to be irrevocably and unconditionally written-down in the same manner and in the same proportion as the Certificates and the Rab-al-Maal shall not be entitled to claim for any amounts in connection with the Mudaraba Assets that relate to the proportion of the Mudaraba Capital that has been reduced.

If positive Distributable Net Period Income (as defined in the Conditions) of the Bank is recorded at any time while the outstanding face amount of a Certificate is less than the Original Face Amount of such Certificate, the Bank may, at its sole and absolute discretion: (i) instruct the Trustee to reinstate and write-up the outstanding face amount of each Certificate in whole or in part; and (ii) reinstate and write-up the Mudaraba Capital, in each case in accordance with this Condition 12.3 (*Reinstatement*) (a "Reinstatement").

Upon the provision of such Reinstatement Notice, a Reinstatement will occur at the Reinstatement Amount (subject to the Maximum Reinstatement Amount) on the Reinstatement Date and, with effect from such date and subject to the prior consent of the Regulator (to the extent such consent is required by the Applicable Regulatory Capital Requirements): (i) the Bank shall instruct the Trustee to cause the outstanding face amount of each Certificate to be reinstated and written-up on a *pro rata* basis with each

Certificate and with each Loss Absorbing Instrument which is, or represents, a *Pari Passu* Obligation; and (ii) the Mudaraba Capital shall be written-up in proportion to the face amount of each Certificate that is to be reinstated and written-up, in each case, by an amount equal to the relevant Reinstatement Amount. With effect from the Reinstatement Date, Periodic Distribution Amounts shall accrue in respect of the reinstated outstanding face amount of each Certificate and, with effect from such date, references in the Conditions to "face amount" or "outstanding face amount" shall be construed accordingly.

A Reinstatement may occur on more than one occasion provided that the outstanding face amount of a Certificate may never exceed its Original Face Amount.

No Reinstatement may take place if: (i) a Trigger Event has occurred in respect of which the Trigger Event Write-down has not yet occurred; (ii) a Trigger Event has occurred in respect of which the Trigger Event Write-down has occurred but the CET 1 Capital Ratio of the Bank has not been restored to at least, or above, 5.125 per cent.; (iii) the Reinstatement (either alone or together with all simultaneous reinstatements of other Loss Absorbing Instruments that are, or that represent, Pari Passu Obligations) would cause a Trigger Event to occur; (iv) a Non-Viability Event has occurred at any time subsequent to a Trigger Event; or (v) a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 14.1 (Bank Events).

The Bank (as Mudareb) and the Rab-al-Maal undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by the Bank to be varied upon the occurrence of a Tax Event or the occurrence and continuation of a Capital Event pursuant to the Conditions, to make such variations to the Mudaraba Agreement as are necessary to ensure that the Certificates become or, as appropriate, remain Qualifying Tier 1 Instruments.

The Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Rab-al-Maal except to the extent such losses are caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

The Mudareb shall exercise its rights, powers and discretions under the Mudaraba Agreement and shall take such action as it deems appropriate, in each case, in accordance with material applicable laws, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to *Shari'a*.

Other than its share of profit from the Mudaraba and any incentive fee payable in accordance with the Mudaraba Agreement, the Mudarab shall not be entitled to receive any remuneration from the Mudaraba.

The Mudareb will agree in the Mudaraba Agreement that all payments by it under the Mudaraba Agreement will be made free and clear of, and without any withholding or deduction for, or on account of, taxes, unless such withholding or deduction is required by law and provide for the payment of Additional Amounts so that the net amounts received by the Certificateholders shall equal the respective amounts that would have been received in the absence of such withholding or deduction. Any taxes incurred in connection with the operation of the Mudaraba (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the corresponding Mudaraba Profit Distribution Period (as defined in the Mudaraba Agreement)), but excluding the Mudareb's obligations (if any) to pay any taxes and/or Additional Amount, will be borne by the Mudaraba itself.

To the extent permitted by law, each of the Trustee and Albaraka have agreed that it has accepted the Shari'a compliant nature of the Mudaraba Agreement and has agreed that (a) it shall not claim that any of its obligations under the Mudaraba Agreement (or any provision thereof) is ultra vires or not compliant with the principles of Shari'a; (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Mudaraba Agreement; and (c) to the extent permitted by law and/or consistent with any ruling of any competent court of tribunal, none of its obligations under the Mudaraba Agreement shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Mudaraba Agreement to which it is a party is not compliant with the principles of Shari'a.

## **Agency Agreement**

The Agency Agreement will be entered into on the Issue Date between the Trustee, the Bank, the Delegate, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate (or procure the authentication of) and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay all sums due under such Global Certificate; the Calculation Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to calculate the Profit Rate in respect of each Reset Period commencing on the relevant Reset Date, subject to and in accordance with the Conditions; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

On the Issue Date, the Registrar will: (i) authenticate (or procure the authentication of) the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

The Bank shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the liquidation of the Mudaraba, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in Condition 5 (*The Trust*).

To the extent permitted by law, each of the Trustee and Albaraka have agreed that it has accepted the Shari'a compliant nature of the Agency Agreement and has agreed that (a) it shall not claim that any of its obligations under the Agency Agreement (or any provision thereof) is ultra vires or not compliant with the principles of Shari'a; (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Agency Agreement; and (c) to the extent permitted by law, none of its obligations under the Agency Agreement shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Agency Agreement to which it is a party is not compliant with the principles of Shari'a.

#### **TAXATION**

The following is a general description of certain Turkey, Cayman Islands, European Union and United States tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

#### Turkey

The following summary of the anticipated tax treatment in Turkey in relation to the payments on the Certificates is based on the taxation law and practice in force at the date of this Prospectus, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments in respect of any Periodic Distribution Amounts, the Dissolution Distribution Amount or any other amounts payable in respect of such Certificates under the laws of the jurisdictions in which they may be liable to taxation.

#### Overview

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income (unlimited tax liability), whereas a non-resident legal entity is only liable to Turkish taxes for trading income made through a permanent establishment or a permanent representative, or only for income otherwise sourced in Turkey (limited tax liability).

A natural person is a resident of Turkey if it has established domicile in Turkey, or stays in Turkey more than six months in a calendar year. A resident individual is liable for Turkish taxes on world-wide income, while a non-resident individual is only liable for Turkish taxes on trading income made through a permanent establishment or permanent representative, or only for income otherwise sourced in Turkey.

#### Taxation of Interest and Capital Gains

Turkish resident Certificateholders should treat Periodic Distribution Amounts paid in accordance with the terms and conditions of the Certificates as ordinary interest income and any gain realised on the disposal or redemption of Certificates as a capital gain to be declared for Turkish tax purposes and accordingly subject to income/corporate tax in Turkey.

Periodic Distribution Amounts received and capital gains realised in respect of the Certificates held by non-Turkish resident Certificateholders are not subject to any Turkish income/corporate tax provided that: (i) the Certificates are not held through a permanent establishment or a permanent representative in Turkey; (ii) the Certificates are not acquired through Turkish on-shore bank accounts or the proceeds from the sale of the Certificates are not received through Turkish on-shore bank accounts; and (iii) the purchase and sale of the Certificates are not carried out in Turkey (i.e. no Turkish intermediaries are involved in the transaction).

#### Withholding Tax

Payments of Periodic Distributions Amounts or the Dissolution Distribution Amount under the terms and conditions of the Certificates made by the Trustee to the Certificateholders are not subject to withholding taxes under Turkish law as the Trustee is not a resident in Turkey.

According to the former Article 30.1 (c) of the Corporation Tax Law a withholding tax, at a rate of 15 per cent., was to be calculated based on all interest payments and fees on loans obtained by borrowers resident in Turkey from non-resident corporations, except that the Council of Ministers' Decree No. 2009/14593 issued pursuant to Article 30 of the Corporation Tax Law reduces the Turkish withholding tax rate applicable on payments of interest on loans to one per cent. if such loans are: (i) obtained by banks and

qualify as Tier 2 capital; or (ii) obtained by banks or other corporations through securitisations that take place outside Turkey and are structured on a cash flow or an asset portfolio.

It has further been recognised in the private tax ruling obtained by Albaraka from the Large Taxpayers Office on 29 December 2017 that, for the purposes of the Corporation Tax Law and the Decree, the Turkish withholding tax rate applicable to all deemed interest payments made under such loan, the details of which are stated to have been provided by Albaraka to the Large Taxpayers Office, is considered to be one per cent

If payments by Albaraka to the Trustee in respect of its obligations under the Transaction Documents are subject to any withholding tax, Albaraka will, in certain circumstances specified in the Transaction Documents, become obliged to pay such additional amounts as may be necessary so that the net payments received by the Trustee will not be less than the amount the Trustee would have received in the absence of such withholding.

#### Stamp tax

Article 30.5.3 of the General Communique' (Serial No. 1) on Corporate Tax issued by the Ministry of Finance on 3 April 2007 provides that special purpose vehicles incorporated by Turkish banks for the purpose of securitisations qualify as financial institutions. Article 23 of Part IV of Table 2 of the Stamp Tax Law (Law No. 488) (the "Stamp Tax Law") further provides that documents executed with banks, foreign credit institutions or international financial institutions in relation to the granting and/or repayment of and/or security for loans shall be exempt from stamp tax. In accordance with the foregoing, none of the Transaction Documents should be subject to stamp tax, if:

- (a) the transactions contemplated by the Transaction Documents qualify from the perspective of the tax authorities, in their entirety, as a loan transaction entered into with a bank, foreign credit institution or international financial institution; and
- (b) subject to (a) above, the Transaction Documents are deemed to be documents executed with a bank, foreign credit institution or international financial institution in relation to the granting and/or repayment and/or security for such loan transaction.

To the extent any of the Transaction Documents are subject to stamp tax, stamp tax will be levied as a percentage of what is considered to be the monetary value of each relevant Transaction Document at a rate of 0.948 per cent. of such monetary value. Pursuant to the Stamp Tax Law General Communique' (Serial No. 58), TL 2.135.949,30 is the highest amount payable for the 2018 year as stamp duty on each taxable document.

Parties to a taxable document are jointly liable for the payment of stamp tax and each and every signed copy of the taxable document is separately subject to stamp tax. Under the Transaction Documents, Albaraka will undertake to pay any stamp tax payable in respect of the Transaction Documents and to indemnify the relevant parties against any liabilities with respect to such stamp tax.

Stamp tax is not required to be paid under the laws of Turkey for the purpose any enforcement proceedings in respect of the Certificates or the Transaction Documents brought in the courts of Turkey. Certificateholders (who are not resident or incorporated or having a permanent establishment in Turkey) will not incur, or become liable for, stamp duty, registration, transfer or other similar taxes under the laws of Turkey by reason only of the acquisition, ownership or disposal of the Certificates.

#### Other Taxes

According to current Turkish tax laws and regulations, the sale, transfer or other disposition of Certificates is not subject to Turkish transfer taxes or value added tax provided that these transactions are performed outside Turkey.

#### **Cayman Islands**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Certificates nor will gains derived from the disposal of Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. An instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

## The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in the Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT

#### Foreign Account Tax Compliance Act Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "FATCA", a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands and Turkey) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to 1 January 2019. Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

#### SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a placement agency agreement (the "Placement Agency Agreement") dated 13 February 2018, agreed with the Trustee and the Bank that the Joint Lead Managers shall use their reasonable endeavours to procure persons willing to purchase the Certificates at the Issue Price and otherwise on the terms and conditions of the Placement Agency Agreement.

In accordance with the terms of the Placement Agency Agreement, each of the Trustee and the Bank has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the Certificates and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

The Trustee and the Bank will pay each relevant Joint Lead Manager a management and underwriting commission as agreed between them in respect of the Certificates. To the extent permitted by law, the Trustee, the Bank and the Joint Lead Managers may agree that commissions or fees may be paid to certain brokers, financial advisers and other intermediaries based upon the amount of investment in the Certificates by such intermediary and/or its customers. Any disclosure and other obligations in relation to the payment of such commission to such intermediary are solely the responsibility of the relevant intermediary and none of the Trustee, the Bank, the Joint Lead Managers or any of their affiliates, nor any person who controls or is a director, officer, employee or agent of any such person accepts any liability or responsibility whatsoever for compliance with such obligations. Each customer of any such intermediary is responsible for determining for itself whether an investment in the Certificates is consistent with its investment objectives.

In connection with the offering of the Certificates, any shareholder or related party of the Bank or the Joint Lead Managers may invest in and may take up Certificates in the offering and may retain, purchase or sell for its own account such Certificates. As at the date of this Prospectus, ABG and certain of the Joint Lead Managers intend to invest in, and take up, an amount of the Certificates in the offering. Accordingly, references herein to the Certificates being offered should be read as including any offering of the Certificates to any shareholder or related party of the Bank or the Joint Lead Managers. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

#### General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it offers or sells any Certificates or possesses or distributes this Prospectus and neither the Trustee, the Bank nor any of the Joint Lead Managers shall have any responsibility therefor.

None of the Trustee, the Bank or any of the Joint Lead Managers represents that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

#### **United States**

The Certificates have not been and will not be registered under the Securities Act, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Each Joint Lead Manager has agreed that, except as permitted by the Placement Agency Agreement, it will not offer, sell or deliver the Certificates: (i) as part of their distribution at any time; or (ii) otherwise until expiration of 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer (whether or not participating in the offering) to which it sells Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act, unless the dealer makes the offer or sale in compliance with an exemption from registration under the Securities Act.

Each Joint Lead Manager has represented and agreed that it has not entered into and will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Certificates, except with its affiliates or the prior written consent of the Trustee and the Bank.

#### **Prohibition of Sales to EEA Retail Investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

## **United Kingdom**

Each Joint Lead Manager has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

## Cayman Islands

Each Joint Lead Manager has represented and agreed that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

#### **Dubai International Financial Centre**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (i) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "DFSA"); and
- (ii) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module.

#### Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

- an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

#### Kingdom of Saudi Arabia

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Certificates. Any investor in Saudi Arabia or who is a Saudi person (a "Saudi Investor") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 11 or Article 12 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated 21 December 2016 (the "KSA Regulations"), through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in Saudi Arabia other than to "Sophisticated Investors" under Article 11 of the KSA Regulations or by way of a limited offer under Article 12 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 18 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 11 or Article 12 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (i) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 11 of the KSA Regulations); (ii) the price to be paid for the Certificates in any one transaction is equal to or exceeds SAR 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 18 of the KSA Regulations.

## State of Qatar

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

#### **Qatar Financial Centre**

Each Joint Lead Manager has represented and agreed that this Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the Qatar Financial Centre; (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the Qatar Financial Centre and may not be reproduced or used for any other purpose.

#### **State of Kuwait**

Each Joint Lead Manager has represented and agreed that no Certificates will be offered in Kuwait unless all necessary approvals from the CMA pursuant to Law No. 7 of 2010 and its executive bylaws, each as amended, together with the various resolutions, regulations, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing, and sale of the Certificates. For the avoidance of doubt, no Certificates shall be offered, marketed and/or sold in Kuwait except on a private placement basis to Professional Clients (as defined in Module 1 of the executive by laws of Law No. 7 of 2010 (each as amended)).

## Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly offered or sold and will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act of 1949 (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "Securities and Futures Ordinance") and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

#### Malaysia

Each Joint Lead Manager has represented and agreed that:

- (i) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "CMSA"); and
- (ii) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to

persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

#### Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"); (ii) to a relevant person under Section 275(1) of the SFA or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### **Switzerland**

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Certificates. The Certificates may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Certificates constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this Prospectus nor any

other offering or marketing material relating to the Certificates may be publicly distributed or otherwise made publicly available in Switzerland.

## **Turkey**

The Certificates (or beneficial interests therein) shall not be sold in Turkey in any circumstances which would constitute a sale or a public offering within the meaning of the Capital Markets Law without the approval of the Capital Markets Board of Turkey ("CMB"). No transaction that may be deemed as a sale of the Certificates (or beneficial interests therein) in Turkey by way of private placement or a public offering may be engaged in without the approval of the CMB. Additionally, no prospectus and other offering material related to the offering may be utilised in connection with any general offering to the public within Turkey for the purpose of the offer or sale of the Certificates without the prior approval of the CMB. However, pursuant to Article 15(d) (ii) of the Government Decree 32 on the Protection of the Value of the Turkish Currency, as amended ("Decree 32"), there is no restriction on the purchase or sale of the Certificates (or beneficial interests therein) in secondary markets by residents of Turkey; provided that they purchase or sell such Certificates (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through licensed banks and/or licensed brokerage institutions authorised pursuant to the CMB regulations and the consideration of the purchase of such Certificates has been or will be transferred through banks operating in Turkey.

#### GENERAL INFORMATION

#### Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 8 February 2018. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents to which it is a party. The entry into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of Albaraka on 25 July 2017.

#### Listing

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to listing on the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID II. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the Main Securities Market will be granted on or around 20 February 2018. The total expenses related to the admission to trading are estimated at 66,540.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the Main Securities Market.

#### **Clearing Systems**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 177239062 and ISIN XS1772390628.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, LI 855 Luxembourg.

## Significant or Material Change

There has been no significant change in the financial or trading position of the Bank or the Group since 30 September 2017 and there has been no material adverse change in the prospects of the Bank or the Group since 31 December 2016.

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since the date of its incorporation.

## **Litigation and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Trustee or Albaraka is aware) which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Trustee, Albaraka, or the Group.

#### **Auditors**

The Audited BRSA Financial Statements and the Interim BRSA Financial Statements have been audited or reviewed (as applicable) without qualification in accordance with BRSA Principles for each of the two years ended 31 December 2016 and 31 December 2015, for the nine month period ended 30 September 2017 and for the six month period ended 30 June 2017 by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of KPMG International Cooperative ("**KPMG**") of İş Kuleleri, Kule 3, Kat:2-9 Levent, 34330 Beşiktaş/İstanbul Turkey as stated in their reports appearing elsewhere herein.

KPMG is an institution authorised by the BRSA to conduct independent audits of banks in Turkey. KPMG is a member of the Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is a special purpose vehicle and is not required under the law of the Cayman Islands, and has no intention to prepare its own financial statements.

#### **Documents Available**

For as long as any Certificates remain outstanding, copies of the following documents will be available in electronic and physical format and in English to be inspected and/or collected during normal business hours on any weekday at the specified office for the time being of the Principal Paying Agent:

- (a) the Memorandum and Articles of Association of the Trustee and the constitutional documents (with an English translation thereof) of the Bank;
- (b) the Audited BRSA Financial Statements;
- (c) the Interim BRSA Financial Information;
- (d) a copy of this Prospectus together with any supplement to this Prospectus; and
- (e) the Transaction Documents.

#### Shari'a Advisory Boards

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Albaraka Türk Katılım Bankası A.Ş. *Shari'a* Advisory Board, the *Shari'a* Supervisory Committee of Noor Bank PJSC, the *Shari'a* Supervisory Board of QInvest and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction is in compliance with their individual standards of compliance with *Shari'a* principles.

## Joint Lead Managers Transacting with the Trustee and Albaraka

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Trustee, Albaraka and their respective affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee or the Trustee's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Trustee and/or Albaraka routinely hedge their credit exposure to the Trustee and/or Albaraka, as the case may be, consistent with their customary risk management policies.

Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

#### SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA PRINCIPLES

Certain financial information contained in this Prospectus, and in particular "Selected Financial Information", is presented in accordance with BRSA Principles (see "Presentation of Financial and Certain Other Information").

BRSA Principles differ from IFRS. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements and accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS or IAS 34 standards. Among the differences in accounting policies some of the most important are:

Consolidation: Only financial sector subsidiaries and associates are consolidated under BRSA Principles, others are carried at cost or at fair value.

**Specific provisioning for loan losses**: BRSA Principles provisioning for loan losses is different from IAS 39 and is based on minimum percentages relating to the number of days overdue prescribed by relevant regulations, whereas the IFRS provisioning for loan losses is based on the present value of future cash flows discounted at original effective interest rates.

General loan loss provisioning: This is required under BRSA Principles but prohibited under IFRS. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired. Moreover, BRSA Principles generic provisioning is based on minimum percentages defined in regulations for many asset classes (both onbalance and off-balance sheet), not only for loans, which is not the case with IFRS.

**Deferred taxation**: Certain differences exist in this area. According to the IAS 12 Income Taxes deferred taxation is calculated in full on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Bank, whereas under BRSA Principles there are some specific exemptions. For example, under BRSA Principles, no deferred tax is computed in relation to general loan loss provisions.

## INDEX TO FINANCIAL STATEMENTS

Unaudited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish together with the review report of the independent auditors as at and for the nine months ended 30 September 2017	F-2
Unaudited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish together with the review report of the independent auditors as at and for the six months ended 30 June 2017	F-94
Audited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish together with the audit report of the independent auditors as at and for the year ended 31 December 2016	F-196
Unaudited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish together with the review report of the independent auditors as at and for the nine months ended 30 September 2016	F-302
Unaudited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish together with the review report of the independent auditors as at and for the six months ended 30 June 2016	F-391
Audited unconsolidated convenience translation financial statements of Albaraka originally issued in Turkish together with the audit report of the independent auditors as at and for the year ended 31 December 2015	F-488

## Albaraka Türk Katılım Bankası Anonim Şirketi

Unconsolidated financial statements
and related disclosures at September 30, 2017
together with limited review report
(Convenience translation of the limited review report and
financial statements originally issued in Turkish—
see section three Note XXIII)

October 31, 2017

This report contains "Limited Review Report" comprising 2 pages and "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 86 pages.



Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. İş Kuleleri Kule 3 Kat:2-9 Levent 34330 İstanbul Tel +90 212 316 6000 Fax +90 212 316 6060 www.kpmg.com.tr

Convenience Translation of the Limited Review Report
Originally Prepared and Issued in Turkish to English (See Note XXIII in Section Three)

# LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş.;

#### Introduction

We have reviewed the unconsolidated statement of financial position of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") at September 30, 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense statement of changes in items under shareholders' equity, unconsolidated shareholders' equity, unconsolidated statement of cash flows and a summary of and other explanatory notes to the unconsolidated significant accounting policies financial statements for the nine-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in Applications for Banks and accordance with the "Regulation on Accounting Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

## Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Albaraka Türk Katılım Bankası A.Ş. as of September 30, 2017 and of the results of its operations and its cash flows for the nine-month period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

#### Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim annual report in Section VIII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member firm of KPMG International Cooperative

Alper Guvenç Partner, SMMM

October 31, 2017 Istanbul, Turkey

#### Additional paragraph for convenience translation to English:

The accounting principles summarized in Note XXIII Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.



### UNCONSOLIDATED INTERIM FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

Bank's headquarter address : Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6

34768 Ümraniye / İstanbul

Bank's phone number and facsimile : 00 90 216 666 01 01 - 00 90 216 666 16 00

Bank's website : www.albarakaturk.com.tr

Electronic mail contact info : albarakaturk@albarakaturk.com.tr

The unconsolidated interim financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- LIMITED REVIEW REPORT
- INTERIM REPORT

The unconsolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency Regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been reviewed and presented as attached.

October \$1, 2017

Adpan Ahmed Yusuf ABDULMALEK Chairman of the Board

of Directors

Melikşal UTKL

General Manager

emel HAZIROĞLU

ssistant General Manager Yunus AHLATCI

Financial Reporting
Manager

Mustafa BÜYÜKABACI

Chairman of the Audit Committee

Hood Hashem Ahmed HASHEM

Member of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title : Bora ŞİMŞEK / Financial Reporting / Vice Manager

Telephone : 00 90 216 666 05 59 Facsimile : 00 90 216 666 16 11

#### Table of contents

Sectio	n one	Page
Gener	al information	
1.	History of the Bank including its incorporation date, initial legal status and amendments to legal	
	status	1
Ħ.	Shareholding structure, shareholders having direct or indirect, joint or individual control over the	•
	management and supervision of the Bank and disclosures on related changes in the current year, if	
	any	1
111.	Explanation on the chairman and members of board of directors, members of audit committee,	
	general manager and assistant general managers, their areas of responsibility and their shares in	
IV.	the Bank, if any	2
V.	Information on the Bank's qualified shareholders	2 3
v. VI.	Summary on the Bank's service activities and field of operations	3
V 1.	Differences between the Communique on Preparation of Consolidated Financial Statements of	
	Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from	
	equity or not included in these three methods	_
VII.	The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement	3
	of liabilities between the Bank and its subsidiaries	3
		,
Section		
	consolidated financial statements	
1.	Balance sheet (Statement of financial position)	5
11.	Statement of off-balance sheet	7
₩. nz	Statement of income	8
IV. V.	Statement of income and expense items accounted under shareholders' equity	9
v. VI.	Statement of changes in shareholders' equity Statement of cash flows	10
•	www.sicist as www.i iiaiia	12
	n three	
Accou	nting policies	
ļ. 	Explanations on basis of presentation	13
<b>II</b> .	Explanations on strategy of using financial instruments and foreign currency transactions	14
III. N	Explanations on forward, option contracts and derivative instruments	14
IV. V.	Explanations on profit share income and expenses	15
v. VI.	Explanations on fees, commission income and expenses Explanations on financial assets	15
VII.	Explanations on impairment of financial assets	15
VIII.	Explanations on offsetting of financial instruments	16
Χ.	Explanations on sale and repurchase agreements and lending of securities	17 17
X.	Explanations on assets held for sale and discontinued operations and liabilities related to these	17
	assets	17
KI.	Explanations on goodwill and other intangible assets	17
KB.	Explanations on tangible assets	18
KIII.	Explanations on leasing transactions	19
KIV.	Explanations on provisions and contingent liabilities	19
۲۷.	Explanations on liabilities regarding employee rights	19
(VI.	Explanations on taxation	20
(VII.	Additional explanations on borrowings	21
(VIII. (IX.	Explanations on issued share certificates	21
CX.	Explanations on acceptances and availed drafts Explanations on government grants	21
XI.	Explanations on government grants Explanations on segment reporting	21
XII.	Explanations on other matters	21
(XIII.	Additional paragraph for convenience translation	21
		21

Section	1 four	
Informa	ation on financial structure and risk management	
١.	Explanations on the capital adequacy standard ratio	22
11.	Explanations on credit risk	30
III.	Explanations on currency risk	30
IV.	Explanations on position risk of equity securities in banking book	32
V.	Explanations on liquidity risk	32
VI.	Explanations on leverage ratio	36
VII.	Explanations on presentation of financial assets and liabilities at fair values	36
VIII.	Explanations regarding the activities carried out on behalf and account of other persons	36
IX.	Explanations on risk management	37
Х.	Explanations on business segments	38
Section	n five	
Explan	ations and notes on the unconsolidated financial statements	
1,	Explanations and notes related to assets	39
11,	Explanations and notes related to liabilities	53
111.	Explanations and notes related to off-balance sheet commitments	63
IV.	Explanations and notes related to the statement of income	65
V.	Explanations and notes related to the statements of changes in shareholders' equity	72
VI.	Explanations and notes related to the statement of cash flows	72
VII	Explanations related to the risk group of the Bank	73
VIII.	Explanations related to domestic, foreign, off-shore branches or investments and foreign	
	representative offices	74
IX.	Explanations related to subsequent events	74
Section	n six	
Other e	explanations	
l.	Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification	74
Section		
Limited	I review report	
1	Explanations on limited review report	74
11.	Other notes and explanations prepared by the independent auditors	74
Section		
Interim		_
1.	General Information	76
<b>1</b> 1,	Bank's Financial Information and Evaluations	81

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION ONE**

#### **GENERAL INFORMATION**

I. History of the Bank including its incorporation date, initial legal status and amendments to legal status:

Albaraka Türk Katılım Bankası Anonim Şirketi "The Bank" was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of "Communiqué Related to the Incorporation and Activities of Special Finance Houses" published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency "BRSA". "Communiqué Related to the Incorporation and Activities of Special Finance Houses" has been superseded by the 'Communiqué Related to Credit Operations of Banks 'published in the Official Gazette dated November 1, 2006 numbered 26333 and the Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Bank's head office is located in Istanbul and is operating through 214 (December 31, 2016: 212) local branches and 1 (December 31, 2016: 1) foreign branch and with 3.885 (December 31, 2016: 3.796) staff as of September 30, 2017.

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, if any:

As of September 30, 2017, 54,06% (December 31, 2016: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 25,08% (December 31, 2016: 24,84%) of the shares are publicly traded and quoted at Borsa Istanbul.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Bank, if any:

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
Chairman of the Board of Directors (BOD):	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	<sup>(1)</sup> 0,0000
Members of BOD:	Yalcın ÖNER	Vice Chairman of BOD	Master	_
	Osman AKYÜZ	Member of BOD	Bachelor	4
	Ibrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	th 0,0000
	Hamad Abdulla A. ALOQAB	Member of BOD	Bachelor	ra 0,0000
	Fahad Abdullah A. ALRAJHI	Member of BOD	Bachelor	0,0000
	Hood Hashem Ahmed HASHEM	Member of BOD		° 0,0000
	Mustafa BÜYÜKABACI		Master	***********
		Member of BOD	Master	•
	Dr. Khaled Abdulla Mohamed ATEEQ	Member of BOD	Doctorate	-
	Dr. Bekir PAKDEMIRL	Member of BOD	Doctorate	-
	Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	-
	Muhammad Zarrug M, RAJAB	Independent Member of BOD	Bachelor	-
General Manager:	Melikşah UTKU	Member of BOD / General Manager	Master	•
Assistant General	Turgut SIMITCIOĞLU	Assistant General Manager Responsible	Master	
Managers:		for Business Branches (General Manager		
	ta-Ct as tempolat	Deputy)	<b>5</b> 1.4	
	Mehmet Ali VERÇİN	Assistant General Manager Responsible	Bachelor	-
		for Support (General Manager Deputy)		
	Nihat BOZ	Assistant General Manager Responsible	Bachelor	-
		for Legal		
	Cenk DEMIRÖZ	Assistant General Manager Responsible	Master	•
		for Credits		
	Deniz AKSU	Assistant General Manager Responsible	Bachelor	
		for Risk Monitoring		
	Temel HAZIROĞLU	Assistant General Manager Responsible	Master	© 0.0342
		for Finance		
	Nevzat BAYRAKTAR	Assistant General Manager Responsible	Bachelor	_
		for Sales		
	Hasan ALTUNDAĞ	Assistant General Manager Responsible	Bachelor	
	FIRESON NE ( ORBING	for Marketing	Dacheidi	_
	Malek Khodr TEMSAH	Assistant General Manager Responsible	Master	
	INSIER MICH LESSIONES	Assistant General Manager Responsible	waster	•
	Carl BOT	for Treasury and Financial Institutions	A 6 1	
	Fatih BOZ	Assistant General Manager Responsible	Master	•
	man manus ka	for Operations		
	Süfeyman ÇELİK	Assistant General Manager Responsible	Bachelor	•
		for Human Values and Administrative		
		Affairs		
	Ali TUĞLU	Assistant General Manager Responsible	Master	-
		for Information Technologies		
Audit Committee:	Mustafa BÜYÜKABACI	Chairman of Audit Committee	Master	_
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	O.0000
	e i verseren i i viscolore e sante e e e e esta e e e e e e e e e e e e e e e e e e e	and the state of t	ITIMO IOI	0,0000

<sup>(1)</sup> The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Bank's share capital (December 31, 2016: 0,0342%).

#### IV. Information on the Bank's qualified shareholders:

The Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below.

Name / commercial name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486.523	54.06%	486.523	-

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### V. Summary on the Bank's service activities and field of operations:

The Bank operates in accordance with the principles of interest-free banking as a participation bank. The Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under six different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included), one year and more than one year (with monthly, quarterly, semiannual and annual profit share payment) and accumulated participation accounts.

The Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Bank operates as an insurance agency on behalf of Bereket Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services. Moreover, the Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

# VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:

The Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Bank consolidated Katılım Emeklitik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiralama A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş. the subsidiaries of the Bank, through equity method and full consolidation method, respectively. ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity". Real Estate Investment Funds "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" have been consolidated as well.

## VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the bank and its subsidiaries:

There is no immediate transfer of equity between the Bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

3 F-010

#### **SECTION TWO**

#### The unconsolidated financial statements

- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet
- III. Statement of income
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF SEPTEMBER 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

			***************************************	Reviewed	·	1	Audited	
	ASSETS	Notes		IRRENT PER			PRIOR PERI	
		(Section	Sel	otember 30, :			ecember 31,	
		Lives	TL	FC_	Total	TL	FC	Total
ř.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	223.837	4.991.18	6 5.215.02:	940,247	4.058.805	
R.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	985.664					
2.1	Trading Financial Assets	\**	985.664			1		
2.1.1			932		- 932	1	85.074	66.096
2.1.2	Equity Securities		,			954	] .	954
2.1.3	Derivative Financial Assets Held for Trading		353		353	55		65 068
2.2	Other Marketable Securities Financial Assets at Fair Value Through Profit and		984.379	3.296	987.675	13		74
m- n	LOSS	Į		i		1	1	
2.2.1				] '	-	·  ·	1 -	•
2.2.2	Equity Securities			[]	.]	] '	-	
2.2.3				.		] :	•	•
2.2.4				, ,				
III. IV.	BANKS	(3)	801.087	449,150	1.250.247	655.410	1.501.767	2.158,177
V.	MONEY MARKET PLACEMENTS FINANCIAL ASSETS-AVAILABLE FOR SALE (Not)	1			-			_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
5.1	Equity Securities	(4)	912.043			,		1.382.690
5.2	Public Sector Debt Securities		912.028					8.350
5.3	Other Marketable Securities		512.020	87.389				1.285.338
VI.	LOANS AND RECEIVABLES	(5)	17.389.555			17.448.650		91,002 <b>21,843,07</b> 5
6.1	Loans and Receivables		16.804.640		22.396.122	16.921 201		21.315.626
6.1.1	Loans to Risk Group of The Bank Public Sector Debt Securities		3 043	45.180	48.223		29.327	36.264
	Other	l i	40.00		·	-	-	•
6.2	Non-performing loans		16.801.797 1.308.678					21,279,362
6.3	Specific Provisions (-)		723.963				1 169	1.105 954
VII.	INVESTMENTS HELD TO MATURITY (Net)	(6)	508.921	900	724.648 508.921		1.169	578,505
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	4.719	.	4.719		]	668.582 4.719
8.1	Accounted for under Equity Method		4			7.110	][ ]	4,713
3.2 3.2.1	Unconsolidated Associates Financial Associates		4719		4.719	4.719		4.719
	Non-Financial Associates		4.719	•	4 719	4.719	-	4.719
Χ.	SUBSIDIARIES (Net)	(8)	5,400	-				
1.1	Unconsolidated Financial Subsidiaries	147	5.400		5.400 5.400	5.400	-	5.400
9.2	Unconsolidated Non-Financial Subsidiaries	- 1	3.700		₩.₩OV.	5 400		5.400
(,	JOINT VENTURES (Net)	(9)	20.000	-	20.000	20.000	1	20.000
0.1	Accounted for under Equity Method Unconsolidated		-		-		-	20.000
	Financial Joint Ventures	1	20.000	-	20.000	20,000	-	20.000
0.2.2	Non-Financial Joint Ventures	i	20 000	*	20.000	20 000	-	20,000
CI,	LEASE RECEIVABLES (Net)	(10)	729,994	•	729,994		1	
1.1	Finance Lease Receivables	(,-,	821.018		821.018	878.979 998.206	1	878.979
1.2	Operational Lease Receivables	ĺ	-1		-	200.200	]	996.208
	Other Unearned Income (-)			٠,		٠.	_}	-
	DERIVATIVE FINANCIAL ASSETS FOR HEDGING		91 024	-1	91.024	117.227	-	117.227
	PURPOSES	(11)	ļ		- 1			ł
2.1	Fair Value Hedge	``''	]		1	1	•	-
	Cash Flow Hedge		.]	] ا	]	î.	-	-[
	Hedge of Net Investment Risks in Foreign	1	ļ	1	1	1	-	1
	Operations		-				.]	ا
訓. Ⅳ.	TANGIBLE ASSETS (Net) INTANGIBLE ASSETS (Net)	(12)	564,564	268	564.832	516,340	791	517,131
	Goodwill	(13)	30.116	132	30.248	35.157	305	35,462
	Other		30.116	أممه			-	-[
<b>V</b> .	NVESTMENT PROPERTY (Net)	(14)	30.110	132	30.248	35,157	305	35.462
VŁ.	TAX ASSET	(15)	15.033	.]	15.033	25.100	_1	35 400
	Current Tex Asset	, ,	2.726	-	2.726	5.004	.]	25.100 5.004
	Deferred Tax Asset		12.307		12.307	20.098	]	20.096
A15' 1	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	140.		. 1		-	1	20.000
7.1 /	Assets Held for Sale	(16)	62.266	448	62.714	91.884	433	92.317
7.2 /	Assets of Discontinued Onerations	1	62.266	448	62.714	91,884	433	92.317
VIII. (	OTHER ASSETS	(17)	91.653	28.086	119.739	444 586	40	
		····	- 1.003	*0.000	115.738	141.900	12.058	153.958
	TOTAL ASSETS	2						

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF SEPTEMBER 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

	LIABILITIES	Notes (Section		Reviewed RRENT PERII tember 30, 20			Audited RIOR PERIO ember 31, 2	
		Five-li)	TL	FC	Total	ŤL	FC	Total
I. 1.1 1.2	FUNDS COLLECTED Funds from Risk Group of The Bank Other	(1)	12.719.391 82.627 12.636.764	11.389.853 578.367 10.611.466	24.109.244 660.994 23.448.250	12.557.143 18.908 12.538.235	10.597.991 467.738 10.130.253	23.155.134 486.646 22.658.488
II. III. IV,	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING FUNDS BORROWED BORROWIGS FROM MONEY MARKETS	(2) (3)	5,194 721,791 105,000	145 4.001.507	5.339 4.723.298 105.000	88 181.593 492.784	4,242,602	86 4.424,195 492,784
V. VI.	SECURITIES ISSUED (Net) MISCELLANEOUS PAYABLES		612.100	<b>52,200</b>	664.300	634.216	68.144	702.359
VIII.	OTHER LIABILITIES LEASE PAYABLES	(4) (5)					-	•
8.1 8.2 8.3	Finance Lease Payables Operational Lease Payables Other							
8.4 IX,	Deferred Finance Lease Expenses ( - ) DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)					-	-
9.1 9.2	Fair Value Hedge Cash Flow Hedge	1-1			,	-	:	
9.3 X. 10.1	Net Foreign Investment Hedge PROVISIONS General Provisions	(7)	204.227 116.302	30.347 24.013	234.574 140.315	191.485 110.416	<b>42.364</b> 25 847	233.849 136.263
10.2 10.3 10.4	Restructuring Reserves Reserve for Employee Benefits Insurance Technical Reserves (Net)		49.053		49.053	43.260		43.260
10.5 XI. 11.1	Other Provisions TAX LIABILITY Current Tax Liability	(8)	38.872 38.644 38.644	6 334 21 21	45.206 38.665 38.665	37.809 48.484 48.484	16.517 3.315 3.315	
11.2 XII.	Deferred Tax Liability LIABILITIES FOR ASSETS HELD FOR SALE AND				-		•	-
12.1 12.2	ASSETS OF DISCONTINUED OPERATIONS (Net) Assets Held for Sate Assets of Discontinued Operations	(3)					:	
XIII. XIV. 14,1	SUBORDINATED LOANS SHAREHOLDERS' EQUITY Paid-in Capital	(10) (11)	2.382.644 900.000	1.553.245 331	1.563.245 2.382.975 900.000	2.288.359 900.000	1.510.937 (8.766)	
14 2 14.2.1	Capital Reserves Share Premium		220.409	331	220.740	220.642	(8.766)	211.876
14.2.2 14.2.3 14.2.4	Marketable Securities Valuation Reserve		(10.027) 215.132	331	(9.696) 215.132	210 211.642	(8 766)	(8,555) 211.642
14.2.5 14.2.6 14.2.7			-	-	-			-
14.2.8 14.2.9				-	-	:		-
14.2.10 14.3	For Sale and Assets of Discontinued Operations Other Capital Reserves Profit Reserves		15.304 1 113 454	-	15.304 1 113.454	8.790 946.157	-	8,790 946,157
14.3.1 14.3.2	Legal Reserves Status Reserves		116.236	-	116.236	101.765	-	101.765
14.3.3 14.3.4 14.4		***************************************	997.216	-	997.218	844.392 221.560	-	844.392 221.560
14,4.1			7,664 141.117	-	7.664 141.117	3.951 217.609	:	3.951 217.609
	TOTAL LIABILITIES		16.788.991	17.037.649	33.826.640	16.394.151	16.455.587	32.850.738

The accompanying explanations and notes are an integral part of these financial statements.

6 F-013

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF SEPTEMBER 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

	STATEMENT OF OFF-BALANCE SHEET	Notes (Section		Reviewed IRRENT PERM ptember 30, 20		n	Audited PRIOR PERIO acember 31, 2	
		Five-Iff)	TL	FC FC	Total	TL Y	FC FC	Total
A. 1.	OFF BALANCE SHEET COMMITMENTS (I+II+III) GUARANTEES AND SURETIES	(1)	5.857.209	4.818.688	10.675.797	5.229.816	5.721.490	10.951.306
1.1.	Letters of Guarantees		3,962,335 3,958,944	3.631.868 2.698.245	7.594.283 6.657.189	4.003.878	4.697.315	8.701.193
1.1.1.		1	418,329	34,178	452,507	3.992.017 380.805	3.817.794	7.809.611
1.1.2.			1,885	600.871	602.756	5.911	33.037 875.341	413.842 861.252
1.1.3,	Other Letters of Guarantee		3,538,730	2.063.196	5.601.926	3 605.301	2.909.418	6.514.717
1.2.	Bank Loans			21.369	21,369		20.711	20.711
1.2.1. 1.2.2.	Other Bank Acceptances			21.369	21.369		20.711	20.711
1.3. 1.3.1.	Letter of Credits Documentary Letter of Credits		674	859.378	860.052	2.073	750.606	752.679
1,3.2. 1.4.	Other Letter of Credits Prefinancing Given as Guarantee		674	859.378	860.052	2.073	750.606	752.679
1.5.	Endorsements							
1.5.1.								
	Other Endorsements		-					
1.6.	Other Guarantees	1	· -	50.855	50.855	150	101.422	101.572
1.7. ff.	Other Collaterals	1	2.717	2.021	4.738	9.638	6.782	16.420
71. 2.1.	COMMITMENTS	(1)	1.555.065	156.643	1.711.708	1.221.782	9.379	1.231.161
2.1.1. 2.1.1.	Irrevocable Commitments		1.555.065	156,643	1.711.708	1.221.782	9.379	1,231,161
2.1.2.			70.978	156,643	227.621	4.020	9.379	13.399
p. 1, 2,	Subsidiaries		i	ļ	ļ		1	i
2.1.3.			154,919				-	*
2.1.4.			154.819	1	154.919	111.042	1 .	111.042
	Commitments for Reserve Deposit Requirements	}	·	•	-	-		-
1.6.	Payment Commitment for Cheques		634.130	· .	634.130	500.000		
1.7.			3 682		3.682	588.983	-	588.983
1.8	Commitments for Credit Card Expenditure Limits		498 413		498.413	3.029 475.270	1	3.029
1.9	Commitments for Promotions Related with Credit		700 410	•	490.410	4/5.2/0	*	475.270
.1.10	Cards and Banking Activities Receivables From Short Sale Commitments of		443	-	443	963	-	963
	Marketable Securities							
2.1.11	Payables for Short Sale Commitments of Marketable Securities		-		•	-	•	*
.1.12	Other Irrevocable Commitments	ļ	192.500	-	192,500	38.475		38.475
2.1.							-	-
2.2			-	•	<u>.</u> ,	,	_	
II, I.1.	DERIVATIVE FINANCIAL INSTRUMENTS Derivative Financial Instruments for Hedging Purposes	(2)	339.809	1.030.077	1,359,886	4.156	1.014.796	1.018.952
	Fair Value Hedge			v	i -			1
1.2.			_	-	_			1 .
.1.3.					-		· .	_
2.	Held for Trading Transactions		339,809	1.030,077	1.369,886	4.156	1.014.796	1.018,952
.2.1	Forward Foreign Currency Buy/Sell Transactions	i	6.022	5.618	11,638	4.156	1.014.796	1.018.952
26.1.1	Forward Foreign Currency Transactions-Buy Forward Foreign Currency Transactions-Sell		3.012	2,808	5.820	2.078	539.810	541.888
2.2	Other Forward Buy/Sell Transactions		3.010	2.808	5.818	2.078	474.986	477.064
.z.z. .3.	Other	į ļ	333.787	1.024.461	1.358.248	-	-	_ ^
i. V.	CUSTODY AND PLEDGED ITEMS (IV+V+VI) ITEMS HELD IN CUSTODY		56.654.033 1,919.116	7.436.768 1.039.013	64.090.801 2.958.129	46.841,565	7.544.333	54.385.896
.1.	Assels Under Management		110 12. [] [	1,023.0 (2	4.990.149	1.598,038	1.363.315	2.961.353
2.	Investment Securities Held in Custody		72	_	72	72	•	
3.	Cheques Received for Collection		1.472.594	130,899	1.603.493	1.214.349	110.011	1 224 200
4.	Commercial Notes Received for Collection		415.399	47.084	462,483	351,020	31,674	1.324.360
5.	Other Assets Received for Collection	ļ	103		103	103	31,074	382.694 103
6.	Assets Received for Public Offering				.00	100	۔ ً	103
7.	Other Items Under Custody		999	144.044	145.043	2,534	153.793	156.327
8.	Custodians		29.849	716,986	746,935	29.960	1.067.837	1.097.797
	PLEDGED ITEMS	ļ	54.734.917	6.397.755	61.132,672	45,243.527	6.181.018	51.424.545
1. 2.	Marketable Securities	1	7.610.766	2.697.012	10.307,778	2.553.972	1.690.418	4.244.390
К. З.	Guarantee Notes	]	1.329.107	144.649	1,473,756	1,461,797	180.828	1.642.623
3. 4.	Commodity Warranty		2.070.551	658.620	2.729.371	1.873.977	956.778	2.830.755
4. 5.	Properties	ļ			·		- :	
3. 3.	Other Pledged Items		41,484.043	2.034.230	43.518.273	37.530,439	1.668,064	39,198,503
a. 7,	Pledged items-Depository		2.057.623	859.050	2.916.873	1.571.336	1.681.591	3.252.927
	ACCEPTED INDEPENDENT GUARANTEES AND		182.627	3.994	186.621	252.006	3.341	255.347
	WARRANTIES		-	-	•	-	-	
.,	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		62.511.242	12.255.356	74.766.598	52.071.381	1	

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME AS OF SEPTEMBER 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

:	**************************************		Reviewed	Reviewed	Reviewed	Reviewed
		Notes	CURRENT	PRIOR	CURRENT	PRIOR
	INCOME AND EXPENSE ITEMS	Section	PERIOD	PERIOD	PERIOD	PERIOD
	11100 III AIID EXI EROM II EMU	Five-(V)	January 1-	January 1-	July 1-	July 1-
		* * * * * * * * * * * * * * * * * * * *	September 30,	September 30,	September 30,	September 30,
			2017	2016	2017	2016
l.	PROFIT SHARE INCOME	(1)	1.897.858	1.635.408	610,677	541.199
1.1	Profit Share on Loans		1.677.540	1.449.412	543.902	477,364
1.2	Income Received from Reserve Deposits		22.565	14.773	9.360	4.068
1.3	Income Received from Banks		1.134	312	221	281
1.4	Income Received from Money Market Placements	1 1	-	-	-	
1.5	Income Received from Marketable Securities Portfolio	I	145 860	116.870	42 066	42.134
1.5.1	Held-For-Trading Financial Assets	l .	219	-	219	-
1.5.2	Financial Assets at Fair Value Through Profit and Loss	j :	*	. *		
1.5.3	Available-For-Sale Financial Assets	l i	98.221	66 039	29 481	24.742
1.5.4	Investments Held to Maturity	!	47,420	51.831	12 366	17.392
1.6	Finance Lease Income	!	49.647	53.128	14 487	17 343
1.7	Other Profit Share Income		1,111	913	41	9
H.	PROFIT SHARE EXPENSE	(2)	995,974	878.358	347.838	298.221
2.1	Expense on Profit Sharing Accounts		729.849	648 511	250 145	216.606
2.2	Profit Share Expense on Funds Borrowed	1	249.779	182.678	93 257	66.549
2.3	Profit Share Expense on Money Market Borrowings		4.673	43.649	1.824	14 606
2.4	Profit Share Expense on Securities Issued				·	
2.5	Other Profit Share Expense		11.673	3 320	2612	460
HE.	NET PROFIT SHARE INCOME (I - II)	[	901,884	757.050	262.239	242.978
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES	1	109.185	105.191	35.268	34.896
4.1	Fees and Commissions Received	1	159 845	150.630	52.338	50.713
4.1.1	Non-Cash Loans	<b>!</b> !	77.063	76.319	23.673	26 288
4.1.2	Other	(12)	82 782	74.311	28 665	24.425
4.2	Fees and Commissions Paid	1	50 660	45.439	17.070	15 817
4.2.1	Non-Cash Loans	1	176	225	121	73
4.2.2	Other	<b>[ {12}</b> ]	50.484	45.214	16 949	15.744
٧.	DIVIDEND INCOME	(3)	•	. •		
VI.	TRADING INCOME/LOSS(net)	<b>{4</b> }	25,945	51,750	8.160	20.314
6.1	Capital Market Transaction Income / (Loss)		44.857	71	10,465	15
6.2.	Profit / (Loss) from Derivative Financial Instruments		(19.994)	(21 258)	(6 570)	12 182
5.3	Foreign Exchange Income / (Loss)		1,082	72.937	4.265	8 117
VII.	OTHER OPERATING INCOME	(5)	85.315	82.120	21,508	17,109
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.122.329	996.111	327.175	315.297
IX.	PROVISION FOR LOAN LOSSES AND OTHER					
	RECEIVABLES (-)	(6)	358.819	227.124	124.306	82.944
X.	OTHER OPERATING EXPENSES (-)	(7)	589.276	547.336	189.782	171,878
Xi.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	i	175.234	221.651	13.087	60.475
XII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	<b>!</b>	•	•	•	-
XIII.	PROFIT ( (LOSS) ON EQUITY METHOD	ļ †	•	•	•	•
XIV.	PROFIT ( (LOSS) ON NET MONETARY POSITION		•	-	-	
XV.	PROFIT / (LOSS) FROM CONTINUED OPERATIONS	į				
i	BEFORE TAXES (XI++XIV)	(8)	175,234	221,651	13.087	60.475
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	34.117	42.784	3.267	10.158
16.1	Provision for Current Taxes	ļ	16 198	46,902	761	6.508
16.2	Provision for Deferred Taxes		17,921	(4.118)	2.508	3 650
XVit.	NET INCOME / (LOSS) FROM CONTINUED OPERATIONS					
	(XV±XVI)	(10)	141.117	178.867	9.820	50.317
XVIII.	INCOME FROM DISCONTINUED OPERATIONS	(10)	-	•	•	1
18.1	Income from Assets Held For Sale		-	-	•	
18.2	Income from Sale Of Associates, Subsidiaries And Jointly					
	Controlled Entities (Joint Vent.)		* '	•		
18.3	Income from Other Discontinued Operations		-	*		
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)	1	•	•		-
19.1	Loss from Assets Held for Sale	1	-	-	1	•
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled	1			}	1
	Entities (Joint Vent.)	1	•	-	•	
19.3	Loss from Other Discontinued Operations	]	-	•	·	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS	1				
	BEFORE TAXES (XVIII-XIX)	]	•	•	-	*
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	1	•	•	-	-
21.1	Provision for Current Taxes	j	•	-		-
21.2	Provision for Deferred Taxes	1	-	-	•	
XXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS					į
	(XX±XXI)	44.11		,	1	****
XXIII,	NET PROFIT / LOSS (XVII+XXII)	(11)	141,117	178.867	9,820	50.317
1	Earnings Per Share (Full TL)	<u> </u>	0,157	0,199	0,011	0,056

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME&EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF SEPTEMBER 30, 2017 (Thousand of Turkish Lira (TL) unless otherwise stated)

		Reviewed	Reviewed
	STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER	CURRENT PERIOD	PRIOR PERIOD
	SHAREHOLDERS' EQUITY	January 1-	
*******		September 30, 2017	September 30, 2016
L	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES		
	FROM AVAILABLE FOR SALE FINANCIAL ASSETS	/4 49E)	/3.0071
H.	TANGIBLE ASSETS REVALUATION DIFFERENCES	(1.425)	(3.883)
111.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	_	•
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY	•	*
	TRANSACTIONS	3.314	218
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH	4.014	210
	FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE		
	DIFFERENCES)		_
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR	•	•
	HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE		
	PORTION OF FAIR VALUE DIFFERENCES)		_
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN	-	-
	ACCOUNTING POLICIES	<u>.</u> :	_
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN		_
	ACCORDANCE WITH TAS	_	_
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	285	777
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II++IX)	2,174	(2.888)
XI.	PROFIT/LOSS PROFIT/LOSS	141.117	178.867
11.1	Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	, , , , , ,	110,007
11.2	Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and		
	presented in Income Statement		_ :
11.3	Part of Hedge of Net Investments in Foreign Operations rectassified and		
	presented in Income Statement	N	
11.4	Other	141.117	178.867
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	143.291	175.979

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY
AS OF SEPTEMBER 30, 2017
(Thousand of Turkish Lira (TL) unless otherwise stated)

				Effect		Share					Current Period	Prior Years	Skarketable	Tangate and intanglible	Borus	ĝ.	Valuation Valuation Differences on Assets	
=	CHANGES IN SHAREHOLDERS' EQUITY (Reviewed)	Notes (Section Five-V)	Paid-in Capital	of Inflation Accounting on Capital	Share	Certificate Cancellation Profits	Legal Reserves R	Status Reserves	Extraordinary Reserves	Other Reserves <sup>FI</sup>	Net Income / (Loss)	Met Income / (Loss)	Securties Valuation Reserva	Assets Revaluation Reserve	-	Hedging F Reserves	Held For Sale and Disc.op.	Total Equity
	PRIOR PENIOD January 1- September 30, 2016																	
-4	8eginning balance	Ξ	900.000	•	•	,	84.774	٠	611.757	1.127	302.863	3.610	10,691	189.092	•		•	2,103,514
	Changes in Penod																	
<b>#</b>	increase/Decrease Related to Merger		¥	٠	•	•	r	٠	٠	•	•	•		ť	,	,	٠	•
Ħ	Marketable Securities Valuation Differences		,				•	١	>	1	•	•	(3.108)	·	:	,	,	(3,196)
ž	Hedging Funds (Effective Portion)		1	•	1	1	•	•	•	,	٠		•	•	1	2	•	•
2.5	Cash-Flow Hedge		٠	•	•	,		٠	•	•	ż		٠	٠	•		ł	•
4.4	Heage of Net Investment in Poreign																	
:	Cyperations		•			e.	1		•	,		•	t				*	
<b>,</b>	angone Assets Revaluation Differences		•	•	E		,	¢	•	•		,			•	ŧ		•
<b>5</b> 5	intangble Assets Revaluation Differences Borus Shares Oblained from		4	•	•	•	•		1		r		•	•	,		2	•
	Associates, Subsidianes and Jointly Controlled																	
	Operations		•	•	•	•	•		٠	•		٠	•	٠	٠	•		
Ē	Foreign Exchange Differences		•	1		•	,	•	•	218	•		•	٠		•	•	218
<u>×</u>	Changes Related to the Disposal Of Assets		•	•	•	,		٠	•	•		,	1	•	•	,	*	•
×	Changes Related to the Reclassification of																	
	Assets		i	ŀ	•		,				•	,	ŧ	•	,	·	•	,
ĸ i	The Effect of Change in Associate's Equity		ı	•	•	٠	,			•		,	ş		•	•		•
Į.	Capital Increase		1	•	ı	•		ı	:				,	1	•		2	,
7 5	Cash Total		s	•	,	1	,	+	•	•	ŀ	٠	,	,	•	•	,	,
777	Chara last to Describe		•	,	,		•	ı	•			•	¢	?	•	•	f	•
	Strain Outstanding Darket		,	7		,		s	•		•	4	ś		•		•	•
ż	Share Carcellation Profits		,	1	•	•									1	4		•
Ž	intlation Adjustment to Paro-in Capital		1	•			1	٢				,		4 4		,		, , ,
ž			3				(2.822)	•	5. 5.45 5.05	2 323	1 10	3 (38)	,	(1860 /)		,		(9.104)
	Person (New Account of Cost)	٠	,	•		•		•		•	7. th 00.0	1		•				10001
¥ .	Prote Distribution				:		12 863		240,210	٠	(302,883)	(3.6.0)			•			(50,400)
ě	Dividends Distributed		4	•	1		- 644	ŀ	, (		,	(50.400)			,	,		(Sel-Akar)
	Cahar		•				2000	1 1	C#0.2.0#2	•	1500 5067	(200 003)		•	,	4		• :
2			200								1-X-4- 500-5	200			,			
	GIGSHIG DAIGHTE HTHERT, TAYSTAYIITAYIII	JUK.	300		*	•	27.032	*	545.51	3.968	1/0,00/	can'r	7.383	183.382	1		,	4.441.103

<sup>17</sup> As per Repurchase Programme accepted at the General Assertibly on March 25, 2015 repurchased shares amount to 1% 3 005 between January 18, 2016 and July 22, 2016 represented under other reserves.

Ç

ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY AS OF SEPTEMBER 30, 2017
(Thousand of Turkish Lira (TL) unless otherwise stated)

		Moder		Effect		Share					Penod	Years	Marketable	mangible	Bonus		On Assets	
(Reviewed)	Changes in Shareholders' equity (Revewed)	(Section Five-V)	Paid-in Capital	Accounting on Capital	Share C Premium	Cancellation Profits	Legal Reserves Ri	Status Reserves	Extraordinary Reserves	Other Reserves?	Net Income ( (Loss)	Net Income /(Loss)	Securibes Valuation Reserve	Assets Revaluation Reserve	States from Investments	Hadging Raserves	Metal For Sale and Dec.og.	Total
CURR	CURRENT PERKOD January 1- September 30, 2017																	
Beginn	Beginning balance	ŝ	900.006	•	•	•	101.765		844.392	8.730	217,609	3,951	(8.556)	211.642	•	•	*	2 279 593
Change	Changes in Penod																	
ncreas	increase/Decrease Related to Merger				•	٠	•	•		,	•	•	,		٠			
Market	Marketable Securities Valuation Differences		,		,	,	,				• •	, ,	7 E S				. 1	1024 41
Hedge	Hedging Funds (Effective Portion)		·		•	•	•		•	•	ś	•	7		,		: 1	
Cash	Cash-filow Hedge		,	•	•		,	'	÷	,		•	*	*	?	٠	•	
Hedge	Hedge Of Net Investment in Foreign Operations		,	•	,		1	,	•	,		•		•	•	•		
digre.	angible Assets Revaluation Differences			•	4		2	,	•	•	,	,		•	•	1	•	
STORY OF	intangible Assets Revaluation Differences		,	,	•		,	•	•		ś	•	,	•	,		٠,	
Bonus	Bonus Shares Obtained from Associates,	1	ſ														•	
Substa	Subsidiaries and Jonally Controlled Operations					•	,	٠			•	٠		٠	•			
10.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0	oreign Excharge Differences		,	,		•	ı		,	3314	•		,	٠	,	٠	,	3,314
S S	Changes Related to the Disposal Of Assets		٠	,	ı	1	ı	•	•	٠	•	٠	4	•	ŧ		,	•
O Parent	or continue in the change of the continue of																	
The Est	The Effect of Change in Assessed to Exercise		ı							•	1		•	۲	•	,	ŧ	•
	the of the state of the section of the state			•	•		•			•	٠		•	•	•		,	•
E 4	Cabra Extrasse		1			٠	•	•	•		•	٠	,	•	ŧ	٠	٠	•
interest.	Control Country		•		•	•		,	i		•	•	•	٠		1	F	
Charle	a countries		·			,	3	ı	f	٠		,	•	•		,	•	•
The state of	Chara Teanglates Order		+		•				•		ı	•	•	•	•	•	•	
Fredanker	where continues of the							,	•				•		•	•		
Day of the Control of	a Angus (included to Angus (a Angus) (a Angus)		3				1		•		1	•		٠	•	•	•	
	Most because of the second						3 591	1	(3 591)	(3.591)		en (*) (*)	,	3 430		,	•	3,612
200	THE PROPERTY OF STATE		•	٠					•		141 127		•		٠	,	•	141.157
100	Profit Listinbulon		•				10 880	•	\$56.417	6 791	(217 609)	4	٠		•	٠		(43,521)
Divide:	Dividends Distributed				•		•		•	٠		(43.521)				٠		143.525
Transfe	Transfers To Reserves		•		,		10.880	•	156.417	6791	•	(174 088)	•	,	٠		,	
5	**************************************	whithere	,	-		,	-	,	•		(217,609)	217 609	•	ś	1	,		•
Cosia	Closing Balance (HR4IB++XVI+XVII+XVIII)		900,000	•		•	116.236	١	997.218	997,218 15,384	141.117	7.664	(9.696)	215,132	•	-		2 382 975

Ë

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED SEPTEMBER 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

		<u> </u>	Reviewed	Reviewed
		Notes	CURRENT PERIOD	PRIOR PERIOD
	STATEMENT OF CASH FLOWS	(Section	January 1-	January 1-
		Five-VI)	September 30, 2017	September 30, 2016
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets And Liabilities		600.870	816.007
.1.1	Profit Share Income Received		1 873.035	1.428.062
1.2	Profit Share Expense Paid		(907.427)	(789.803)
.13	Dividend Received		(307.427)	(708.603)
.1.4	Fees and Commissions Received		82.782	74.311
1.5	Other Income		68 899	58.861
1.6	Collections from Previously Written Off Loans		209.659	120.147
17	Payments to Personnel and Service Suppliers		(328 749)	(309,440)
1.8	Taxes Paid		(44.455)	(73.942)
1.9	Others		(352 874)	307.811
.2	Changes in Operating Assets And Liabilities		(1.362.156)	(1,158.925)
21	Net (Increase) Decrease in Available For Sale Financial Assets		(922.864)	
22	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(922.004)	15.207
2.3	Net (Increase) Decrease in Due From Banks and Other Financial Institutions		682.355	(91.015)
24	Net (increase) Decrease in Loans	! :	(1.001 215)	(1.091.347)
25	Net (Increase) Decrease in Other Assets		(5.412)	87.359
26	Net Increase (Decrease) in Funds Collected From Banks		(538.972)	1.251.231
2.7	Net Increase (Decrease) in Other Funds Collected	l i	1.378 422	(1 765.496)
2.8	Net Increase (Decrease) in Funds Borrowed			•
2.9	Net Increase (Decrease) in Payables		-	*
2.10	Net Increase (Decrease) in Other Liabilities		(954.470)	435.136
	Net Cash Flow From Banking Operations		(761.286)	(342.918)
	CASH FLOWS FROM INVESTING ACTIVITIES			
	Net cash flow from investing activities		(49.948)	(50.518)
	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and	ļ		
1	Subsidiaries Cash Obtained from Sale of Jointly Controlled Operations, Associates and	i	-	(4,500)
2	Subsidiaries		. 1	
3	Fixed Assets Purchases	l	(35,400)	(21.738)
4	Fixed Assets Sales	]	34.688	51,410
5	Cash Paid for Purchase of Financial Assets Available for Sale	1	(806.904)	(680.721)
6	Cash Obtained from Sale of Financial Assets Available for Sale		598.242	439.588
7	Cash Paid for Purchase of Investment Securities		(232.000)	(184.555)
8	Cash Obtained from Sale of Investment Securities	·	391.426	350.000
9	Other		-	•
	CASH FLOWS FROM FINANCING ACTIVITIES			
	Net Cash Flow From Financing Activities		(475.918)	(1.546.538)
1	Cash Obtained from Funds Borrowed and Securities Issued		5.004.812	1.090.346
2	Cash Used for Repayment of Funds Borrowed and Securities Issued	1	(5.437 209)	(2.586.484)
3	issued Capital Instruments		,	(m. 224.747)
¢.	Dividends Paid	i	(43 521)	(50.400)
î B	Payments for Finance Leases Other		:	
	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		24.496	61.909
	Net (Decrease) Increase in Cash and Cash Equivalents		(1.262.656)	(1.878.065)
		l		
•	Cash and Cash Equivalents at the Beginning of the Period	1	3.464.483	3.808,054
l.	Cash and Cash Equivalents at the End of the Period			

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION THREE**

#### **ACCOUNTING POLICIES**

- I. Explanations on basis of presentation:
- a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated June 28, 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities and revalued real estates carried at fair value.

### b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. The aforementioned accounting policies and valuation principles are explained in Notes II to XXII below.

TAS/TFRS changes which are effective from January 1, 2017 do not have a significant effect on the Bank's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective, except TFRS 9 financial instruments and IFRS 16 Leases, do not have a significant effect on the Bank's accounting policies, financial position or performance.

New IFRS 16 Leases Standard has been published by IASB on January 13, 2016. This standard replaces the current IAS 17 Leases Standard regulating leasing transactions, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases Incentives and leading to changes in IAS 40 Investment Property. IFRS 16 replaces the current dual accounting model presenting the financial leases on balance sheet and not representing operational leases on balance sheet. Instead, a singular accounting model will be represented similar to current financial leasing accounting model based on balance sheet. For lessors, the accounting will remain the same as to the current accounting practices. This change will be effective for the periods after January 1, 2019. Early adoption is allowed for the entities which are already applying "TFRS 15 Revenue from contracts with customers". The Bank evaluates the impacts of the standard on financial position and performance.

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after December 31, 2017) "Financial Instruments" before January 1, 2018. Since the Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The preparation of the unconsolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### i. Explanations on basis of presentation (continued):

#### c. Restatement of the financial statements according to the current purchasing power of money:

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

#### II. Explanations on strategy of using financial instruments and foreign currency transactions:

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency performing loans which were funded from these accounts is evaluated at current foreign exchange rates.

The Bank's share of foreign currency non performing loans funded by profit sharing accounts and foreign currency non performing loans funded by equity are evaluated at the exchange rates at their switch from performing to non performing and booked under Turkish lira accounts.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold and silver) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

#### III. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Bank, generally, consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The Bank's derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations on profit share income and expenses:

#### Profit share income

Profit share income is accounted in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

#### Profit share expense

The Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

#### V. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the Income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related cash and non-cash loans commissions directly as income.

#### VI. Explanations on financial assets:

The Bank categorizes and records its financial assets as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale", "Loans and Receivables" or "Financial Assets Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Bank is determined and accounted at the time of purchase by the Bank management taking into consideration the purpose of the investment.

#### Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of September 30, 2017, the Bank has not any financial assets classified as financial assets at fair value through profit or loss except for trading financial assets (December 31, 2016; None).

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VI. Explanations on financial assets (continued):

#### Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

#### Loans and receivables:

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

#### Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under "Loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

#### VII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such toans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VIII. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in available for sale and subordinated loan accounts.

#### IX. Explanations on sale and repurchase agreements and lending of securities:

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available for sale" and "held to maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Bank has not any securities lending transactions.

### X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discounted operations to tangible assets.

A discontinued operation is a part of the Bank's business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has not any discontinued operations.

#### XI. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights. The Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### XII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2016, the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate (%)
Buildings	2
Motor vehicles	20 – 25
Furniture, fixture and office equipment	4 – 33
Safe-deposit boxes	2 - 20
Operational lease improvement costs (Leasehold improvements)	Leasing period – 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### XIII. Explanations on leasing transactions:

#### Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

#### Transactions as a lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

#### XIV. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent flability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

#### XV. Explanations on liabilities regarding employee rights:

#### Defined benefit plans:

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income. As of September 30, 2017, actuarial loss amounts to TL 9.729 (December 31, 2016; TL 9.729 actuarial loss).

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### XV. Explanations on liabilities regarding employee rights (continued):

#### ii. Defined contribution plans:

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

#### iii. Short term benefits to employees:

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

#### XVI. Explanations on taxation:

#### **Current tax:**

The Bank is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are exempt from corporate tax if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax Law.

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of  $25^{\rm in}$  of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Bank. As of report date, there is no information or written report transmitted to the Bank.

#### Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### XVI. Explanations on taxation (continued):

#### Transfer pricing:

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

#### XVII. Additional explanations on borrowings:

The Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Bank. The Bank has issued borrowings through its subsidiary Bereket Varlik Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka Sukuk Limited.

The Bank has subordinated loans borrowed through sukuk issuance which has convertible nature to the shares.

#### XVIII. Explanations on issued share certificates:

None.

#### XIX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

#### XX. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Bank.

#### XXI. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note X.

#### XXII. Explanations on other matters:

None.

#### XXIII. Additional paragraph for convenience translation:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION FOUR**

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

#### I. Explanations on capital adequacy standard ratio:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of September 30, 2017, the Bank's total capital has been calculated as Tt. 3.909.664, capital adequacy standard ratio is 17,37%. As of December 31, 2016, Bank's total capital amounted to Tt. 3.064,000, capital adequacy ratio was 13,46% calculated. This ratio is above the minimum ratio required by the legislation.

#### a. Information on Capital:

		Amounts related to treatment
	Current Period	before 1 January 2014 <sup>(1)</sup>
COMMON EQUITY TIER 1 CAPITAL		2014
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	1.113.454	
Gains recognized in equity as per TAS	245.760	
Profit	148.781	
Current Period Profit	141.117	
Prior Period Profit	7.664	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled		
partnerships and cannot be recognised within profit for the period		
Common Equity Tier 1 Capital Before Deductions	2.407.995	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks		
Portion of the current and prior periods' losses which cannot be covered through	•	
reserves and losses reflected in equity in accordance with TAS	25.020	
Improvement costs for operating leasing	25.020	
Goodwill (net of related tax liability)	22.100	
Other intangibles other than mortgage-servicing rights (net of related tax tiability)	22,692	28.365
Deferred tax assets that rely on future profitability excluding those arising from	22.032	20.000
temporary differences (net of related tax liability)		
Differences are not recognized at the fair value of assets and liabilities subject to hedge		
of cash flow risk		
Communiqué Related to Principles of the amount credit risk calculated with the Internal		
Ratings Based Approach, total expected loss amount exceeds the total provision		
Gains arising from securitization transactions	•	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities		
Defined-benefit pension fund net assets	•	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	•	
Portion of the total of net long positions of investments made in equity items of banks		
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or less of the issued common share capital exceeding 10% of Common Equity of the		
Bank Sank	-	
Portion of the total of net long positions of investments made in equity items of banks		
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or more of the issued common share capital exceeding 10% of Common Equity of the Bank		
Portion of mortgage servicing rights exceeding 10% of the Common Equity	•	
Portion of deferred tax assets based on temporary differences exceeding 10% of the		
Common Equity		
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional	•	
Article 2 of the Regulation on the Equity of Banks	_	
Excess amount arising from the net long positions of investments in common equity	_	
items of banks and financial institutions outside the scope of consolidation where the		
Bank owns 10% or more of the issued common share capital	_	
Excess amount arising from mortgage servicing rights	•	
Excess amount arising from deferred tax assets based on temporary differences	_	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital		
or Tier It Capital	-	
Total Deductions From Common Equity Tier 1 Capital	69.812	
Total Common Equity Tier 1 Capital	2.338.183	

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations on capital adequacy standard ratio (continued):

#### a. Information on Capital (continued):

ADDITIONAL TIER I CAPITAL		
Preferred Stock not included in Common Equity and the Related Share Premiums	-	***************************************
Debt instruments and premiums approved by BRSA	•	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	*	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	**************************************
Direct and indirect investments of the Bank in its own Additional Tier I Capital	<u>~</u>	***********
Investments of Bank to Banks that invest in Bank's additional equity and components		
of equity issued by financial institutions with compatible with Article 7.	•	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks		
and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		
Exceeding the 10% Threshold of above Tier I Capital	•	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I		
Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more		
than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	4	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not		
deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph	P. 044	
of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital	5.673	
for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on		
Banks' Own Funds (-)		
Deductions to be made from common equity in the case that adequate Additional Tier I	•	
Capital or Tier II Capital is not available (-)		
Total Deductions From Additional Tier   Capital		
Total Additional Tier I Capital	7F	<del></del>
Total Tier   Capital (Tier   Capital=Common Equity+Additional Tier   Capital)	2.332,610	····
TIER II CAPITAL	**************************************	
Debt instruments and share issue premiums deemed suitable by the BRSA	1.511.874	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary	1.511.074	
Article 4)		
Provisions (Article 8 of the Regulation on the Equity of Banks)	69.471	
Tier II Capital Before Deductions	1,581,345	
Deductions From Tier II Capital	1,001,070	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	3.284	—
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity	0.204	
issued by financial institutions with the conditions declared in Article 8.	•	
Portion of the total of net long positions of investments made in equity items of banks		
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or less of the issued common share capital exceeding 10% of Common Equity of the		
Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital		
item of banks and financial institutions outside the scope of consolidation where the		
Bank owns 10% or more of the issued common share capital exceeding 10% of		
Common Equity of the Bank	•	
Other items to be defined by the BRSA (-)		
Total Deductions from Tier II Capital	3.284	
Total Tier II Capital	1,578,061	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.910.571	
Deductions from Total Capital	*	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the		
Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue		
Receivables and Held for Sale but Retained more than Five Years	•	
Other items to be defined by the BRSA	907	

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations on capital adequacy standard ratio (continued):

#### a. Information on Capital (continued):

In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	·	
The Sum of net long positions of investments (the portion which exceeds the 10% of		
Banks Common Equity) in the capital of banking, financial and insurance entities that		
odies Common Equity) in the capital or danking, imancial and insurance entities that		
are outside the scope of regulatory consolidation, where the bank does not own more		
than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1		
capital. Tier 2 capital for the purposes of the first sub-paragraph of the Provisional		
Article 2 of the Regulation on Banks' Own Funds	•	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2		
capital of banking, financial and insurance entities that are outside the scope of		
regulatory consolidation, where the bank does not own more than 10% of the issued		
common share capital of the entity which will not deducted from Common Equity Tier 1		
capital, Additional Tier 1 capital, Tier 2 capital for the		
purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on		
Banks' Own Funds	•	
The Sum of net long positions of investments in the common stock of banking, financial		
and insurance entities that are outside the scope of regulatory consolidation, where the		
bank does not own more than 10% of the issued common share capital of the entity.		
mortgage servicing rights, deferred tax assets arising from temporary differences which		
will not deducted from Common Equity Tier		
1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the		
Regulation on Banks' Own Funds	•	
Total Capital	3.909.664	
Total risk weighted amounts	22.511.496	
Capital Adequacy Ratios	22.311.450	
Core Capital Adequacy Ratio (%)	10.39	
Tier 1 Capital Adequacy Ratio (%)	• • •	
Capital Adequacy Ratio (%)	10,36	
BUFFERS	17,37	
	*	
The total additional capital requirement ratio (a + b + c)	1,25	
a) Capital conservation buffer requirement (%)	1,25	
b) Bank specific counter-cyclical buffer requirement (%)	0,00	
c) Systemic significant bank buffer ratio (%)	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first		
paragraph of the Article 4 of Regulation on		
Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5,89	
Amounts below the Excess Limits as per the Deduction Principles	*	
Portion of the total of net long positions of investments in equity items of unconsolidated		
banks and financial institutions where the bank owns 10% or less of the issued share		
capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial		
Institutions where the bank owns 10% or less of the issued share capital exceeding the		
10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	•	
Limits related to provisions considered in Tier II calculation	47.609	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five		<del></del>
limitation)	_	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where	-	
the standard approach used	69.471	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings	QQ(4) (	
Based Approach in accordance with the Communique on the Calculation		
Excess amount of total provision amount to &-,6 of risk weighted receivables of credit	-	
risk Amount of the Internal Ratings Based Approach in accordance with the		
Communiqué on the Calculation		
Debt instruments subjected to Article 4 (to be implemented between January 1,		
2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	•	
Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4	•	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	*	

<sup>17</sup> Amounts in this column represents the amounts of items that are subject to transition provisions.

## ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2017 (Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations on capital adequacy standard ratio (continued):

#### Information on Capital (continued): a.

· · · · · · · · · · · · · · · · · · ·	<del></del>	Amounts related to treatment
	m	before 1 January
COMMON EQUITY TIER 1 CAPITAL	Prior Period	2014 <sup>(*)</sup>
Pald-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums		
Reserves	946.157	
Gains recognized in equity as per TAS	232,165	
Profit	221.560	
Current Period Profit	217.609	
Prior Period Profit	3.951	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period		
Common Equity Tier 1 Capital Before Deductions	2,299,882	
Deductions from Common Equity Tier 1 Capital	4.453.004	······································
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the	V-1	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
Equity of Banks		
Portion of the current and prior periods' losses which cannot be covered through		
reserves and losses reflected in equity in accordance with TAS	20.289	
Improvement costs for operating leasing	27.695	
Goodwill (net of related tax liability)		
Other intangibles other than mortgage-servicing rights (net of related tax liability)	19.895	33.159
Deferred tax assets that rely on future profitability excluding those arising from		
temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge		
of cash flow risk	•	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision		
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	_	
Defined-benefit pension fund net assets	•	
Direct and indirect investments of the Bank in its own Common Equity	_	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks		
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or less of the issued common share capital exceeding 10% of Common Equity of the		
Bank	•	
Portion of the total of net long positions of investments made in equity items of banks		
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or more of the issued common share capital exceeding 10% of Common Equity of the Bank		
Portion of mortgage servicing rights exceeding 10% of the Common Equity	•	
Portion of deferred tax assets based on temporary differences exceeding 10% of the	-	
Common Equity	_	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional		
Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity		
items of banks and financial institutions outside the scope of consolidation where the		
Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	•	
Deductions to be made from common equity due to insufficient Additional Tier   Capital or Tier    Capital		
Total Deductions From Common Equity Tier 1 Capital	67.879	
Total Common Equity Tier 1 Capital	2,232,003	
Town Towns 1 1941 I Wallett	6,836,003	

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations on capital adequacy standard ratio (continued):

#### a. Information on Capital (continued):

ADDITIONAL TIER I CAPITAL	-	****************
Preferred Stock not Included in Common Equity and the Related Share Premiums	÷	<del>^~~~</del>
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)		
Additional Tier   Capital before Deductions	, , , , , , , , , , , , , , , , , , ,	
Deductions from Additional Tier   Capital	*	······································
Direct and indirect investments of the Bank in its own Additional Tier I Capital	_	temenenemenenenemen
investments of Bank to Banks that invest in Bank's additional equity and components		
of equity issued by financial institutions with compatible with Article 7.		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks		
and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		
Exceeding the 10% Threshold of above Tier I Capital	+	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I		
Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more		
than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	<u> </u>	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not		
deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph		
of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	13,264	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital		
for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on		
Banks' Own Funds (-)	•	
Deductions to be made from common equity in the case that adequate Additional Tier		
Capital or Tier II Capital is not available (-) Total Deductions From Additional Tier I Capital		·····
Total Additional Tier I Capital	-	
Total Tier   Capital (Tier   Capital=Common Equity+Additional Tier   Capital)	0.040.700	<del>~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~</del>
TIER II CAPITAL	2.218.739	
Debt instruments and share issue premiums deemed suitable by the BRSA	793.260	
Secritionality one successive menting because suitable by the Elysak		
Beht instruments and chara issue premiums dogged suitable by DDCA (Temperate	793.200	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary	793.200	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	*	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions	*	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and Indirect investments of the Bank on its own Tier II Capital (-)	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity	£0.956	***************************************
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	£0.956	***************************************
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10%	£0.956	Andrew Control of the Andrew Control of the
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and Indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital	£0.956	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and Indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital (The sum of Tier I Capital and Tier II Capital)	60.956 854.216	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital	60.956 854.216	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Total Capital	60.956 854.216	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Tier II Capital Deductions from Total Capital Deductions from Total Capital Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law	60.956 854.216	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Tier II Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Total Capital Deductions from Total Capital Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the	60.956 854.216	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue	854.216 854.216 854.216 3.072.955	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Tier II Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Total Capital Deductions from Total Capital Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the	60.956 854.216	

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations on capital adequacy standard ratio (continued):

#### a. Information on Capital (continued):

<sup>(1)</sup> Amounts in this column represents the amounts of items that are subject to transition provisions.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations on capital adequacy standard ratio (continued):
- b. Information on reconciliation of total capital and equity

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provisions and debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, general provision up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations on capital adequacy standard ratio (continued):

#### c. Details on Subordinated Liabilities:

issuer	Albaraka Sukuk Ltd.	ABT Sukuk Ltd.	
Unique Identifier (CUSIP, ISIN etc.)	XS1301525207	XS0927211754	
Governing Law(s) of the instrument	English Law	English Law	
Special Consideration in the Calculation of Equity			
As of January 1, 2015 consideration to be subject to a 10%			
reduction application status	No	No	
Eligible at Unconsolidated / Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated	
Instrument Type Amount recognized in regulatory capital (as of most recent	Sukuk Wakala	Sukuk Murabaha	
reporting date)	TL 802.074	TL 709.800	
Par Value of Instrument	TL 802.074	TL 709.800	
Accounting Classification	Subordinated Loan	Subordinated Loan	
Original date of Issuance	November 30, 2015	May 7, 2013	
Perpetual or dated	Dated	Dated	
Maturity date	November 30, 2025	May 7, 2023	
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes	
Last Payment Date : Nov 30, 2020 Total Repayment Amount of Profit Share : USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000		Last Payment Date : May 7, 2018 Total Repayment Amount of Profit Share : USD 77.500.000 , Repayment Period: 6 months Principal Payment: USD 200.000,000	
Subsequent call dates	-	-	
Profit Share / Dividends		<del></del>	
Fixed or floating profit share / dividend	Fixed	Fixed	
Profit share rate and any related index	10,50%	7,75%	
Existence of a dividend stopper	As per BRSA regulations and Communiqués it is payable	As per BRSA regulations and Communiqués it is payable	
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	
Existence of step up or other incentive to redeem	_	~	
Noncumulative or cumulative	Noncumulative	Noncumulative	
Convertible or Non-convertible			
If convertible, conversion trigger	As per BRSA regulations and	As per BRSA regulations and	
If convertible, fully or partially	Communiqués it is convertible As per BRSA approval it is	Communiqués it is convertible	
	convertible fully or partially	As per BRSA approval it is convertible fully or partially	
If convertible, conversion rate	As per BRSA approval it is convertible and the rate may be determined.	As per BRSA approval it is convertible and the rate may be determined.	
If convertible, mandatory or optional conversion	Subject to BRSA's approval.	Subject to BRSA's approval.	
If convertible, specify instrument type convertible into	Share certificate	Share certificate	
If convertible, specify issuer of instrument it converts into	-	-	
Write-down feature			
If write-down, write-down trigger(s)	-	_	
If write-down, full or partial	-	-	
If write down, permanent or temporary	-	-	
If temporary write-down, description of write-up mechanism	-	*	
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and	After all creditors and	
Instrument type immediately senior to instrument) In compliance with article number 7 and 8 of "Own fund	participation fund owners	participation fund owners	
regulation"	No	No	
Details of incompliances with article number 7 and 8 of "Own			
fund regulation*	No	No	

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### II. Explanations on credit risk:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### III. Explanations on currency risk:

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

- a. The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position / shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b. The Bank does not have any derivative financial instruments held for hedging purposes.
- c. As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.
- ç. Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

	USD	EUR
As of September 30, 2017 - Balance sheet evaluation rate	3.549	4.193
As of September 29, 2017	3,549	4,193
As of September 28, 2017	3,555	4,187
As of September 27, 2017	3,564	4.184
As of September 26, 2017	3,544	4,170
As of September 25, 2017	3,534	4,198

d. The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 3,466 for 1 USD (December 2016; TL 3,494), TL 4,131 for 1 EUR (December 2016; TL 3,679).

The Bank is mainly exposed to EUR and USD currency risks.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### III. Explanations on currency risk (continued):

#### Information on currency risk of the Bank:

Current Period	EUR	USD	Other FC <sup>(*)</sup>	Total
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques				
purchased) and balances with the Central Bank of Republic of				
Turkey	935.277	3.159,195	896,714	4.991.186
Banks	171.593	169.382	108.185	449,160
Financial assets at fair value through profit and loss		3.294	2	3,296
Money market placements				-
Available-for-sale financial assets	174	417,749	•	417.923
Loans and financial lease receivables("I	3,464,143	7.812.643	341	11.277,127
Subsidiaries, associates and joint ventures	-		•	•
Held-to-maturity investments	_	_		
Derivative financial assets for hedging purposes				_
Tangible assets	_	_	268	268
Intangible assets	_	_	132	132
Other assets(***)	2.070	24,938	2.299	29.307
Total assets	4.573.257	11,587,201	1,007,941	17.168.399
t Otal 830013		1110011401	1,041,041	172100.000
Liabilities				
Current account and funds collected from banks via participation				
accounts	1.114,067	167.927	2.904	1.284.898
Other current and profit sharing accounts	2.316.720	7.020.910	767.325	10,104.955
Money market borrowings	-	-	•	•
Funds provided from other financial institutions and subordinated				
loans	813.467	4.751.285	-	5.564.752
Marketable securities issued	-	-	-	*
Miscellaneous payables	12.182	38.747	1.271	52.200
Derivative financial liabilities for hedging purposes	•	-	•	•
Other liabilities	2.938	3,467	95	6.500
Total liabilities	4.259.374	11.982.336	771.595	17.013.305
Net balance sheet position	313.883	(395.135)	236.346	155.094
Net off balance sheet position	(314.978)	520.682	(216.814)	(11.110)
Derivative financial instruments assets("")	10.273	573.374	4.158	587.805
Derivative financial instruments liabilities(***)	325,251	52.692	220.972	598.915
Non-cash loans(""")	1.231.795	2.379.532	20.541	3.631.868
Prior Period				
Total assets	4.803.238	10,449,176	1.139.478	16.391.892
Total liabilities	4.767.097	11.015.341	657.068	16.439.506
Net balance sheet position	36,141	(566,165)	482.410	(47.614)
Net off balance sheet position	(222)	534.761	(473,712)	60.827
Derivative financial instruments assets	2.886	538,533	1.082	542.501
Derivative financial instruments liabilities	3.108	3.772	474.794	481.674
Non-cash loans	1.429.354	3.231.964	35.997	4,697,315

TL 880.473 (December 31, 2016: TL 790.486) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 61.447 (December 31, 2016: TL 274.919) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 725.035 (December 31, 2016: TL 599.733) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

The balance includes foreign currency indexed loans and financial lease receivables of TL 5.885.838 (December 31, 2016; TL 5.971.045).

Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 773 (December 31, 2016; TL 566) is included in other assets.

<sup>1</sup> the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 52.941 (December 31, 2016; TL 2.691) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 103.702 (December 31, 2016; TL 6.688).

<sup>1000</sup> not have any effect on the net off-balance sheet position.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations on position risk of equity securities in banking book:

The Bank does not have any associate and subsidiary quoted at Borsa Istanbul.

#### V. Explanations on liquidity risk:

Liquidity Risk is managed by Asset and Liability Committee (ALCO) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Risk Management Contingency Funding Plan" in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators in each stress.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### V. Explanations on liquidity risk (continued):

### Liquidity Coverage Ratio:

		Rate of "Percer taken into acc implemented To	ount" not otal value <sup>(")</sup>	Rate of "Percentage to be taken into account" Implemented Total value(")		
ļ	Current Period	TL+FC	FC	TL+FC	FC	
	HIGH QUALITY LIQUID ASSETS (HQLA)		:			
1	HIGH QUALITY LIQUID ASSETS			5.011.304	3,822.556	
	CASH OUTFLOWS					
2	Retail and Small Business Funds Collected	13.965.558	6.015.783	1.230.327	601.578	
3	Stable Funds Collected	3.324.578	*	166.229	н	
4	Less stable Funds Collected	10.640,980	6,015.783	1,064.098	601,578	
5	Unsecured Funding other than Retail and Small					
	Business Customers Deposits	7.120.760	4.531.335	4.175.740	2.684.253	
6	Operational Funds Collected	657.742	655.044	164.435	163.761	
7	Non-Operational Funds Collected	3.109.868	1.615.290	1.659.461	919.664	
8-	Other Unsecured Funding	3.353.150	2.261.001	2.351.844	1.600.828	
9	Secured funding					
10	Other Cash Outflows	419.362	280.065	419,362	280.065	
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	419.362	280.065	419.362	280.065	
12	Debts related to the structured financial products	410.002	200.000	- 410.002	-	
13	Commitment related to debts to financial markets and other off balance sheet liabilities		_	4		
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments					
15	Other irrevocable or conditionally revocable					
''	commitments	8.510.387	3.433,961	702.931	327.735	
16	TOTAL CASH OUTFLOWS			6.528.360	3.893.631	
<u> ~</u>	CASH INFLOWS					
17	Secured Lending Transactions			_		
18	Unsecured Lending Transactions	3.277.384	1.554.583	2.591.193	1.447.329	
19	Other contractual cash inflows	408.540	359.103	408.540	359.103	
20	TOTAL CASH INFLOWS	3.685.924	1.913.686	2.999.733	1.806.432	
144	FOIAL VAGISHELVIIG	U.VUV.UL4	1.010.000	Upper limi		
				amou		
21	TOTAL HQLA			5.011.304	3.822.556	
22	TOTAL NET CASH OUTFLOWS			3.528.627	2.087.199	
	<u> </u>					
23	Liquidity Coverage Ratio (%)	The state of the s		142,02	183,14	

<sup>&</sup>lt;sup>(1)</sup>Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dated on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

Liquidity Coverage Ratio (%)	Current Period			
	TL+FC	FC		
Lowest	100,79	107,39		
Date	September 10, 2017	September 10, 2017		
Highest	186,41	286,53		
Date	August 18, 2017	July 14, 2017		
Average (%)	142,02	183,14		

(Thousand of Turkish Lira (TL) unless otherwise stated)

### V. Explanations on liquidity risk (continued):

### Liquidity Coverage Ratio (continued):

		Rate of "Percentage to be		Rate of "Perc	Rate of "Percentage to be		
		taken into ac		taken into			
	Diagonal ad	Implemented		Implemented			
	Prior period	TL+FC	FC	TL+FC	FC		
<u> </u>	HIGH QUALITY LIQUID ASSETS (HQLA)						
1	HIGH QUALITY LIQUID ASSETS	An ister december		4,284,356	3.183.015		
	CASH OUTFLOWS				_		
2	Retail and Small Business Funds Collected	12.007.743	4.522.901	1.050.523	452.290		
3	Stable Funds Collected	3.005.018	<b>.</b>	150.251			
4	Less stable Funds Collected	9.002.725	4.522.901	900.272	452.290		
5	Unsecured Funding other than Retail and Small						
	Business Customers Deposits	5.880,405	3.358.936	3.296,235	1.958.555		
6	Operational Funds Collected	442.615	441,165	110.654	110.291		
7	Non-Operational Funds Collected	3.321.805	1.797.946	1.840.626	1.138.890		
8	Other Unsecured Funding	2.115.985	1.119.825	1.344.955	709.374		
9	Secured funding	4424425	Transportation str		•		
10	Other Cash Outflows	726.241	698.029	726,241	698.029		
11	Liquidity needs related to derivatives and				000.025		
	market valuation changes on derivatives						
]	transactions	726.241	698.029	726,241	698.029		
12	Debts related to the structured financial		000.020	120.47	000.025		
	products	_	_		_		
13	Commitment related to debts to financial	}			_		
	markets and other off balance sheet liabilities		_	_	_		
14	Commitments that are unconditionally revocable			•	•		
	at any time by the Bank and other contractual	Ì					
	commitments	[	_ [				
15	Other irrevocable or conditionally revocable	_	- 1	•	•		
	commitments	9.455.208	4.249.207	747.162	262 626		
16	TOTAL CASH OUTFLOWS	0.400.200	7,270,207	5.820.161	362.820 3.471.694		
	CASH INFLOWS			3.020,101	3,471,034		
17	Secured Lending Transactions						
18	Unsecured Lending Transactions	3.437.727	1.606.509	2 704 606	4 540 554		
19	Other contractual cash inflows	731.192	172.774	2.704,696	1.510.024		
20	TOTAL CASH INFLOWS	4.168.919		731.192	172.774		
***	101AL GAGITAN LOTES	4.100,313	1.779.283	3,435,888	1.682.798		
				Upper limit			
21	TOTAL HQLA			amou			
22	TOTAL NET CASH OUTFLOWS			4.284.356	3,183,015		
23				2.384.273	1.788.896		
73	Liquidity Coverage Ratio (%)			179,69	177,93		

<sup>&</sup>lt;sup>(1)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2016 are as follows.

Liquidity Coverage Ratio (%)	Prior period			
	TL+FC	FC		
Lowest	128.75	137.50		
Date	October 29, 2016	October 10, 2016		
Highest	235,90	254,80		
Date	December 26, 2016	December 3, 2016		
Average (%)	179,69	177.93		

(Thousand of Turkish Lira (TL) unless otherwise stated)

### V. Explanations on liquidity risk (continued):

### Presentation of assets and liabilities according to their remaining maturities:

	<b></b>		4 2	* 47	4.5.40000	Ouen E un see	Unallocated	Total
Surrent Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		1414:
\ssets								
Cash (cash in vault, foreign								
turrency, money in transit.								
cheques purchased) and								
palances with the Central Bank								
of Republic of Turkey	1.571.237	3.643.786	-			4	-	5.215.023
Banks	594.831	582.005	73 411		-	-	-	1.250.247
Financial Assets at Fair Value	***							
Through Profit and Loss	403.076	496			932	584.456		988.960
Vioney Market Placements	-100/d/-0					-		
Available-For-Sale Financial								
	7 766	313	28 914	456 527	787.008	49 438		1.329.966
Assets	1 100	1.476.724	1 325.872	4.817.430	12 732 343	2.483.252	875.217	23,710,838
Loans <sup>(1)</sup>	•	1.470-124	2.702	82 151	424.068	M. 740.EUZ	07.0.2.1	508.921
Held-To-Maturity Investments	•	-		62 131	424.000		822.595	822.685
Other Assets	•	•	10	•	60	•	622.393	Q&&.VQ.
Total Assets	2.576.910	5.703.324	1.430.909	5.356.108	13.944.431	3.117.146	1.697.812	33.826.640
Liabilities								
Current account and funds								
collected from banks via								
participation accounts	576,745	558,376	125.648	25,178			•	1.286.943
Other current and profit sharing	B10.140	900.070	13.0.4.4					
	5 528.599	13,583,576	2,709 305	980,855	19,962	_		22,822.29
accounts	3 320.399	13.303.370	X.145 000	000,000	10,202			
Funds provided from other		`						
financial institutions and		1 400 014	359.495	1,438,004	1,587.256	1,511,874	_	6.286 543
subordinated loans	-	1,409,914	308. <del>4</del> 80	1.430.004	1,501.250	1.311.074	•	105 000
Money Market Borrowings	-	105.000		-	-	•		100 000
Marketable securities issued	-	*	=	40.004	-	•	364 395	664,30
Miscellaneous payables	•	210.001	71 240	18 664	-	•		2,661.553
Other liabilities	•	60.263	6.741	223	-	•	2.594,326	2,001.55
Total Liabilities	6.105.344	15.927.130	3.273.429	2.462.924	1.587.218	1.511.874	2.958.721	33,826.640
Net Liquidity Gap	(3.528.434)	(10.223.806)	(1.842.520)	2.893.184	12.357.213	1.605.272	(1.260.909)	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Net Off-balance sheet Position	-	162	(202)			-	•	(40
Financial Derivative Assets		273,122	407 256	4.545		<del>-,,</del>	<del></del>	684.92
Financial Derivative Liabilities	_	272.960	407,458	4.545	_			684.963
Non-cash Loans	4.293.505	88.973	418.500	1.674.339	1.082.696	36.190		7.594.20
Prior period	3.353,916	5.376,599	1,826,859	7.070.374	12,139,159	1.473.542	1,610,289	32,850 738
Total Assets			2,984,109	3.460.644	1,449,998	1 495 260	2.994.312	32,850,73
Total Liabilities	5.430.950	15.035.467	2.904.109	3.400.044	f,=45550	, 455 £00	2.337.016	V4.500.7 DI
Net Liquidity Gap	(2.077.034)	(9.658.868)	(1.157.250)	3.609.730	10.689.163	(21.718)	(1.384.023)	
Net Off-balance sheet							·	
Position		•	64.824			•	٠	64.82
Financial Derivative Assets Financial Derivative	*******	945	538.765	2.178	*	•	+	541 88
Liabilities	_	945	473.941	2.178	-			477,06
	8.216.684	7.177	64.783		221,384	18.273	·····	B.701.19
Non-cash Loans	456.012.0	1.811	04.103	. ( E.OJE	P# 1.504		<del></del>	2,701110

Leasing receivables are included under loans. Unallocated amount represents the amount arising from advances granted for leasing receivables and net non-performing loans.

Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here.

The unallocated other liabilities column consists of equity, provisions and (if any) deferred tax liabilities.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## VI. Explanations on leverage ratio:

As of September 30, 2017, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 5,32% (December 31, 2016; 5,27%). Leverage ratio is required to remain minimum 3% as per Communique on Measurement and Evaluation for Leverage Ratios of Banks. The reason for the difference in leverage ratio between current and previous period is the average increase ratio of core capital is more than the average increase ratio of total risk amount.

		Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
	Balance sheet assets		·····
1	Balance sheet assets (excluding derivative financial assets and		
_	credit derivatives, including collaterals)	33.622.743	31.308,239
2	(Assets deducted from Core capital)	(52.309)	(62.304)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	33.570.434	31,245,935
	Derivatives financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit		
_	derivatives	1.312	45,286
5	Potential credit risk amount of derivative financial assets and		40.200
	credit derivatives	14.919	9.860
6	Total risk amount of derivative financial assets and credit	1 1.5 1.5	3.000
	derivatives (sum of lines 4 and 5)	16.231	55,146
	Financing transactions secured by marketable security or		50,340
	commodity		
7	Risk amount of financing transactions secured by marketable	**C	<del></del>
	security or commodity (excluding Balance sheet)	914,094	218.594
8	Risk amount arising from intermediary transactions	# 1 1.02 ;	210.034
9	Total risk amount of financing transactions secured by marketable		_
	security or commodity (sum of lines 7 and 8)	914.094	218.594
	Off-balance sheet transactions		210.004
10	Gross notional amount of off-balance sheet transactions	9.147.063	9.809.355
11	(Correction amount due to multiplication with credit conversion	0.141.005	9.009,303
	rates) (	_	
12	Total risk of off-balance sheet transactions (sum of lines 10 and		•
	11)	9.147.063	9.809,355
	Capital and total risk	0.777.000	8.008,300
13	Core capital	2.320.113	2 470 527
14	Total risk amount(sum of lines 3, 6, 9 and 12)	43.647.822	2.176.537
	Leverage ratio	45,041,022	41.329.030
15	Leverage ratio (%)	5.32	
The rest		3,32	5,27

<sup>(1)</sup> The arithmetic average of the last 3 months in the related periods

## VII. Explanations on presentation of financial assets and liabilities at fair value:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## VIII. Explanations regarding the activities carried out on behalf and account of other persons:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousand of Turkish Lira (TL) unless otherwise stated)

### IX. Explanations on risk management:

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. The following tables which have to be presented on a quarterly basis have not been presented since the Bank use the standard approach for the calculation of capital adequacy:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method "IMM"
- RWA flow statements of market risk exposures under an IMA

#### Information on risk weighted amounts:

		Risk Weighte	d Amount	Minimum capital requirement
		Current Period		Current Period
1	Credit risk (excluding counterparty credit risk)			
	(CCR)	18.174.466	20.911.373	1,453,957
2	Standardised approach (SA)	18.174.466	20.911.373	1,453,957
3	Internal rating-based (IRB) approach	-	•	-
4	Counterparty credit risk	4.514	37.318	361
5	Standardised approach for counterparty credit risk			
	(SA-CCR)	4.514	37.318	361
6	Internal model method (IMM)	-		
7	Basic risk weight approach to internal models			
	equity position in the banking account		_	•
8	Investments made in collective investment			
	companies - look-through approach	-	-	-
9	Investments made in collective investment			
	companies - mandate-based approach	~	-	-
10	Investments made in collective investment			
	companies – 1250% weighted risk approach	-	-	-
11	Settlement risk		-	-
12	Securitization positions in banking accounts	-	-	*
13	IRB ratings-based approach (RBA)	-	•	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach			
	(SSFA)	-	•	•
16	Market risk	2.334.207	88.758	186.737
17	Standardised approach (SA)	2.334.207	88.758	186.737
18	Internal model approaches (IMM)	•	•	-
19	Operational Risk	1.998.309	1.720.462	159.865
20	Basic Indicator Approach	1.998.309	1.720.462	159.865
21	Standard Approach	•	-	-
22	Advanced measurement approach		-	-
23	The amount of the discount threshold under the			
	equity (subject to a 250% risk weight)	•	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	22.511.496	22.757.911	1.800.920

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations on business segments:

The Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

***************************************	······································	Commercial and	***************************************		Matrice
Current Period	Retail	Corporate	Treasury	Undistributed	Total
Total Assets	3.290.721	20.171.298	8,369,376	1.995.245	33.826.640
Total Liabilities	16.039.783	8.942.421	6.316.914	144.547	31.443.665
Total Equity	-	*	•	2.382.975	2.382.975
Net profit share income/(expense)('%") Net fees and commissions	(255.791)	874.864	167.412	115.399	901.884
income/(expense)	24.142	197.290	684	(112.931)	109,185
Other operating income/(expense) Provision for loan losses and other	18	47.941	28.765	(553.740)	(477.016)
receivables	(5.373)	(318,082)	(272)	(35.092)	(358,819)
Profit/(loss) before tax	(237.004)	802.013	196,589	(586,364)	175.234
Provision for tax	•	-	•	(34.117)	(34.117)
Net profit / (loss) for the period	(237.004)	802.013	196.589	(620.481)	141.117

	····	Commercial and			
Prior Period	Retail	Corporate	Treasury	Undistributed	Total
Total Assets	3.143.162	19.700.717	8.605.896	1.400.963	32.850.738
Total Liabilities	14.306,903	9.396.852	6.398.938	468.452	30.571.145
Total Equity	•	-	-	2.279.593	2.279.593
Net profit share income/(expense)("X") Net fees and commissions	(233.587)	731.215	131.155	128.267	757.050
income/(expense)	19.589	211,539	386	(126,323)	105,191
Other operating income/(expense) Provision for loan losses and other	18	46.367	54.103	(513.954)	(413.466)
receivables	(3.291)	(199.941)	(77)	(23.815)	(227.124)
Profit/(loss) before tax	(217.271)	789.180	185.567	(535.825)	221.651
Provision for tax	•	-	•	(42.784)	(42.784)
Net profit / (loss) for the period	(217.271)	789.180	185.567	(578.609)	178.867

<sup>&</sup>lt;sup>O</sup>The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

<sup>&</sup>lt;sup>(\*)</sup>Since the management uses net profit share income/(expense) as a performance measurement criteria, profit share income and expense is presented net.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION FIVE**

Explanations and notes on the unconsolidated financial statements

### I. Explanations and notes related to assets:

## 1. a. Cash and balances with the Central Bank of Republic of Turkey (CBRT):

	Current Pe	Current Period		od
	TL	FC	TL	FC
Cash / Foreign currency	103.910	144,478	123.254	148.150
CBRT	58.322	4.225.881	735,118	3.599.536
Other <sup>(*)</sup>	61.605	620.827	81.875	311.119
Total	223.837	4.991.186	940.247	4.058.805

<sup>&</sup>lt;sup>(2)</sup> Includes precious metals amounting to TL 6.338 (December 31, 2016; TL 4.306) and cash in transit amounting to TL 676.094 (December 31, 2016; TL 388.688) as of September 30, 2017.

### b. Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC_
Unrestricted demand deposit	57.484	582.933	733.965	522.979
Unrestricted time deposit	•	-	•	-
Restricted time deposit <sup>(*)</sup>	838	3.642.948	1,153	3.076.557
Total	58.322	4.225.881	735.118	3,599.536

As of September 30, 2017, the reserve requirement held in standard gold is TL 874.135 (December 31, 2016; TL 786.181).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of September 30, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on maturity of deposits.

The Central Bank of Republic of Turkey has started to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.

# 2. a. Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

None (December 31, 2016: None).

## b. Table of positive differences related to derivative financial assets held for trading:

	Current Per	Current Period		riod
	TL	FC	TL	FC
Forward Transactions	126	-	55	65.013
Swap Transactions	227	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	•	-
Other		-	~	-
Total	353		55	65.013

(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

#### c. Information on Other Securities

<u> </u>	Current Period		Prior Period	
	TL	FC	TL	FC
Real estate investment fund participation				
certificates (net) <sup>(*)</sup>	984.198	•	_	_
Other	181	3.296	13	61
Total	984.379	3.296	13	61

O Includes participation certificates of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu".

### 3. a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic(*)	801.087	200.845	656,410	1.230.805
Abroad	-	248.315		270.962
Foreign head offices and branches	-	•	-	-
Total	801.087	449.160	656.410	1.501.767

O Includes blockaged amount TL 613.272 (December 31, 2016; TL 610.730) booked under TL accounts arising from POS transactions.

### b. Information on foreign bank accounts:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 4. Information on financial assets available for sale:

# a. Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

The Bank does not have any sukuk investments with respect to money market transactions and subject to repurchase agreements (December 31, 2016; TL 292,937).

As of September 30, 2017, available for sale investments' nominal amount given as a guarantee or blocked is TL 888.208 (December 31, 2016; TL 223.346).

### b. Information on financial assets available for sale:

	Current Period	Prior Period
Debt securities	1.328.340	1.383.925
Quoted on a stock exchange <sup>(*)</sup> Unquoted	1.328.340	1.383.925
Share certificates Quoted on a stock exchange	7.766	6.350
Unquoted	7.766	6.350
Impairment provision (-)	6.140	7.585
Total	1.329.966	1.382.690

<sup>(5)</sup> Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- 5. Information on loans and receivables:
- a. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Per	iod
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	125.504	7.455	272	62,130
Corporate shareholders	125,165	7,105		61.780
Real person shareholders	339	350	272	350
Indirect loans granted to shareholders	48.102	11.070	35.550	24,249
Loans granted to employees	13.664	2	8,905	28
Total	187.270	18.527	44.727	86.407

b. Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

		ndard loans and her receivables			nd other receiva r close monitorir	
	Loans and other receivables	Restructure		Loans and other		
Cash loans	(Total)	reschedul		receivables (Total)	Restructure reschedul	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	21.224.511	391.099	35.014	1.171.611	311.957	16.755
Export loans	817.424	21.004	20.0.4	9.854	1.388	10,100
Import loans	1.609.272	26.778	_	7.799	1.624	872
Business loans	10.991,818	284.853	22.083	878.295	192.427	11.604
Consumer loans	3.140.966	19.298	8.723	61,405	1.982	2.409
Credit cards Loans given to financial	230.068	-	•	6.144	*	
sector	137.647	-			•	_
Other <sup>(*)</sup>	4.297.316	39.166	4.208	208.114	114,536	1.870
Other receivables			-	= 3 = 1 1 1 1	-	
Total	21.224.511	391.099	35.014	1.171.611	311,957	16.755

"Details of other loans are provided below:

Total

Commercial loans with installments Other investment credits Loans given to abroad Profit and loss sharing investments <sup>(**)</sup> Loans for purchase of marketable securities for customer Other	1.905.677 725.253 773.145 713.801 382.135 5.419
--	--

4° As of September 30, 2017, the related balance represents profit and loss sharing investment projects (10 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project / stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. In the current period the Bank recognized TL 144.947 (September 30, 2016; TL 62.108) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.

4,505,430

(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

# b. Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables (continued):

VIIII COLOR AND AND AND AND AND AND AND AND AND AND	Extension of Repayment Plan			
	Standard loans and other receivables			
1 or 2 times 3, 4 or 5 times	391.099	311.957		
Over 5 times	-	•		

Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring
6 months	53.906	155.488
6 - 12 months	40.485	20.097
1 - 2 years	90.991	31.871
2 - 5 years	139.921	75.345
5 years and over	65.796	29.156

#### c. Maturity analysis of cash loans:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousand of Turkish Lira (TL) unless otherwise stated)

## 1. Explanations and notes related to assets (continued):

## ç. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

	Medium and		
	Short-term	long-term	Total
Consumer loans-TL	28.594	3.164.962	3,193,556
Housing loans	3.533	2.919.039	2.922.572
Vehicle loans	3.690	111,056	114.746
Consumer loans	21.371	134.867	156.238
Other	,		-
Consumer loans-FC indexed	-	-	_
Housing loans	-	•	-
Vehicle loans		•	-
Consumer loans	_	•	_
Other	-	•	_
Consumer loans-FC	32	-	32
Housing loans	32		32
Vehicle loans	<del>-</del>		-
Consumer loans	•	**	-
Other	-	_	-
Retail credit cards-TL	72.068	-	72.068
With installment	25.835		25,835
	46.233		46,233
Without installment Retail credit cards-FC	*	-	
With installment		-	
Without installment Personnel loans-TL	6,716	2.067	8.783
	4,110	219	219
Housing loans	44	1.545	1.589
Vehicle loans	6.672	303	6.975
Consumer loans	0.072	-	
Other	_	-	
Personnel loans-FC indexed	_	_	
Housing loans	_	_	
Vehicle loans		_	
Consumer loans	_	-	
Other		_	
Personnel loans-FC	-	_	
Housing loans	•	_	
Vehicle loans	•	· .	
Consumer loans	-		
Other	4.881	-	4.881
Personnel credit cards-TL		•	2.291
With installment	2.291	-	2.590
Without installment	2.590	•	2.050
Personnel credit cards-FC	•	•	
With installment	•	-	
Without-installment	•	•	
Overdraft account-TL (Real Person)	•	•	
Overdraft account-FC (Real Person)	-	•	
Total	112.291	3.167.029	3.279.320

(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

## d. Information on commercial loans with installments and corporate credit cards:

		Medium and	
	Short-term	long-term	Total
Commercial installment loans-TL	40 504		
Business toans	42.391	1.161.138	1.203.529
Vehicle loans	5.765	309.737	315.502
Consumer loans	15.360	263,399	278.759
Other	21.266	588.002	609.268
Commercial installment loans-FC indexed	12.099	499,483	- 
Business loans	5.676		511.582
Vehicle loans	3.297	236,748	242.424
Consumer loans	+-	90.262	93,559
Other	3.126	172.473	175.599
Commercial installment Loans-FC	•	190,566	190,566
Business loans	-	122,464	
Vehicle loans		122,404	122.464
Consumer loans	-	68.102	
Other	•	00.102	68.102
Corporate credit cards-TL	159.263	•	450.000
With installment	40,437	•	159.263
Without installment	118.826	-	40.437
Corporate credit cards-FC	118,820	•	118.826
With installment	•	-	-
Without installment	-	-	•
Overdraft account-TL (Legal Entity)	•	-	•
Overdraft account-FC (Legal Entity)	~	-	•
	•	*	-
Total	213,753	1.851,187	2.064.940

## e. Allocation of loans by customers:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## f. Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans Foreign loans	21.622.977 773.145	20.731.548 584.078
Total	22.396.122	21.315.626

## g. Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

#### ğ. Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	26.951	31.504
Loans and receivables with doubtful collectability	101.003	140.892
Uncollectible loans and receivables	577.108	387.789
Total	705.062	560.185

In addition to specific provision for loans amounting TL 705.062 (December 31, 2016: TL 560.185), provision amounting to TL 19.586 (December 31, 2016: TL 18.320) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 724.648 (December 31, 2016: TL 578.505). Specific provision for loans amounting to TL 340.765 (December 31, 2016: TL 316.517) represents participation account share of specific provisions of loans provided from participation accounts.

#### h. Information on non-performing loans and receivables (net):

### h.1. Non-performing loans and receivables which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period			
(Gross amount before specific provisions)	B65	27.424	18.854
Restructured loans and other receivables	865	27.424	18.854
Rescheduled loans and other receivables	•	-	•
Prior period			
(Gross amounts before specific provisions)	464	3.973	10.726
Restructured loans and other receivables	464	3.973	10.726
Rescheduled loans and other receivables	•	-	-

#### h.2. Movements of non-performing loans:

***************************************	III. Group	iV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Closing balance of prior period	236,903	355.038	495.693
Additions in the current period (+)	487.848	47.627	45,252
Transfers from other categories of non-performing loans (+)	-	514.617	489,729
Transfers to other categories of non-performing loans (-)	514.617	489.729	
Transfers to standard loans (-)	82	51	_
Collections in the current period (-)	36.428	73.015	100.216
Write offs (-)	_	_	168.785
Corporate and commercial loans		•	4.235
Retail loans	-	-	-
Credit cards	_	-	~
Other <sup>(*)</sup>	-	-	164.550
Closing balance of the current period	173.624	354.487	761.673
Specific provisions (-)	26.951	101.003	577.108
Net balance at the balance sheet	146.673	253.484	184.565

The Bank has sold TL 164,550 from its non performing loan portfolio at TL 1,600 to the Asset Management Company.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## 1. Explanations and notes related to assets (continued):

## h. Information on non-performing loans and receivables (net) (continued):

Non-performing loans and receivables in the amount of TL 1.289.784 (December 31, 2016; TL 1.087.634) comprise TL 670.138 (December 31, 2016; TL 572.551) of participation account share of loans and receivables provided from participation accounts. In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 19.586 (December 31, 2016; TL 18.320).

## h.3. Non-performing loans and other receivables in foreign currencies:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period:			
Period end balance	13.521	52,729	62.280
Specific provision (-)	1.562	16.549	55.158
Net balance	11.959	36.180	7.122
Prior period:			
Period end balance	62.883	1.885	20,518
Specific provision (-)	8.006	298	12.845
Net balance	54.877	1.587	7.673

## h.4. Gross and net non-performing loans and other receivables per customer categories:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	receivables	receivables with	Uncollectible
	with limited	doubtful	loans and
	collectibility	collectability	receivables
Current period (net)(*)	148.673	253.484	184.565
Loans to individuals and corporates (gross)	173.624	354,487	761.673
Specific provision (-)	26,951	101.003	577.108
Loans to individuals and corporates (net)	146.673	253.484	184.565
Banks (gross)			107.000
Specific provision (-)		_	-
Banks (net)			
Other loans and receivables (gross)			<del></del>
Specific provision (-)		_	-
Other loans and receivables (net)	-	•	-
Prior period (net)(*)	205.399	214.146	407.004
Loans to individuals and corporates (gross)	236.903	355.038	107.904 495.588
Specific provision (-)	31.504	140.892	
Loans to individuals and corporates (net)	205.399	214,146	387.684
Banks (gross)		214,140	107,904 105
Specific provision (-)			
Banks (net)			105
Other loans and receivables (gross)			
Specific provision (-)		-	-
Other loans and receivables (net)	*	#	
		<u> </u>	-

<sup>&</sup>lt;sup>(2)</sup> In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability and their full specific provision both amounting to TL 19.586 (December 31, 2016; TL 18,320).

(Thousand of Turkish Lira (TL) unless otherwise stated)

## 1. Explanations and notes related to assets (continued):

## Liquidation policy for uncollectible loans and receivables:

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

## i. Information on "Write-off" policies:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 6. Information on held-to-maturity investments:

## Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of September 30, 2017, nominal value of held to maturity investments given as a guarantee/blocked is TL 117.000. The Bank does not have any held to maturity investments subject to repurchase transactions. (December 31, 2016: The Bank does not have any held to maturity investments given as a guarantee / blocked. Nominal value of held to maturity investments subject to repurchase agreements is TL 188.888).

## b. Information related to government securities held to maturity:

	Current Period	Prior Period
Government Bonds		•
reasury Bills Other Government Securities(*)	508.921	668.582
Total	508.921	668.582

Consists of Sukuk certificates issued by Undersecretariat of Treasury of Turkey.

## c. Information on held-to-maturity investments:

	Current Period	Prior Period
	508.921	668.582
Debt Securities	508.921	668,582
Quoted on a stock exchange(*)	000.021	
Unquated	•	_
Impairment provision (-)	•	_
Total	508.921	668.582

Tholudes debt securities quoted on a stock exchange which are not traded at the related period ends.

## c. Movement of held-to-maturity investments:

Current Period	Prior Period
668.582	762.890
200 200	259.396
	(383,880)
(415.220)	(555.41-)
27,565	30.176
508.921	668.582
	668.582 232.000 (419.226) 27.565

(Thousand of Turkish Lira (TL) unless otherwise stated)

- Explanations and notes related to assets (continued):
- 7. Associates (net):
- a. Information on unconsolidated associates:

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara / Turkey	1,69	+

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2016.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
296.098	268.121	7.898	~	-	372	(12.443)	<b>***</b>

## b. Information on consolidated associates:

As of balance sheet date, the Bank does not have any consolidated associates.

- 8. Information on subsidiaries (net):
- a. Information on unconsolidated subsidiaries:

As of balance sheet date, the Bank does not have any unconsolidated subsidiary.

- b. Information on consolidated subsidiaries:
  - i. The balances of Bereket Varlik Kiralama A.Ş. presented in the table below have been obtained from the not reviewed financial statements as of September 30, 2017.

Name	Bank's share percentage- Address If different voting (City/ Country) percentage (%)		Risk share percentage of other shareholders (%)				
Bereket Varlık Kiri	alama A.Ş.	Istanbul / Turkey		100,00		-	
			Dividend	Income	Current		
Total assets	Shareholders' equity	Total fixed assets	or profit share income	from marketable securities	period income/ loss	Prior period	Fair value

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations and notes related to assets (continued):

#### b. Information on consolidated subsidiaries (continued):

II. In the Board of Directors meeting dated February 25, 2015, the Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The balances of Albaraka Gayrimenkul Portföy Yönetimi A.Ş. presented in the table below have been obtained from the not reviewed financial statements as of September 30, 2017.

Name		ne		iress Country)	Bank's share percentage- If different votin percentage (%	g percenta	share ge of other olders (%)
Albaraka Ga	a Gayrimenkul Portföy Yön, A.Ş. İstanbul / Turl		ul / Turkey	100,00			
Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
8.538	7.768	4	-	•	3,512	(744)	•
ii. Movem	ent and Sectoral	Informat	ion on con	solidated si	ubsidiaries:		······································
				***************************************		Current Period	Prior Period
Movem	at the beginning of ents inside the term					5,400	5.250 -
	ses / new incorpora	tions / capi	tal increases	ŧ		-	150
Bonus s			_			-	-
Profit re Sales	ceived from curren	i year snar	e			-	<del>-</del>
	ation increases					-	
Impairm						₩	
•	ne end of the period	1				5.400	5.400
Capital com	•					-	-
Share of the	e capital at the end	i of the pe	riod (%)			100,00	100,00
		······			C	urrent Period	Prior Period
Dl							
Banks Insurance C	nmnanies					•	**
HISUIGIIUD V	•					•	*
	Diringalies						
Factoring Co						•	m
Factoring Co Leasing Cor Financing C	npanies					• •	

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### 9. Information on investments in joint- ventures:

The Bank founded Katılım Erneklilik ve Hayat A.Ş. ("Company") — a private pension and insurance company- through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company was registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. The financial data from the not reviewed financial statements as of september 30, 2017 are below.

Joint-Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non- Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	71.951	928.359	936.918	49.736	43.903

Investment in joint venture in the unconsolidated financial statements is carried at cost.

### 10. Information on lease receivables (net):

## a. Presentation of remaining maturities of funds lent under finance lease method:

	Current Pe	Prior Perio	od	
	Gross	Net	Gross	Net
Less than a year	352,444	286.433	377.436	300.158
1 to 4 years	371.440	349.075	489.465	453,402
More than 4 years	97.134	94.486	129.305	125,419
Total	821.018	729.994	996.206	878,979

### b. Information on net investments through finance lease:

	Current Period	Prior Period
Financial lease receivables (Gross) Unearned financial lease receivable (-)	821.018 91.024	996.206 117.227
Net receivable from financial leases	729.994	878,979

### c. General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

		dard loans and er receivables		Loans and other receivables under close monitoring			
	Loans and other receivables (Total)	her les Restructured or		Loans and other receivables (Total)			
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other	
Financial lease receivables (Net)	402.822	50.292	34	327.172	68.156	12.287	

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

## 11. Information on derivative financial assets for hedging purposes:

None (December 31, 2016: None).

#### 12. Information on tangible assets:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 13. Information on intangible assets:

Not prepared in compliance with the Article 25 of the Communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 14. Information on investment property:

None (December 31, 2016: None).

#### 15. Information related to deferred tax asset:

As of September 30, 2017, the Bank calculated net deferred tax asset of TL 12.307 (December 31, 2016: TL 20.096) by netting off deferred tax asset of TL 57.628 (December 31, 2016: TL 52.576) and deferred tax liability of TL 45.321 (December 31, 2016: TL 32.480) on all tax deductible/ taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

	Current Period	Prior Period
Rediscount on profit share and prepaid fees and commission income and		
unearned revenues	39.507	37.806
Provisions for retirement and vacation pay liabilities	9.811	8.652
Difference between carrying value and tax base of tangible assets	4.937	3.013
Revaluation difference of available for sale	2,424	2.139
Provision for impairment	754	772
Other	195	194
Deferred tax asset	57.628	52.576
Revaluation difference of property	11.708	22.183
Trading securities valuation difference	8.997	{
	21.559	7.662
Rediscount on profit share Other	3.057	2.623
Deferred tax liability	45.321	32.480
Deferred tax asset (net)	12.307	20.09

(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

## 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans.

	·	•
	Current Period	Prior Period
Opening Balance	92.317	22.819
Additions Disposals	63.227	117,190
Transfers(*)	(18.268) (74.617)	(28.834)
Impairment Provision(-)/Reversal of Impairment Provision	(74.617) 55	(19.153) 295
Net closing balance	62.714	00.047
	OK-(14	92,317

The balance has been transferred from assets held for sale tangible assets to assets to be sold.

As of September 30, 2017, TL 59.757 (December 31, 2016: TL 88.341) of the assets held for sale is comprised of real estates, TL 2.957 (December 31, 2016: TL 3.976) is comprised of other tangible assets.

The Bank has not any discontinued operations and assets of discontinued operations (December 31, 2016: None).

## 17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 119.739 (December 31, 2016; TL 153.958) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities:

- 1. Information on funds collected:
- Information on maturity structure of funds collected:

		Upto	Up to 3	Up to 6	Up to 9	Up to 1	1	occumulated participation	
Current Period	Demand	1 month	months	months	months	уеаг	Over 1 year	accounts	Tota
l. Real Persons Current									
Accounts Non-Trade TL	1,108,190			_	+		-	•	1.108,190
II.Real Persons Participation	1,,001,00								
Accounts Non-Trade TL	_	2,564.038	4.356.467	142,957	-	34,341	385.423	6.108	7.489.334
	1.679.996	2.204.000	4,000,40			•			1,679,998
III.Current Account other-TL	22 890	-	_	_		-			22.890
Public Sector	1.583 103	-			_				1 583,103
Commercial Institutions		-	•						70.84
Other Institutions	70.848	-	•	-	•				, -, - ,
Commercial and Other									1.57
Institutions	1 579	-	•	-	•	•		_	1,57
Banks and Participation Banks	1.576	•	•	•	-	•	•		1,01
Central Bank of Turkey	•	•	•	-	-	•	•	•	7
Domestic Banks	73	٠	•	-	•	-	•	•	1.44
Foreign Banks	1.446	-	-	•	-	-		•	1.44
Participation Banks	57	-	•	-	-	•	٠	-	9
Other	-	-	-	•					
IV. Participation Accounts-TL	•	370.236	1,916.620	74,656	-	7.577	40. <del>9</del> 66	19	2.410,07
Public Sector		36	-	•	•	•	•		3
Commercial Institutions		345.890	1.767.276	62 220		4.065	32.434	19	2.211.90
Other Institutions		24.244	148.747	12 436	_	3.512	6.910	<b>&gt;</b>	195 84
Commercial and Other									
Institutions		64	124		+		1,822		1.81
Banks and Participation Banks	_		473		-		*	•	47
V. Real Persons Current	-								
Accounts Non-Trade FC	1.326.787	_							1,326,78
	1.320.101								
VI. Real Persons Participation		1,609,217	2.862.371	213,323	_	17,965	550,687	21	5,253,58
Accounts Non-Trade FC	4 777 604	1.003.417	4.004,411	214.444		,,,,,,,,,		-:	1.773.38
VII. Other Current Accounts FC	1.773.384	•	•	•					1,100.57
Residents in Turkey-Corporate	1,100.576	•	-	•	**	•		_	97.63
Residents Abroad-Corporate	97.639	-	•	*	-	•	-		575.16
Banks and Participation Banks	575.169	-	•	-	*	*	•	•	210.10
Central Bank of Turkey	-	•	-	~	-	•	•	•	
Domestic Banks	-	-	-	•	-	•	•	•	473 94
Foreign Banks	473.940	-	-	-	-	•	•	•	
Participation Banks	101.229	•		-	-	-	•	•	101.2
Other		-		-	*	•	-	-	
VIII. Participation Accounts									4
other- FC		617.654	1.363.705	196.670		29,616	103.418	-	2,311,01
Public sector				-	-	•		•	
Commercial Institutions	-	377.242	775.660	22.291		20.414	10 720	-	1,205.33
Other institutions	_	1.974	51,950	39	-	-	v	•	53.91
Commercial and Other									
Institutions	_	67.510	182.166			797	90.571	,	341.0
	_	170.928	353.929	174.340		8.405	2.127	*	709.73
Banks and Participation Banks	216.987	119,274	363.151	12.593		806	12,197	27	725.0
IX. Precious Metals Deposits	£10.001	119.634	200,101	18.000		***	,		
X. Participation Accounts				31,797	_	_			31.7
Special Fund Pools TL	-	•	•	31.797	•		_	_	31.7
Residents in Turkey	•	•	•	21 181		•	-	_	•
Residents Abroad	*	-	-	•	-	•	•	•	
XI.Participation Accounts									
Special Fund Pools - FC	-	-		•	•	•	•	•	
Residents in Turkey	-	-	-	-	~	-		•	
Residents Abroad	•	•	•		-	-	•	•	
Total ((+)(+,+ X+X+XI)	6,105,344	5.280,419	10.862.314	671,996		90.305	1.092.691	6.175	24,109.2

(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

## a. Information on maturity structure of funds collected (continued):

Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1	Over 1 year	Accumulated participation accounts	
I. Real Persons Current					·····			9440M118	101
Accounts Non-Trade TL	000 400								
II. Real Persons Participation	998.122	•	•			-			\$96,12
Accounts No. 7-10 PM								•	330,12
Accounts Non-Trade TL		1.287.069	5.505,341	79.907		93,100	545.201	2.136	7 540 75
III. Current Account other-TL	1.670.418	-	-			-	040.40 t	2,130	7.512.75
Public Sector	25.325	-		_	_	•	•	•	1.670.41
Commercial Institutions	1 591 526					•	,	٠	25.32
Other Institutions	49 820			•	*	•	*	•	1.591.52
Commercial and Other		•	-	-	•	•	+	•	49.82
Institutions	1.657								
Banks and Participation	1.007	•	•	•	•	•			1.85
Banks	1 1100								
	1.890	-		•		•	_		1,89
Central Bank of Turkey		•	*			_			1.05
Domestic Banks	13					-	_	•	
Foreign Banks	1 886	-		_				-	1
Participation Banks	11	,			_		-		1.88
Other			_	_		•	•	-	*
IV. Participation Accounts-TL		267.671	2.027.700	27.837	•	45 544		-	
Public Sector	_	2.512	3	41.04/	•	18.341	36.263	37	2.377.84
Commercial Institutions		255.797	1 648.641		•	*	-	4	2.51
Other Institutions	•			15.773	•	16 647	33.044	37	2.169.93
Commercial and Other	•	9 358	151.778	12.064	-	1.694	3.219		178,11
Institutions									110,11
	•	4	26,832	-	-		_		25.83
Banks and Participation								•	20.63
Banks	-		446		_	_			
V.Real Persons Current						•	•	•	449
Accounts Non-Trade FC	888,794	•		_					
VI. Real Persons Participation			•	•	•	•	•		688.794
Accounts Non-Trade FC	_	712.667	2.864,441						
Vil.Other Current Accounts FC	1.685.795	1 12.001	2.004,44 1	92.024	•	159.176	575.077		4.403.388
Residents in Turkey-	1.00011 23	•	*	•	•	•			1.685.795
Corporate	***								
	922.978	•		•				_	922.978
Residents abroad-								_	266.210
Corporate	86.906	-	-	-	_	_			
Banks and Participation						_	•	•	86 908
Banks	675 911			_					
Central Bank of Turkey			_	•	•	-	•	•	675 911
Domestic Banks			-	•		-	*		
Foreign Banks	583.218	•	•	•	*	-	•	•	
Participation Banks	92.693	•	•	-	~	•			583.218
Other	82.093	-	•		-	-	*		92,693
III. Participation Accounts	•	•	•	•				_	22.000
other- FC									•
	•	612,934	1.942.665	256.438	_	60.743	147.506		3,020,284
Public Sector	-	•	-				147.000	•	3,020,284
Commercial Institutions		215,473	936,309	107,745		59 170	A 24 E	-	-
Other Institutions		2.749	127,976	157.745	-		6.315	*	1.327.012
Commercial and Other		14	147,010	-	•	18	-	-	130.743
Institutions	_	24.224	279.641						
Banks and Participation	•	24.224	2/8.041	-	-	1,555	137.340		442.780
Banks		070 -00							
		370.488	598.739	148.691	-		1,851		1,119,769
. Precious Metals Deposits	189.821	68. <del>9</del> 38	323.920	4.833	٠	4.696	7.525		599.733
Participation Accounts							,,,,,,	•	223.123
Special Fund Pools TL	•	-		-	-				
Residents in Turkey	-					-	•	•	•
Residents abroad		-	_	•	•	•	•	٠	-
I. Participation Accounts	-	-	•	-	•	•	-	•	-
Special Fund Pools -FC	_								
Residents in Turkey	•	•	•	•	•	-	•		-
Residents abroad	-	-		-	•				_
Transpire spiral	•	•	-		-			_	•
	5.430.950							-	•
tai ([+][+,,,+]X+X+X[]		2.949,279	12.664.067	461.037					

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities (continued):

## a. Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

### b.1. Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the of Insura	•
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not				
subject to trading transactions Turkish Lira accounts	4.598.874	4.644.005	4.030.447	3.864.868
Foreign currency accounts Foreign branches' deposits subject to foreign	1,999.157	1.563.947	5.231.246	4,259,604
authorities insurance		-	-	
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

### b.2. Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and	22.227	26.805
Children in Care	-	•
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and		
Children in Care	8.141	10.556
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated	_	_
26.09.2004  Profit Sharing Accounts in Participation Banks Established in Turkey in order to	•	_
engage solely in Off-Shore Banking Activities		-

(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

## 2. Information on derivative financial liabilities held for trading:

	Current Per	riod	Prior Perio	d
	TL	FC	TL	FC
Forward transactions	102	*	88	
Swap transactions	5.092	145		
Futures transactions			•	
Options	-	-	•	_
Other	•		-	_
Total	5.194	2.48		
	3,134	145	88	

### 3. Information on borrowings:

The Bank has obtained Syndicated Murabaha Loans from international markets amounting to USD 213.000.000 with maturity of more than one year (December 31, 2016; more than one year maturity: USD 458.500.000 and EUR 56.250.000).

As of September 30, 2017, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 294,614,116 and EUR 157,058,746 (December 31, 2016; USD 84,171,095 and EUR 132,496,602).

The table below represents the sukuk issued by Bank through its subsidiary Bereket Varlik Kiralama A.Ş. to collect funds from various investors:

Issue Date	Amount(*)	FC	Maturity	Profit Share % (Yearly)	Profit Share % (92/178/179 days)
June 30, 2014 June 23, 2017 August 16, 2017 September 26, 2017	350.000.000 115,000.000 125,000.000 150,000.000	USD TL TL TL	5 Years 179 Days 92 Days 178 Days	6,25	5,89 3,05 5,85

<sup>(</sup>Represented in full amount

## a. Information on banks and other financial institutions:

	Current	Prior Period		
	TL TL	FC	TL	FC
Loans from CBRT	_			
Loans from domestic banks and institutions	416.712	1.529.558	181.593	1.511.415
Loans from foreign banks, institutions and funds	305.079	2.471.949	_	2.731.187
Total	721,791	4.001.507	181.593	4.242.602

### b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Medium and Long-Term	569.047 152.744	1.697.905 2.303.602	181.593	996.686 3.245.916
Total	721.791	4.001.507	181.593	4.242,602

## c. Additional disclosures on concentration areas of Bank's liabilities:

The Bank does not have concentration on customer or sector group providing funds.

4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None (December 31, 2016; None).

(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- 5. Lease payables:
- a. Information on financial lease transactions:
- a.1. Information on financial lease agreements:

The Bank has no obligation from finance lease operations as of balance sheet date.

a.2. Explanations on the changes in agreements and new obligations originating from these changes:

a.3. Explanations on the obligations originating from financial leases:

None.

#### b. Explanations on operational leases:

The Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	48.716	44.067
1 to 4 years	134,026	118.697
Over 4 years	110.227	104.791
Total	292.969	267.555

### 6. Information on hedging derivative financial liabilities:

None (December 31, 2016: None).

#### 7. Information on provisions:

### a. Information on general provisions:

	Current Period	Prior Period
General provision for	140.315	136.263
I. Group loans and receivables (Total)	106.919	107.707
Participation Accounts' Share	59.324	64.059
Bank's Share	47,595	43.648
Others	-	-
Additional provision for loans and receivables with extended		
maturities for loans and receivables in Group I	5.101	3.821
Participation Accounts' Share	3.126	2.295
Bank's Share	1.975	1.526
Others	w.	
II. Group loans and receivables (Total)	23.600	17.086
Participation Accounts' Share	11.520	11.248
Bank's Share	12.080	5.838
Others	*	-
Additional provision for loans and receivables with extended		
maturities for loans and receivables in Group II	7,789	3.104
Participation Accounts' Share	2.722	1.422
Bank's Share	5.067	1.682
Others		•
Non-cash loans	9,796	11.470
Others	<u>-</u>	

(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

# b. Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of September 30, 2017, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 17.368 (December 31, 2016; TL 1.449) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

## c. Information on specific provisions for non-cash loans that are not indemnified:

As of September 30, 2017, the Bank has provided specific provisions amounting to TL 43.953 (December 31, 2016; TL 37.036) for non-cash loans that are not indemnified.

### ç. Other provisions:

## ç.1. Information on general reserves for possible losses:

	Current Period	Prior Period
General Reserves for Possible Losses <sup>(*)</sup>	14	14
T-L-1		
Total	14	14
in the contract of the contrac		

The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

## ç.2. Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing		
accounts(1)	51	15.884
Provision for unindemnified letter of guarantees	26.254	27.822
Payment commitments for cheques	17.699	9.214
Provision for promotions related with credit cards and promotion of	77.000	0.4.14
banking services	180	172
General reserves for possible losses	14	14
Financial assets at fair value through profit and loss	171	3
Other	837	1.217
Total	45,206	54.326

Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

(Thousand of Turkish Lira (TL) unless otherwise stated)

## 1). Explanations and notes related to liabilities (continued):

## d. Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 42.517 (December 31, 2016: TL 35.925), vacation pay liability amounting to TL 6.536 (December 31, 2016: TL 7.335) totaling to TL 49.053 (December 31, 2016: TL 43.260). Provisions for performance premium has not been allocated in the current period (December 31, 2016: None). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	11,60 7.50	11,60 7,50
Estimated increase rate of salary ceiling (%)	7,50	1,00

## Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Direction and and analysis before	35.925	30.235
Prior period ending balance	10.527	8.288
Provisions made in the period		2.833
Actuarial (gain)/loss Paid during the period	(3.935)	(5.431)
Balance at the end of the period	42.517	35.925

### 8. Information on taxes payable:

### a. Explanations on current tax liability:

## a.1. Explanations on Tax Provisions:

As of September 30, 2017, the Bank's corporate tax payable is TL 761 (December 31, 2016: TL 7.091) after offsetting prepaid corporate tax.

### a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable Banking insurance transaction tax Taxation on securities income Value added tax payable Taxation on real estate income Foreign exchange transaction tax	761 9.951 11.895 478 899	7.091 16.364 11.162 1.274 754 8.052
Total	• 30.479	44.697

#### a.3. Information on premiums:

	Current Period	Prior Period
	3.575	3.101
Social security premiums-employee	3.852	3.344
Social security premiums-employer Bank pension fund premium-employees	· · ·	-
Sank pension fund premium-employees  Sank pension fund premium-employer	w-	-
Pension fund membership fees and provisions-employees	-	-
Pension fund membership fees and provisions-employer	-	**
Jnemployment insurance-employee	253	219
Unemployment insurance-employer	506	438
Other	-	-
Total	8.186	7.102

(Thousand of Turkish Lira (TL) unless otherwise stated)

- ii. Explanations and notes related to liabilities (continued):
- 9. Liabilities for assets held for sale and discontinued operations:

None (December 31, 2016: None).

10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current	Period	Prior	Period
	TL TL	FC	TL	FC
Loans from Domestic Banks				
oans from other institutions	•	-	-	-
oans from Foreign Banks	•	-	-	-
oans from other Foreign Institutions	•		•	•
	•	1.563.245	-	1.510.937
Total	······································	1.563.245		
		1,303.245	-	1.510.937

The Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity ABT Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of five years with 10 years total maturity' was determined as 7,75%.

The Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Bank has repurchased the sukuk issued in the amount of USD 24.000.000 and this amount is offset in available for sale assets and subordinated loans.

- 11. Information on shareholders' equity:
- a. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock Preferred stock	900.000	900.000
		-

 Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Bank has taken a resolution on transition to registered capital system. The application dated December 27, 2016 for the extension of the Registered Capital Ceiling to the Capital Markets Board was approved on January 10, 2017 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2021.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500,000

 Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

There is no capital increase in the current period.

c. Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

d. Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.

II. Explanations and notes related to liabilities (continued):

(Thousand of Turkish Lira (TL) unless otherwise stated)

e. Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

f. Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

g. Information on marketable securities valuation reserve:

	Current P	eriod	Prior F	eriod
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	•		-	
Valuation difference(*)	(10.027)	331	210	(8.766)
Foreign exchange difference	-	-	-	•
Total	(10.027)	331	210	(8.766)

The amount represents the net balance after deferred tax calculation.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- III. Explanations and notes related to off-balance sheet:
- 1. Explanations on off balance sheet:
- a. Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	498.413	475.270
Payment commitments for cheques	634,130	588.983
Asset purchase and sale commitments	227.621	13.399
Loan granting commitments	154.919	111.042
Tax and funds liabilities arising from export commitments	3.682	3.029
Commitments for promotions related with credit cards and banking activities	443	963
Other irrevocable commitments	192,500	38.475
Total	1.711.708	1.231.161

- b. Type and amount of possible losses and commitments arising from off-balance sheet items:
- b.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Letters of guarantees	6.657.189	7.809.811
Bank loans	21.369	20.711
Letters of credit	860.052	752,679
Other guaranties and sureties	55.593	117.992
Total	7.594.203	8.701.193

b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	6.657.189	7.809.811
Long standing letters of guarantees	4.186.122	4.845.313
Temporary letters of guarantees	217.735	240.046
Advance letters of guarantees	171.352	257.462
Letters of guarantees given to customs	226.450	229.514
Letters of guarantees given for obtaining cash loans	1.855.530	2,237,476
Sureties and similar transactions	55,593	117.992
Total	6.712.782	7.927.803

(Thousand of Turkish Lira (TL) unless otherwise stated)

## III. Explanations and notes related to off-balance sheet (continued):

#### c. Within the Non-cash Loans

#### c.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	1,855.530	2.237.476
With original maturity of 1 year or less	422.783	369,164
With original maturity of more than 1 year	1.432.747	1.868.312
Other non-cash loans	5.738.673	6.463.717
Total	7.594.203	8.701.193

### c.2. Sectoral risk concentration of non-cash loans:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## c.3. Information on the non-cash loans classified in Group I and Group II:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 2. Explanations on derivative transactions:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 3. Explanations on contingent assets and liabilities:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### Explanations on services rendered on behalf of third parties:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income:

## 1. Information on profit share income:

## a. Information on profit share income received from loans:

	Current Po	eriod	Prior Per	iod
	TL	FC	TL	FC
Profit share received from loans(*) Short Term Loans Medium and Long Term Loans Profit Share on Non-Performing Loans	315.768 1.106.617 23.315	23.580 208.260	339.700 953.932	17.413 128.062
Total		-	10.305	-
( Utal	1.445.700	231,840	1.303.937	145,475

O Includes fees and commission income on cash loans.

## b. Information on profit share income received from banks:

	Current Pe	riod	Prior Peri	od
	<u>TL</u>	FC	TL	FC
CBRT Domestic Banks Foreign Banks Head Offices and Branches Abroad	2.947 - -	19.619 1.134	5.750	9.023 281 31
Total	2.947	20.753	5.750	9.335

## c. Information on profit share income received from marketable securities:

	Current Po	eriod	Prior Peri	od
	TL	FC	TL	FC
From financial assets held for trading From financial assets at fair value through profit or loss	53	166	•	-
From financial assets available-for-sale From held-to-maturity investments	80.183 47.420	18.038	57.363 51.831	7.676
Total	127.656	18.204	109.194	7.676

## ç. Information on profit share income received from associates and subsidiaries:

	Current Per		Prior Perio	od
	TL	FC	TL	FC
Profit shares income received from associates and subsidiaries	948	2.753	•	1.353
Total	948	2.753	-	1.353

(Thousand of Turkish Lira (TL) unless otherwise stated)

- IV. Explanations and notes related to the statement of income (continued):
- 2. Explanations on profit share expenses:
- a. Information on profit share expense paid to funds borrowed:

	Curren	t Period	Prior	Period
	TL	FC	TL	FC
Banks	11.800	47.473		38.806
CBRT Domestic banks Foreign banks	11.800	5.861 41.612	-	4.327 34.479
Head offices and branches abroad Other institutions	22.216	168.290	7.163	136.909
Total	34.016	215.763	7.163	175.715

b. Profit share expense paid to associates and subsidiaries:

	Current	Period	Prior	Period
	TL	FC	TL	FC
Profit share paid to Investments in Associates and Subsidiaries	21.976	57.959	7.485	48.141
Total	21.976	57.959	7.485	48.141

c. Profit share expenses paid to marketable securities issued:

None (September 30, 2016: None).

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of Income (continued):

# ç. Distribution of profit share expense on funds collected based on maturity of funds collected:

		····	Prof	it sharing a	counts		·	
Account πame	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than	Accumulated profit sharing account	Tota
TL					in Wann			100
Funds collected from banks through								
current and profit sharing accounts		28						
Real persons' non-trading profit			_	•	*	•	~	ž
sharing accounts	137.338	279.096	9 660		3.442	32.866	294	108 40
Public sector profit sharing accounts Commercial sector profit sharing	1	-			W	**.000	294	462.70
accounts	DC 874	488					•	
Other institutions profit sharing	25 371	107.977	4.954	-	691	2.316		141.30
accounts	3 332	16.880	905					
honey-		10.000	803	•	81	514	•	21.71
Total	186.042	403,971	15.539	*	4.214	35,696	***	
FC				***		23,030	294	625,75
Banks								
Real persons' non-trading profit	3 5 1	5.431	1.720	-	131	29		10.82
sharing accounts	16.731	50.000					_	10.02
Public sector profit sharing accounts	10.731	36 283	2 304	-	709	8.486		64.51
Commercial sector profit sharing	•	•	•	-	-	-	•	
accounts	4 633	11.377	1.102		ene			
Other institutions profit sharing			1,142	•	526	184	•	17.82
accounts	726	4.167	_		13	7 +05		_
Precious metals deposits	582	3.034	86	-	17	2.186 123	*	7.09
Total	26.183		W.H.				•	3.84
	20.183	60.292	5.212		1,396	11.010	*	104.09
Frand total	192.225	464.263	20.751	·				
			***************************************	*	5.610	46.706	294	729.84
rior Period			Profit	sharing acc	ounts			
			1,11110	***************************************		······································	Accumulated	
	ffm for f	12					profit	
ccount name	Up to 1	Up to 3	Up to 6					
				Up to 9	Up to 1	More than	sharing	
	month	months	months	months	Up to 1 year	More than 1 year		Tota
L							sharing	Tota
L unds collected from banks through							sharing	Tota
L unds collected from banks through unent and profit sharing accounts		months					sharing	Tota
L unds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit	month						sharing	
L. unds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit haring accounts	month	months			year	1 year	sharing account	930
IL unds collected from banks through urrent and profit sharing accounts (eal persons' non-trading profit haring accounts to the profit sharing accounts).	month	months 930	months				sharing	930 427.511
I.  unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit haring accounts ublic sector profit sharing accounts ommercial sector profit sharing	68.077 34	930 309 018 62	5 623		year	1 year	sharing account	930 427.511
L unds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit haring accounts ublic sector profit sharing accounts ommercial sector profit sharing ccounts	month - 68.077	930 309 018	months		year	1 year	sharing account - 4	930 427.511 96
L unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit haring accounts ublic sector profit sharing accounts ommercial sector profit sharing their institutions profit sharing	68.077 34 12.588	930 309 018 62 105,099	5 623 2.761		year 5.762 969	1 year 39.027	sharing account	930 427.511 96
L unds collected from banks through urrent and profit sharing accounts eal persons' non-trading profit varing accounts ublic sector profit sharing accounts ommercial sector profit sharing accounts ther institutions profit sharing accounts	68.077 34	930 309 018 62	5 623		year 5,762	1 year 39.027	sharing account - 4	930 427.511 96 127.251
Lunds collected from banks through unds collected from banks through urrent and profit sharing accounts eal persons' non-trading profit varing accounts aring accounts ommercial sector profit sharing accounts ther institutions profit sharing accounts	68.077 34 12.588	930 309 018 62 105,099 15,886	5 623 2 761 891		5.762 969	1 year 39.027 5.834 123	sharing account	930 427.51 96 127.251 17,771
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts leaf persons non-trading profit haring accounts ublic sector profit sharing accounts commercial sector profit sharing counts ther institutions profit sharing counts	68.077 34 12.588 772	930 309 018 62 105,099	5 623 2.761		year 5.762 969	1 year 39.027 5.834	sharing account - 4	930 427.51 96 127.251 17,771
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit haring accounts ublic sector profit sharing accounts commercial sector profit sharing counts ther institutions profit sharing accounts	68.077 34 12.588 772 81.471	930 309 018 62 105,099 15,886	5 623 2 761 891		5.762 969	1 year 39.027 5.834 123	sharing account	930 427.51 96 127.251 17,771
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit haring accounts ublic sector profit sharing accounts ommercial sector profit sharing accounts ther institutions profit sharing accounts	68.077 34 12.588 772	930 309 018 62 105,099 15,886	5 623 2 761 891		5,762 969 100 6,831	1 year 39.027 5.834 123 44.954	sharing account	936 427.511 96 127.251 17.771 573.559
L unds collected from banks through unds collected from banks through unds collected from banks through all the collected from banks through the counts of the collected from the counts of the collected from the collected f	68.077 34 12.588 772 81.471	930 309 018 62 105,099 15,886 430,994	5 623 2.761 891 9.276		5.762 969	1 year 39.027 5.834 123	sharing account	936 427.511 96 127.251 17,771 573.559
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit sharing accounts ublic sector profit sharing accounts commercial sector profit sharing accounts ther institutions profit sharing accounts	68.077 34 12.588 772 81.471	930 309 018 62 105,099 15,885 430,994	5 623 2 761 891 9 275		5,762 969 100 6,831	1 year 39.027 5.834 123 44.984	sharing account	70ta 930 427.511 96 127.251 17.771 573.559
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit sharing accounts obtained sector profit sharing accounts counts of the institutions profit sharing accounts obtained the institutions profit sharing accounts obtained the institutions profit sharing accounts obtained accounts obtained accounts obtained accounts	68.077 34 12.588 772 81.471	930 309 018 62 105,099 15,886 430,994	5 623 2.761 891 9.276		969 100 6.831	1 year 39.027 5.834 123 44.954	sharing account	936 427.511 96 127.251 17,771 573.559
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts eal persons' non-trading profit haring accounts ommercial sector profit sharing accounts ther institutions profit sharing accounts based on the collection of t	68.077 34 12.588 772 81.471 298 7.404	930 309 018 62 105,099 15,885 430,994 2,543 30,828	2.761 891 9.275 940	months	969 100 6.831 98 2.034	1 year 39.027 5.834 123 44.954	sharing account	936 427.511 96 127.251 17,771 573.559
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit haring accounts observed sector profit sharing accounts of the first through through the first through through the first through through through the first through through through the first through t	68.077 34 12.588 772 81.471	930 309 018 62 105,099 15,886 430,994	5 623 2.761 891 9.276		969 100 6.831	1 year 39.027 5.834 123 44.984	sharing account	930 427.511 96 127.251 17,771 573.559 3.879 49.186
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit haring accounts ublic sector profit sharing accounts commercial sector profit sharing accounts ther institutions profit sharing accounts banks leaf persons' non-trading profit laring accounts ublic sector profit sharing accounts promercial sector profit sharing accounts promercial sector profit sharing accounts ther institutions profit sharing accounts accounts the profit sharing accounts the profit sharing accounts the profit sharing accounts accounts the profit sharing accounts the profit sharing accounts accounts the profit sharing accounts accounts the profit sharing accounts the p	68.077 34 12.588 772 81.471 298 7.404	930 309 018 62 105,099 15,885 430,994 2,543 30,826	2.761 891 9.275 940 1.107	months	969 100 6.831 98 2.034 606	1 year 39.027 5.834 123 44.984 7.813	sharing account	930 427.511 96 127.251 17.771 573.559 3.879 49.186
L. unds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit haring accounts	68.077 34 12.588 772 81.471 298 7.404	930 309 018 62 105,099 15,885 430,994 2,543 30,828	2.761 891 9.275 940	months	969 100 6.831 98 2.034 606 67	1 year 39.027 5.834 123 44.954 7.813	sharing account	930 427.511 96 127.251 17.771 573.559 3.879 49.186
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts leaf persons' non-trading profit haring accounts ommercial sector profit sharing counts ther institutions profit sharing counts of the institutions profit sharing counts of the institutions profit sharing accounts being accounts aring accounts while sector profit sharing accounts ommercial sector profit sharing accounts ther institutions profit sharing accounts there institutions profit sharing accounts the institutions profit sharing accounts accounts the institutions profit sharing accounts acc	7.404 1.782 269 382	930 309 018 62 105,099 15,885 430,994 2,543 30,828 10,838 5,063 1,375	940 1,107 198 56 52	months	969 100 6.831 98 2.034 606	1 year 39.027 5.834 123 44.984 7.813	sharing account	930 427.511 96 127.251 17.771 573.559 3.879 49.186
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts eal persons' non-trading profit haring accounts ublic sector profit sharing accounts commercial sector profit sharing accounts ther institutions profit sharing accounts believed to be a sector profit sharing accounts using accounts ublic sector profit sharing accounts ammercial sector profit sharing accounts ther institutions profit sharing accounts are institutions profit sharing accounts	68.077 34 12.588 772 81.471 298 7.404 - 1.782	930 309 018 62 105,099 15,885 430,994 2,543 30,828 10,838 5,063	75 623 2.761 891 9.275 940 1.107 198	months	969 100 6.831 98 2.034 606 67	1 year 39.027 5.834 123 44.954 7.813	sharing account	930 427.511 96 127.251 17.771 573.559 3.879 49.186
L unds collected from banks through unds collected from banks through urrent and profit sharing accounts eal persons' non-trading profit haring accounts ommercial sector profit sharing accounts ther institutions profit sharing accounts between the counts of the counts	7.404 1.782 269 382	930 309 018 62 105,099 15,885 430,994 2,543 30,828 10,838 5,063 1,375	940 1,107 198 56 52	months	969 100 6.831 98 2.034 606 87 57	1 year 39.027 5.834 123 44.984 7.813 	sharing account	930 427.511 96 127.251 17,771 573.559 3.879 49.186 13.546 6.386 1.955

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

### 3. Information on dividend income:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### Explanations on trading income/loss (net):

	Current Period	Prior Period
Income	4.522.776	5.276.349
Income from capital market transactions	45.592	75
Income from derivative financial instruments	8,970	34.688
Foreign exchange income	4.468.214	5.241.586
Loss (-)	4.496.831	5.224.599
Loss on capital market transactions	735	4
Loss on derivative financial instruments	28.964	55.946
Foreign exchange losses	4.467.132	5.168.649
Trading Income/Loss (net)	25.945	51.750

### 5. Explanations related to other operating income:

	Current Period	Prior Period
Reversal of prior year provisions	59.072	41.814
Income from sale of assets	18.235	19.295
Reimbursement for communication expenses	3.839	3.160
Reimbursement of vacation pay expenses	799	1.280
Cheque book charges	910	925
Other income	2.460	15.646 <sup>(*)</sup>
Total	85.315	82.120

Visa Inc has purchased Visa Europe Ltd. on June 21, 2016. Following this transaction, TL 8 692 has been transferred to bank accounts and accounted as "Other Operating Income"

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

## 6. Provisions for toan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables		
Loans and receivables in III. Group	337.772	197.773
Loans and receivables in its Group	22.279	49.091
Loans and receivables in IV. Group	85.187	84.779
Loans and receivables in V. Group	221.353	57.103
Doubtful commission, fee and other receivables	8.953	6.800
General provision expenses	13.858	
Provision expenses for possible losses	10.000	10.673
Impairment losses on marketable securities	570	
Financial assets at fair value through profit and loss	272	77
Financial assets available for sale	272	77
mpairment losses on associates, subsidiaries, joint ventures	•	-
and held to maturity investments		
Associates	-	
	_	-
Subsidiaries		_
Joint ventures	_	_
Held to maturity investments	~	•
Other <sup>(1)</sup>	6.917	18.601
otal	358.819	227.124

TL 123.317 (September 30, 2016: TL 86.588) of the total specific provisions provided for loan and other receivables amounting to TL 337.772 (September 30, 2016: TL 197.773) is the participation accounts portion of specific provision provided for loans and other receivables.

<sup>(\*)</sup> Details of the "other" amount is as follows:

	Current Period	Prior Period
Specific provisions for non-cash loans that are not indemnified Provisions allocated from profit shares to be distributed to profit sharing accounts	6.917	10.450
accounts	-	8.151
Total	6.917	
	0.917	18.601

TL 3.149 (September 30, 2016: TL 1.290) participation accounts portion of general loan loss provision provided for loans and other receivables of the total general loan loss provisions amounts to TL 13.858 (September 30, 2016: TL 10.673).

(Thousand of Turkish Lira (TL) unless otherwise stated)

### IV. Explanations and notes related to the statement of income (continued):

### 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	328.749	309,440
Provision for retirement pay liability	6.592	3,600
Deficit provision for pension fund	-	
Impairment expenses of tangible assets	_	
Depreciation expenses of tangible assets	28.423	29.418
Impairment expenses of intangible assets	•	
Impairment expense of goodwill	_	
Amortization expenses of intangible assets	17,455	17.797
Impairment provision for investments accounted for under equity method	*	
Impairment expenses of assets to be disposed	255	2.188
Depreciation expenses of assets to be disposed		875
Impairment expenses of assets held for sale and assets of discontinued operations		55
Other business expenses	123.518	115.885
Operating lease expenses	50.240	44.582
Maintenance expenses	7.942	8,958
Advertisement expenses	15.485	13.553
Other expenses(*)	48.851	48.792
Loss on sale of assets	211	505
Other <sup>(**)</sup>	83.073	67.573
Total	588.276	547.336
	Current Period	Prior Period
Communication Expenses	9.525	7.913
Donations		
	4.096	
Cleaning expenses	4.096 9.098	8.970
Cleaning expenses Heating, lighting and water expenses	9,098	8.970 8.803
		8.970 8.803 5.013
Heating, lighting and water expenses	9.098 5.747	8.970 8.803 5.013 2.987
Heating, lighting and water expenses Representation and Hosting expenses	9,098 5,747 3,190 3,398	8.970 8.803 5.013 2.987 2.603
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses	9.098 5.747 3.190	8.970 8.803 5.013 2.987
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses	9,098 5,747 3,190 3,398 2,268	8.970 8.803 5.013 2.987 2.603 3.407
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses Other	9,098 5,747 3,190 3,398 2,268 11,529	8.970 8.803 5.013 2.987 2.603 3.407 9.096
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses Other	9,098 5,747 3,190 3,398 2,268 11,529	8.970 8.803 5.013 2.987 2.603 3.407 9.096
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses Other	9,098 5,747 3,190 3,398 2,268 11,529 48,851	8.970 8.803 5.013 2.987 2.603 3.407 9.096
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses Other  Total  (") Details of "other" balance are provided as below:  Saving Deposit Insurance Fund Taxes, Duties, Charges and Funds	9,098 5,747 3,190 3,398 2,268 11,529 48,851	8.970 8.803 5.013 2.987 2.603 3.407 9.096 48.792 Prior Period 26.879
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses Other  Total  "") Details of "other" balance are provided as below:  Saving Deposit Insurance Fund Taxes, Duties, Charges and Funds Expertise and Information Expenses	9,098 5,747 3,190 3,398 2,268 11,529 48,851 Current Period	8.970 8.803 5.013 2.987 2.603 3.407 9.096 48.792 Prior Period 26.879 19.387
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses Other  Total  "") Details of "other" balance are provided as below:  Saving Deposit Insurance Fund Taxes, Duties, Charges and Funds Expertise and Information Expenses Audit and Consultancy Fees	9,098 5,747 3,190 3,398 2,268 11,529 48,851 Current Period 29,251 21,929	8.970 8.803 5.013 2.987 2.603 3.407 9.096 48.792 Prior Period 26.879 19.387 9.194
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses Other  Total  (**) Details of "other" balance are provided as below:  Saving Deposit Insurance Fund	9,098 5,747 3,190 3,398 2,268 11,529 48,851 Current Period 29,251 21,929 8,001	8.970 8.803 5.013 2.987 2.603 3.407 9.096 48.792 Prior Period 26.879 19.387
Heating, lighting and water expenses Representation and Hosting expenses Vehicle expenses Lawsuit and court expenses Other  Total  (") Details of "other" balance are provided as below:  Saving Deposit Insurance Fund Taxes, Duties, Charges and Funds Expertise and Information Expenses Audit and Consultancy Fees	9,098 5,747 3,190 3,398 2,268 11,529 48,851 Current Period 29,251 21,929 8,001	8.970 8.803 5.013 2.987 2.603 3.407 9.096 48.792 Prior Period 26.879 19.387 9.194

(Thousand of Turkish Lira (TL) unless otherwise stated)

### IV. Explanations and notes related to the statement of income (continued):

### 8. Explanations on income/loss from continued operations before taxes:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

**************************************	Current Period	Prior Period
Income before tax	175,234	221.651
Tax calculated with tax rate of 20%	35.047	44,330
Other additions and disallowable expenses	3.642	12.836
Deductions	(22.493)	(10.264)
Provision for current taxes	16.196	46.902
Provision for deferred taxes	17,921	(4,118)
Continuing operations tax provision	34,117	42.784

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

### 10. Explanations on net income/loss from continued and discontinued operations:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 11. Explanations on net income/ loss:

a. The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b. The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### IV. Explanations and notes related to the statement of income (continued):

### 12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period
CATEGORIA CONTRACTOR C	***************************************	
Member firm-POS fees and commissions	25.213	28.554
Clearing room fees and commissions	15.504	13.573
Commissions on money orders	10.956	7.844
Appraisal fees	8.179	6.845
Insurance and brokerage commissions	8,060	6.929
Other	14.870	10.566
Total	82.782	74.311
	Current Period	Prior Period
Other Fees and Commissions Pald	Callettellon	FIGITERO
Funds borrowed fees and commissions	20,755	20.402
Credit cards fees and commissions	6.910	5,928
Member firm-POS fees and commissions	12.077	9.478
Fees and commissions for Swift, EFT and money orders	3.825	2.745
Other	6.917	6.661
Total	50.484	45.214

### V. Explanations and notes related to the statement of changes in shareholders' equity:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### VI. Explanations and disclosures related to the statement of cash flows:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousand of Turkish Lira (TL) unless otherwise stated)

### VII. Explanations related to the risk group of the Bank:

 Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

### a. Current period:

Risk Group of the Bank <sup>(*)</sup>	associates, and joint		sharehold	id indirect ders of the ank	Other rea persons in the risk	icluded in
	Cash	Non-cash	Cash	Non-cash		Non-cash
Loans and other receivables  Balance at the beginning of the period Balance at the end of the period  Profit share and commission income	*	:	35,550 48,102	24.249 11.070	714 121	28
received	3.701	M	1.005	87	13	

### b. Prior period:

Risk Group of the Bank <sup>(*)</sup>	Investment in associates,subsidiaries and joint ventures (business partnerships)		shareholders of the		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of period		_	47.906	65.512	41	28
Balance at end of period Profit share and commission income	-		35.550	24.249	714	28
received	1.353	•	1.579	257	59	•

Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

### c.1. Information on current and profit sharing accounts of the Bank's risk group:

Risk Group of the Bank <sup>(*)</sup>	Investment in associates,subsidiaries and joint ventures (business partnerships)		shareholders of the		Other real or legal persons included in the risk group	
	Current	Prior	Current	Prior	Current	Prior
	Period	Period	Period	Period	Period	Period
Current and profit sharing accounts Balance at the beginning of period Balance at the end of period Profit share expense	10.496	7.810	470,674	268.530	5.476	3.134
	7.577	10.496	649,822	470.674	3.595	5.476
	<b>447</b>	<b>438</b>	8,144	<b>4.241</b>	<b>81</b>	126

<sup>(1)</sup> As of September 30, 2017 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 282.614.116 and EUR 113.958.746 (December 31, 2016; USD 79.171.095 and EURO 127.196.602). The profit share expense relating to such borrowings for the period between January 1, 2017 – September 30, 2017 is TL 8.135 (September 30, 2016; TL 6.785). The Bank has issued Sukuk in the amounts of USD 350.000.000 and TL 390.000.000 through "Bereket Varlik Kiralama A.Ş." which exists in the risk group of the Bank. The total expense for the related issues is TL 79.580 as of September 30, 2017 (September 30, 2016; TL 55.304).

(Thousand of Turkish Lira (TL) unless otherwise stated)

### VII. Explanations related to the risk group of the Bank (continued):

### c.2. Information on forward and option agreements and other similar agreements with related parties:

The Bank does not have forward and option agreements with the risk group of the Bank.

For the nine-month-period ended September 30, 2017; the Bank has paid TL 7.824 (September 30, 2016: TL 12.894) to top management.

### VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### IX. Explanations related to subsequent events:

In the Board meeting dated October 26,2017, it is decided to establish an intermediary company by either the Bank itself or with several partners. The Head Office has been authorised to commit capital and pay it up to TL 15.000, determine the name of the company, the probable partners and their participation rates, implement the license take-over and all other similar operations related to establishing the company.

### **SECTION SIX**

1. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:

None.

### **SECTION SEVEN**

Limited review report

### I. Explanations on limited review report:

The Bank's unconsolidated financial statements as of and for the period ended September 30, 2017 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the limited review report dated October 31, 2017 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### **SECTION EIGHT**

### Information on Interim Report

### I. General Information

### 1. Summary Information about Albaraka Türk Katılım Bankası A.Ş:

Albaraka Türk Participation Bank, the first and the leading financial institution in Interest free banking field in Turkey, has completed its establishment in 1984 and entered into service as of the beginning of the year of 1985. Albaraka Türk is continuing its activities subject to the Banking Law No. 5411. In the partnership structure of Albaraka Banking Group (ABG), one of the leading groups of Middle East, Islamic Development Bank (IDB) and Albaraka Türk, established under the leadership of a domestic industrial group serving to Turkish economy for more than a half century, share of the foreign partners is 65,87%, share of the domestic partners is 9,05% and publicly held share is 25,08%. Partnership structure of Albaraka Türk is the guarantee of the respect and trust we bear.

Albaraka Türk, collecting funds through current accounts and participation accounts and gaining the funds it contributes to the economy of the country by products as individual financing, corporate finance, financial leasing and profit-loss partnership on the basis of a project, is entitled to offer a variety of finance and banking services by interest free banking application.

Albaraka Türk has always aimed to achieve sustainable growth with the strategy of "adding value to your values" for all its stakeholders with its "reliable", "understandable", "responsible" and "transparent" approach to all its customers, including individual, corporate and SME segments in order to offer services and improve customer experience in all-inclusive participation banking system. With its competent and dynamic human resources and interest-free banking infrastructure, Albaraka Türk is a leader in its products and services without compromising on its quality and value.

Albaraka Türk, started with the vision of being the best regional bank in offering financial products and services in Gulf, Middle East and North Africa geographies where its main partner ABG is carrying out business, is rendering fast, qualified and safe foreign trade (import, export and foreign exchange) services to its customers in 80 countries from Singapore to England, South Africa to Morocco, Australia to Kazakhstan, by the wide correspondent net it has established with 1000 banks. Albaraka Türk, is an international Participation Bank adopted the mission of adding value to its customers, partners, employees and Turkey.

### 2. Capital and Shareholders' Structure:

Albaraka Türk's paid-up capital is TL 900.000 as of September 30, 2017, the registered capital ceiling is TL 2.500.000.

	Share amount (TL)	Ratio (%)
Foreign Shareholders	592.847	65,87
Albaraka Banking Group	486.523	54,06
amic Development Bank narthy Family	70.574 26.005	7,84 2,89
Local Shareholders	81.464	9,05
Publicly Listed	225.689	25,08
Total	900.000	100,00

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### 3. The amendments in the articles of association during period of January 1, 2017- September 30, 2017

The Ordinary General Assembly Meeting of the Bank for the 2016 accounting period was held on March 23, 2017, on Thursday, at 10:00 a.m., at the address of Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi No:6 Ümraniye, İstanbul and it is resolved that The Article 7 of the Articles of Association of the Bank be amended.

The old and the amended new article in the Articles of Incorporation are listed below.

### OLD TEXT

### Bank's Capital Article 7:

- (1) The Bank has accepted the registered capital system pursuant to the provisions of the Capital Market Law, and switched to the registered capital system with the permission of the Capital Markets Board dated 06/03/2013 and numbered 7/259.
- (2) The upper limit of the registered capital of the Bank is TL 2.500,000.000 (two billion and five hundred million Turkish Liras), divided into 2.500.000.000 registered nominative shares with a value of TL 1 Turkish Lira each.
- (3) The permission given by the Capital Markets Board in relation to the upper limit of the registered capital shall be in effect for a 5-year period between 2013 and 2017. Even if the upper limit of the registered capital is not reached until the end of 2017, in order to make a decision by the Board of Directors to increase the share capital after 2017, it is obligatory to obtain authorization for a new time period not to exceed 5 years from the General Assembly for the previously permitted or a newly determined upper limit of the registered capital, after having been received the permission of Capital Markets Board. In case of failure in obtaining the said authorization, the Bank shall be deemed to be logged off from the registered capital system.
- (4) The Bank's issued share capital is TL 900.000.000, and this amount has been fully paid in cash being free of collusion.
- (5) The shares representing the Bank's Capital shall be traced on the basis of the records within the framework of the principles of dematerialization.

### **NEW TEXT**

### Bank's Capital Article 7:

- (1) The Bank has accepted the registered capital system pursuant to the provisions of the Capital Market Law, and switched to the registered capital system with the permission of the Capital Markets Board dated 06/03/2013 and numbered 7/259.
- (2) The upper limit of the registered capital of the Bank is TL 2.500.000.000 (two billion and five hundred million Turkish Liras), divided into 2.500.000.000 registered nominative shares with a value of TL 1 Turkish Lira each.
- (3) The permission given by the Capital Markets Board in relation to the upper limit of the registered capital shall be in effect for a 5-year period between 2017 and 2021. Even if the upper limit of the registered capital is not reached until the end of 2021, in order to make a decision by the Board of Directors to increase the share capital after 2021, it is obligatory to obtain authorization for a new time period not to exceed 5 years from the General Assembly for the previously permitted or a newly determined upper limit of the registered capital, after having been received the permission of Capital Markets Board. In case of failure in obtaining the said authorization, the Bank shall be deemed to be logged off from the registered capital system.
- (4) The Bank's issued share capital is TL 900.000.000, and this amount has been fully paid in cash being free of collusion.
- (5) The shares representing the Bank's Capital shall be traced on the basis of the records within the framework of the principles of dematerialization.

You may access the Information Document, the Profit Distribution Statement, the Meeting Minutes and the Resolutions of the Ordinary General Assembly Meeting of the Bank for the 2016 accounting period that was held on March 23, 2017 from Albaraka Türk website Investor Relations section at the link below:

stos (Avvy) albaraka com tr/an/general assembly, information decument asos

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### 4. Branch and Personnel Information:

As of September 30, 2017, total number of branches of the Bank is 215 and the total number of personnel is 3.885. Albaraka Türk carries out its activities with 214 domestic branches extended throughout the country and 1 branch abroad in Erbil.

### 5. Board of Directors Chairman and Members:

Name and surname	Administrative Function	Educational Degree	Start Date	Banking Experience
Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	2005	44
Yalçın ÖNER	Vice Chairman of BOD	Master	1985	45
Osman AKYÜZ	Member of BOD	Bachelor	1996	32
brahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	2005	46
Hamad Abdulla A. ALOQAB	Member of BOD	Bachelor	2008	23
Fahad Abdullah A. ALRAJHI	Member of BOD	Bachelor	2008	29
Hood Hashem Ahmed HASHEM	Member of SOD	Master	2011	16
Prof.Dr.Kemai Varol	Independent Member of BOD	Doctorate	2013	8
Muhammad Zarrug M. RAJAB	Independent Member of BOD	Bachelor	2016	31
Dr. Bekir PAKDEMIRLI	Member of BOD	Doctorate	2016	1
Dr. Khaled Abdulla Mohamed ATEEQ	Member of BOD	Doctorate	2017	<u>'</u>
Mustafa BÜYÜKABACI	Member of BOD	Master	2017	25
Melikşah UTKU	Member of BOD and CEO	Master	2016	13

### 6. Top Management:

Name and Surname	Administrative Function	Educational Degree	Start Date	Banking Experience
A. 444 A. A. A. A. A. A. A. A. A. A. A. A. A.				· · · · · · · · · · · · · · · · · · ·
Melikşah UTKU	Member of BOD and CEO	Master	2016	13
Turgut SIMITCIOĞLU	Senior Assistant General	Master	2017	27
	Manager (Deputy)		2011	#n 4
Mehmet Ali VERÇİN	Senior Assistant General	Bachelor	2017	24
-	Manager (Deputy)	##O110101	2011	47
Temel HAZIROĞLU	Assistant General Manager	Master	2003	31
Ali TUĞLU	Assistant General Manager	Master	2014	
Nihat BOZ	Assistant General Manager	Bachelor	-+ - +	9
Süleyman CELİK	Assistant General Manager		2009	30
Nevzat BAYRAKTAR		Bachelor	2017	28
	Assistant General Manager	Bachelor	2017	21
Fatih BOZ	Assistant General Manager	Master	2017	19
Hasan ALTUNDAĞ	Assistant General Manager	Bachelor	2017	30
Deniz AKSU	Assistant General Manager	Bachelor	2017	21
Malek Khodr TEMSAH	Assistant General Manager	Master	2017	14
Cenk DEMIRÖZ	Assistant General Manager	Master	2017	17

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### 7. Managers of Departments within Internal Systems<sup>(\*)</sup>

Name and	Professional	Duration of Services at	Length of Services		Field of
Surname	Experience (Years)	Albaraka Türk (Years)	in His Area (Years)	Education	Responsibility
Volkan EVCIL	25 years 9 months	23 years 9 months	14 years 9 months	Bachelor	Internal Systems Senior Manager
Ahmet UYSAL	12 years 5 months	12 years 8 months	10 years 3 months	Master	Inspection
Umut ÇAKMAK Ahmet Faruk	12 years 9 months	12 years 9 months	12 years 9months	Bachelor	Risk Managemen
DEĞİRMENCİ	9 years 9 months	9 years 9 months	9 years 9 months	Bachelor	Internal Control Regulation and
Hakan KURBET	25 years 9 months	21 years 9 months	5 Years	Bachelor	Compliance

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### 8. Committee Information After Distribution of Roles Among BOD:

### **AUDIT COMMITTEE**

Chairman:

Mustafa BÜYÜKABACI

Member:

Hood Hashem Ahmed HASHEM

Observer:

Hamad Abdulla A.ALOQAB, Ibrahim Fayez Humaid ALSHAMSI, Khaled Abdulla Mohamed ATEEQ

### CREDIT COMMITTEE:

Chairman:

Adnan Ahmed Yusuf ABDULMALEK

Member:

Osman AKYÜZ Kemal VAROL

Member: Member:

Melikşah UTKU

Reserve Member: Yalçın ÖNER, Bekir PAKDEMIRLI

### CORPORATE GOVERNANCE COMMITTEE:

Chairman:

Muhammad Zarrug M. RAJAB

Member:

Ibrahim Fayez Humaid ALSHAMSI

Member: Observer:

Mustafa KARAMEHMETOĞLU Khaled Abdulla Mohamed ATEEQ

### REMUNERATION COMMITTEE:

Chairman:

Adnan Ahmed Yusuf ABDULMALEK

Member: Member: Osman AKYÜZ Melikşah UTKU

### SUSTAINABILITY AND SOCIAL RESPONSIBILITY COMMITTEE:

Chairman:

Bekir PAKDEMİRLİ

Member:

Ibrahim Fayez Humaid ALSHAMSI

Member:

Mustafa BÜYÜKABACI

### **EXECUTIVE COMMITTEE:**

Chairman:

Adnan Ahmed Yusuf ABDULMALEK

Vice Chairman: Member:

Yalçın ÖNER Osman AKYÜZ

Member:

Hamad Abdulla A. ALOQAB

Member:

Melikşah UTKU

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### II. Banks Financial Information and Evaluations:

### 1. Main Financial Figures:

ASSETS	Current Period	Prior Period
Cash and Balances with The Central Bank	5.215.023	4 000 000
Banks	1.250.247	4.999.052
Financial Assets-Available For Sale (Net)	1.329.966	2.158.177
Loans and Receivables	22.980.844	1.382.690
Financial Leasing Receivables	729.994	21.843.075
Others	2.320.566	878.979 1.588.765
TOTAL ASSETS	33.826.640	32.850.738
LIABILITIES	Current Period	Prior Period
Funds Collected	24.109.244	02 455 404
Funds Borrowed	4.723.298	23.155,134
Subordinated Loans	1.563.245	4.424.195
Shareholders' Equity	2.382.975	1.510.937
Others	1.047.878	2.279.593 1.480.879
TOTAL LIABILITIES	33.826.640	32.850.738
SIA AREA IN THE CONTRACTOR OF		
INCOME AND EXPENSE ITEMS	Current Period	Prior Period
Profit Share Income	1.897.858	1.635.408
Profit Share Expense	995.974	878.358
Net Profit Share Income/Expenses	901.884	757.050
Net Fees and Commissions Income/Expenses	109.185	105,191
Trading Income/Loss (Net)	25.945	51.750
Other Operating Income	85,315	82.120
Total Operating Income	1.122.329	996.111
Provision For Loan Losses and Other Receivables (-)	358.819	227.124
Other Operating Expenses (-)	588.276	547.336
Net Operating Income/(Losses)	175.234	221.651
Tax Provision For Discontinued Operations (-+)	34.117	42.784
NET PROFIT/LOSSES	141.117	178.867
Earnings Per Share (Full TL)	0,157	0,199

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### 2. Message from the Chairman of the Board of Directors:

Our Precious Stakeholders.

The optimistic outlook for the recovery in the global economy remains favorable in the third quarter. The International Monetary Fund (IMF) has revised its global growth forecasts upwardly for the World Bank and OECD 2017.

The Federal Reserve Bank of America (FED), which carried out the fourth interest rate increase for the last 11 years and the second interest rate increase for this year in June and moved the funding interest to 1.00-1.25 range, while not raising interest rates during July and September meetings, announced that the balance sheet reduction program will begin in October. However, while the second quarter growth in the US is above the market expectation of 3%, the continuation of low inflation indicators leads the Fed to weaken its position on the interest rate increase. Increasing political tension between the United States and North Korea has recently become the top spot on the global economy's agenda, which has heightened the global risk perception. Recovery in the euro area continues throughout the region. While the European Central Bank (ECB) did not change its policy interest rate and asset purchase program in line with expectations in the September meeting, it has left the agenda for the exit strategy from the asset-purchasing program to the other meetings in the autumn. The Bank of Japan (BOJ) has not made any changes in its monetary policy in line with the market anticipation in September. Following the China's second quarter economic growth of 6.9% which is higher than expectations, the fact that recently announced economic data failed to meet expectations, raised uncertainties about the third quarter.

Turkish economy has completed the second quarter of 2017 with growth of 5,1%. The decline in uncertainties following the referendum, the strong growth in the services sectors, which are comprised of the agricultural sector, the industrial sector, and trade, transportation, accommodation and foodservice activities, are among the factors that support the growth. The unemployment rate was 10.7% compared to the July data due to the recovery in economic activities. Foreign trade deficit continues to expand; foreign trade deficit increased by 80,4% on the annual basis to 8.8 billion US dollars in July. The current account deficit continues to move on expectations. The rise in non-monetary gold imports was influential on the widening current account deficit in July. Budget expenditures increased compared to the previous year according to June data and in the first half of 2017 the budget had a deficit of 25.2 billion TL. The CPI, which is in a rising trend for a while, also recorded a rise in September, reaching 11,2% on an annual hasis

The maintenance of the tight monetary policy position of the Central Bank of Turkey has a positive impact on separation of the exchange rate and risk premium indicators. While the increase in credit supply through the Credit Guarantee Fund incentive is affecting the rise in the credit volume of banks, other macro precautionary measures for SMEs such as tax cuts and KOSGEB support continue to support economic activity in our country.

Albaraka Türk, which is the flagship of Albaraka Banking Group (ABG), continues its stable growth strategy and investments for a stronger Turkey and banking sector by closely monitoring global and regional developments. With the awareness and responsibility of being Turkey's first and foremost Participation Bank, and with its asset size of TL 33.826.640 reached as of September 30, 2017, the management team, employees and stakeholders, it will continue to respond to the financial needs of its customers as it has been for 32 years. As it was yesterday, our Bank, Albaraka Türk, will continue to take firm steps today and tomorrow, "adding values to the values" of all its stakeholders in line with its vision of "Becoming the World's Best Participation Bank". I would therefore like to thank my colleagues, our customers, our participators and all other stakeholders by heart for their contribution to our success.

Yours sincerely.

Respectfully Yours,

Adnan Ahmed Yusuf ABDULMALEK
Chairman of the Board of Directors

80 F-087

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### 3. Message from the CEO

Our Precious Stakeholders.

Albaraka Türk Katılım Bankası A.Ş., which has been the pioneer of Participation Banking in our country and continues by increasing its contribution to Turkey's economy and real sector for 32 years, has signed important projects in this period that we left behind the financial results of the third quarter of 2017.

According to our financial results for the third quarter, our Bank's total assets amounted to TL 33.826.640. Our total loan portfolio including financial leasing reached TL 23.710.838. Funds collected via profit and loss participation accounts and private current accounts increased by 4,12% compared to previous period and realized as TL 24.109.244. Approximately 47,24% of these funds are composed of foreign currency funds. As of September 30, 2017, our Bank's net profit was TL 141.117. Our equity size increased by 4,54% compared to the previous period and reached TL 2.382.975. Our capital adequacy ratio was 17,37% above the sector average.

Our Bank continues to work in order to diversify its fund resources without slowing down and to domestic rent certificate transactions. At the very beginning of the second quarter, a successful murabaha syndication loan of 213 million US Dollars in 370 days maturity was provided in April. In the first 9 months of 2017, a total of TL 600.000 rent certificates has been issued, while TL rent certificates have totaled TL 950.000.

Hosted by the Astana International Finance Center (AIFC), the Global Islamic Finance Awards (GIFA) organized by Edbiz Consulting took place in Kazakhstan's capital city Astana. More than 200 representatives of the Islamic finance sector, attended the Global Islamic Finance Awards, to which Albaraka Türk was awarded the "Best Islamic Bank 2017" award.

As Albaraka Türk, we closely monitor the rapid development of entrepreneurship ecosystem in our country and act with the vision of establishing and supporting successful enterprises. In line with this vision, our Bank launched the world's first Participation Banking Startup Acceleration Center Albaraka Garaj by leading the way. Albaraka Garaj will serve as an Entrepreneur Acceleration Center in Albaraka Türk where Entrepreneurs with Financial Technology based business ideas and projects are supported with incubation and acceleration facilities. In addition to the Albaraka Garaj project, we launched an in-house entrepreneurship program; through that program we are leading the way to create new business opportunities by ensuring that innovative business and enterprise ideas coming from our employees can be tested with the least resources and in the shortest possible time considering the needs of our company and our sector. Within the scope of the program, we started to support 11 projects selected from 137 projects of 101 entrepreneurs.

In the direction of the goal of "Becoming the World's Best Participation Bank", in our bank which pays great attention to human and employee values since its establishment, we once more aim to create a creative ecosystem for our employees with innovative ideas and innovative projects that have emerged in the Social Responsibility Project Competition that we have launched within the company. In this context, as a result of our first competition with a total of 93 applications in different fields, 3 project owners, having received their awards, started to work in order to realize their projects.

With our activities we have increased by developing at each area, as it has been for 32 years, we have completed our works with diligence and devotion in the third quarter of 2017. As Albaraka Türk, we will continue to work with our existing stakeholders as well as our 215 branches and 3.885 employees to popularize participation banking in our country and in the world and support the country's economy. I would like to express my deepest gratitude to all of the stakeholders who contributed and supported to the realization of Albaraka Türk's goals.

Respectfully Yours,

Melikşah UTKU

**Board Member and CEO** 

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### 4. Activities in the Third Quarter of 2017:

- In the third guarter of 2017, our total assets have actualized as TL 33.826.640.
- In the third quarter of 2017, the consolidated funds our Bank has collected through "Special Current Accounts" and "Participation to Profit and Loss Accounts" has been TL 24.109.244 as of September 30, 2017. Approximately 47,24% of these funds are constituted of foreign currency funds.
- Participation accounts in the third quarter of 2017 has been TL 18.003.900. Our Bank's Fund Collecting Activities
  are carried out through our branches, our bank's branches throughout the country and correspondent banks
  abroad.

,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Current	Current Period		eriod .	Change	%)
TL and USD	TL	USD	TL	USD		
Equivalent	Equivalent	Equivalent	Equivalent	Equivalent	TL	USD
TL Funds	12,719,391	3.583.937	12.557.143	3.577.534	1,29	0,18
Current Accounts	2,788,186	785.62 <del>6</del>	2.666.540	759.698	4,56	3,41
Participation Accounts	9.931.205	2.798,311	9.890.603	2.817.836	0,41	(0,69)
FC Funds	11,389,853	3.209.313	10.597.991	3.019.370	7,47	6,29
Current Accounts	3.317.158	934.674	2.764.410	787.581	20,00	18,68
Participation Accounts	8.072.695	2.274.639	7.833.581	2.231.789	3,05	1,92
TOTAL	24,109.244	6.793.250	23.155.134	6.596.904	4,12	2,98

	Current	Period	Prior F	eriod	Change (	%)
TL and USD Equivalent	TL Equivalent	USD Equivalent	TL Equivalent	USD Equivalent	TL	USD
Credits <sup>(*)</sup>	23.126.116	6.516.234	22.194.605	6.323.249	4,20	3,05
Non-performing Loans	1,309,370	368.941	1.105.954	315.087	18,39	17,09
Provisions	(724.648)	(204.184)	(578.505)	(164.816)	25,26	23,89
TOTAL	23.710.838	6.680.991	22.722.054	6.473.520	4,35	3,20

<sup>(\*)</sup> Financial Leasing Receivables included.

The currency used in the preparation of the tables are as follows;

Balance Sheet Period	USD/TL
As of September 30, 2017	3,549
As of December 31, 2016	3,510

### 5. Evaluation on Financial Status, Profitability and Solvency:

- Our Operating Income has been TL 1.122.329 increasing by 12,67% compared to the same period of the previous year.
- Net Fee and Commission Revenues have been TL 109.185, increasing by 3,80%, our Net Profit Share has been TL 901.884, increasing by 19.13%.
- Personnel expenses has been TL 328.749, increasing by 6.24% and Depreciation Expenses have been TL 45.878, decreasing by 4,60% compared to the same period of the previous year.
- Our consolidated net profit has been TL 141.117, declined by 21,11% for the first 9 months of the year.
- As of September 30, 2017, our capital adequacy ratio is actualized as 17,37%.

Investor Relations presentation regarding our unconsolidated financial results for the first half of 2017 can be found at "Investor Relations" section in "https://www.albaraka.com.tr/en/default.aspx".

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

### Announcements regarding important developments during January 1, 2017 - September 30, 2017 period:

 Our Bank has made new appointments under the organizational changes of the year 2017. Senior Assistant General Manager (Deputy) Responsible from Business Lines and Senior Assistant General Manager (Deputy) Responsible from Support positions are established between General Manager and Assistant General Managers positions. Appointments of positions are as follows:

Assistant General Manager Responsible for Business Branches (GM Deputy) - Turgut SIMITCIOĞLU

Assistant General Manager Responsible for Support (GM Deputy) - Mehmet Ali VERÇİN

Assistant General Manager Responsible for Legal - Nihat BOZ

Assistant General Manager Responsible for Credits - Cenk DEMIRÖZ

Assistant General Manager Responsible for Credit Risk - Deniz AKSU

Assistant General Manager Responsible for Finance - Temel HAZIROĞLU

Assistant General Manager Responsible for Sales - Nevzat BAYRAKTAR

Assistant General Manager Responsible for Markeling - Hasan ALTUNDAĞ

Assistant General Manager Responsible for Treasury and Financial Institutions - Malek Khodr TEMSAH

Assistant General Manager Responsible for Operations - Fatih BOZ

Assistant General Manager Responsible for Human Values and Administrative Affairs - Süleyman ÇELİK

Assistant General Manager Responsible for Information Technologies - Ali TUĞLU

- In our Bank's public disclosure dated January 9, 2017, we disclosed that Tax Inspection Board, Istanbul Large Taxpayers Groups prepared a tax audit report for the review of KKDF (Resource Utilization Support Fund) for retail consumer financing customers for the year of 2011. A total of TL 41 accrual slip were issued with KKDF cut and penalty.
- In our Bank's public disclosure dated January 24, 2017, we disclosed that we have completed our studies on ensuring that our Tier 2 subordinated loan, which is in the murabaha sukuk format amounting to USD 200 million with a total maturity of 10 years with a principal repayment of 5 years and a coupon profit rate of 7.75% provided in 2013, can be considered as contribution capital within the scope of the relevant legislation in order to comply with Basel III requirements.
- In our Bank's public disclosure dated January 27, 2017, we disclosed that International Credit Rating Company Standard & Poors has revised the rating of Albaraka Sukuk Ltd. and Sukuk as a contribution capital issued by Albaraka Sukuk Limited on November 30, 2015 as CCC+. Also, Standard & Poors has placed its 'B-' issue rating on the tier 2 sukuk trust certificates issued by ABT Sukuk Ltd. on Credit watch with negative implications.
- In our Bank's public disclosure dated February 17, 2017, we disclosed that our Acting General Manager Melikşah UTKU has been appointed as General Manager by resolution of the Board of Directors dated February 17, 2017 and numbered 1603.
- Within our Bank Repurchase Program accepted Ordinary General Assembly held March 25, 2015, total TL 6.115 nominal value shares were bought by our Bank between January 18, 2016 and March 22, 2017. With this transaction, our Bank's share of capital in Albaraka Türk Katılım Bankası A.Ş.'s Capital reached to 0.68% as of March 22, 2017.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

 As announced in Public Disclosure Platform on February 17, 2017, our Bank's Ordinary General Meeting of Shareholders of was held on March 23, 2017 with the following agenda:

### AGENDA:

- 1. Inauguration; formation of Presiding Council.
- 2. Authorizing the Presiding Council to sign the general assembly minutes of meeting.
- 3. Reading and discussing the Annual Report of the BoD about the fiscal year 2016.
- 4. Reading and discussing Auditor reports.
- Reading, discussing and approving the Financial Statements.
- 6. Acquitting the Members of the BoD.
- 7. Acquitling the Auditor.
- 8. Discussing the BoD proposal about the utilization and distribution of the annual profit and dividends (ratios of sharing).
- Discussing the fiscal rights and benefits of the Board members like salary & wages, perdiems, bonus & premiums and alike.
- 10. Electing new members for the BoD, as the offices of our current directors will expire; and determining their new terms of office.
- 11. Electing the Auditor.
- 12. Discussing and resolving the Board of Directors' proposal to amend Article-7 entitled "Bank's Capital" of our Bank's Articles of Incorporation.
- 13. Permitting members of the BoD with respect to articles 395 and 396 of Turkish Commercial Code.
- 14. Presenting information to General Assembly about operations effected in scope of the Repurchase Program for bank's own shares in 2016,
- 15. Providing the General Assembly with details of our Bank's donations in 2016.
- 16. Wishes and requests.
- Our Article 7 titled "Bank's Capital" of Article of Incorporation was amended by general meeting with the permission
  of the BRSA, CMB and the Ministry of Customs and Trade regarding the extension of the registered capital ceiling
  permit period.
- You may find Information Document, Profit Distribution Table, Minutes and Resolutions regarding Ordinary General Meeting of Shareholders which was held on March 23, 2017 from Albaraka Türk website Investor Relations section from following link:
  - stance in the organization of the first and the second and the second second as the
- At the General Assembly Meeting held on March 23, 2017, it was decided that the number of the members of the board of directors should be determined as 13, including the General Manager, which is the natural member of the board of directors. Also, it has been decided that the term of office of the elected board members shall be 3 years and that the other 12 members of the board of directors other than the General Manager who is the natural member of the board of directors shall be the following:
  - Mr. ADNAN AHMED YUSUF ABDULMALEK, Mr. YALÇIN ÖNER, Mr. OSMAN AKYÜZ, Mr. IBRAHİM FAYEZ HUMAID ALSHAMSI, Mr. HAMAD ABDULLA ALI ALOQAB, Mr. FAHAD ABDULLAH A. ALRAJHI, Mr. HOOD HASHEM AHMED HASHEM, Mr. MUSTAFA BÜYÜKABACI, Mr. KHALED ABDULLA MOHAMED ATEEQ, Mr. BEKİR PAKDEMİRLİ, Mr. KEMAL VAROL, Mr. MUHAMMAD ZARRUG M. RAJAB. From these members;
  - Mr. KEMAL VAROL and Mr. MUHAMMAD ZARRUG M. RAJAB was elected as an independent board member.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

- At the General Assembly meeting held on March 23, 2017, Article 8 of the agenda for the use and distribution of Profit Shares was discussed and a gross total of TL 43.521 profit distribution has been approved by the voting consortium as of April 10, 2017.
- In accordance with the resolution of the Board of Directors dated March 30, 2017; Board members and the General Manager, who were elected to the Board of Directors for three years at the Ordinary General Meeting of Shareholders held on March 23, 2017, distributions of the duties of the Board of Directors among themselves as follows:

Chairman of the Board of Directors- Adnan Ahmed Yusuf ABDULMALEK, Vice Chairman of the Board of Directors - Yalçın ÖNER

Credit Committee Chairman - Adnan Ahmed Yusuf ABDULMALEK, Members - Osman AKYÜZ

Kemal VAROL, Melikşah UTKU, Reserve Members - Yalçın ÖNER, Bekir PAKDEMIRLI

Audit Committee Chairman - Mustafa BÜYÜKABACI, Member - Hood Hashem Ahmed HASHEM

Observers - Hamad Abdulla Ali ALOQAB, Ibrahim Fayez Humaid ALSHAMSI, Khaled Abdulla Mohamed ATEEQ

Corporate Governance Committee Chairman - Muhammed Zarrug M. RAJAB, Members - Ibrahim Fayez Humaid ALSHAMSI, Mustafa KARAMEHMETOĞLU, Observer - Khaled Abdulla Mohamed ATEEQ

Remuneration Committee Chairman - Adnan Ahmed Yusuf ABDULMALEK, Members - Osman AKYÜZ, Melikşah UTKU

Social Responsibility Committee Chairman - Bekir PAKDEMIRLI, Members - Ibrahim Fayez Humaid ALSHAMSI, Mustafa BÜYÜKABACI

Executive Committee Chairman - Adnan Ahmed Yusuf ABDULMALEK, Vice Chairman - Yalçın ÖNER, Members - Osman AKYÜZ, Hamad Abdulla Ali ALOQAB, Melikşah UTKU

- On March 31, 2017, a successful Sukuk Certificate (Sukuk) was issued by Albaraka Türk which is resource
  institution and fund user with a maturity of 179 days with a funding source of TL 110.000.
- In our Bank's public disclosure dated April 7, 2017, we disclosed that International Rating Agency Standard & Poor's determined the rating of the sukuk transaction issued by ABT Sukuk Ltd. as "CCC +".
- In our Bank's public disclosure dated April 19, 2017, we disclosed that our Bank has provided 213 million USD Murabaha Syndicated Loan with the participation of 12 banks from 8 countries. The cost of the murabaha syndicated loan, which was provided as 370 days maturity, was realized as Libor + 125 bps.
- At the Board of Directors' meeting held on April 28, 2017, it has been decided to change the name of the Committee on Social Responsibility to "Sustainability and Social Responsibility Committee".
- At the Board of Directors' meeting held on April 28, 2017, it has been decided to authorize the General Directorate
  in connection with the opening of the branch titled "Albaraka Türk Katılım Bankası A.Ş. Bağdat Şubesi" in Bagdat,
  Iraq to carry out all kinds of required works both at Turkey and Iraq. On May 9, 2017, the Banking Regulation and
  Supervision Agency was applied for permission to open branch.
- On May 11, 2017, a successful Sukuk Certificate (Sukuk) was issued by Albaraka Türk which is resource institution
  and fund user with a maturity of 97 days with a funding source of TL 100,000.
- JCR Eurasia Rating has affirmed the credit ratings of Albaraka Türk Katılım Bankası A.Ş., evaluating within high investable category, as the Long Term International Foreign and Local Currency ratings have been affirmed as "BBB-" with a 'Stable' outlook in its report dated May 15, 2017. Other notes and details of the ratings are given in the table below:

Long Term International Foreign Currency: BBB- / (Stable Outlook)

Long Term International Local Currency: BBB- / (Stable Outlook)

Long Term National Local Rating: AA (Trk) / (Negative Outlook)

Short Term International Foreign Currency: A-3 / (Stable Outlook)

Short Term International Local Currency: A-3 / (Stable Outlook)

Short Term National Local Rating: A-1+ (Trk) / (Negative Outlook)

Sponsor Support: 3

Stand Alone: AB

(Thousand of Turkish Lira (TL) unless otherwise stated)

### information on Interim Report (continued):

- On Sep 23, 2017, a successful Sukuk Certificate (Sukuk) was issued by Albaraka Türk which is resource institution
  and fund user with a maturity of 179 days with a funding source of TL 115.000.
- JCR Eurasia Rating has revised our Bank's compliance with CMB Corporate Governance Principles a score of 8,81 along with a Positive outlook in its report dated July 11, 2017. The Company's compliance levels in each of the four main sections are submitted below.

Overall: 8,81 (Positive) Shareholders: 8,83

Public Disclosure and Transparency: 9,04

Stakeholders: 8,90 Board of Directors: 8,58

By virtue of the fact that the Bank's compliance with the corporate governance principles notes are above [(7) Threshold Score], Albaraka Türk is entitled to continue to be included in the BIST Corporate Governance Index.

- International Credit Rating Agency, Standard & Poor's, has confirmed the rating note given to Albaraka Türk as Long Term Credit Rating: BB-, Short Term Credit Rating: B, Credit Rating Outlook; Stable.
- By Tax Inspection Board the Istanbul Large-scale Taxpayers Group Presidency, for the review of RUSF for the customers who have been provided individual consumer financing related to years 2012, 2013 and 2014, TL 86 for the RUSF Withholding and TL 83 the Penalty for a total of TL 169, TL 199 for the RUSF Withholding and TL 153 for the Penalty for a total of TL 352 referring the tax inspection report of the year 2013, TL 195 for the RUSF Withholding and TL 111 for the Penalty Rate for a total of TL 306 referring the tax inspection report of the year 2014 were accrued for Albaraka Türk.
- In accordance with the approvals we received from the Capital Markets Board, the sales procedures of the rent
  certificates which we carried out the book building with a maturity of 178 days and a total amount of TL 150,000
  have been completed for selling to qualified investors domestically.
- The issues that took place during the period January 1, 2017 September 30, 2017 were announced to the public
  and uploaded to the Public Disclosure Platform as notifications. All of these announcements are shared in the
  Investor Relations section of the Albaraka Türk website.

Massimiliar, Abdinkig og belig vid balder af Naghara og bald

### Albaraka Türk Katılım Bankası Anonim Şirketi

Unconsolidated financial statements and related disclosures at June 30, 2017 together with limited review report (Convenience translation of the limited review report and financial statements originally issued in Turkish – see section three Note XXIII)

July 28, 2017

This report contains "Limited Review Report" comprising 2 pages and "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 96 pages.



Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No:29 Beykoz 34805 İstanbul Tel +90 (216) 681 90 00 Fax +90 (216) 681 90 90 www.kpmg.com.tr

Convenience Translation of the Limited Review Report

Originally Prepared and Issued in Turkish to English (See Note XXIII in Section Three)

### LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş.;

### Introduction

We have reviewed the unconsolidated statement of financial position of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") at June 30, 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' statement of changes in shareholders' equity, unconsolidated equity, unconsolidated statement of cash flows and a summary of significant accounting policies explanatory notes to the unconsolidated financial statements for the six month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Albaraka Türk Katılım Bankası A.Ş. as of 30 June 2017 and of the results of its operations and its cash flows for the six month period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

### Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim annual report in Section VIII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müsavirlik Anonim Sirketi

A member firm of KPMG International Cooperative

Alper Güvenç Partner, SMMM

July 28, 2017 Istanbul, Turkey

### Additional paragraph for convenience translation to English:

The accounting principles summarized in Note XXIII Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.



### UNCONSOLIDATED INTERIM FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

Bank's headquarter address

; Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6

34768 Ümraniye / İstanbul

Bank's phone number and facsimile

: 00 90 216 666 01 01 - 00 90 216 666 16 00

Bank's website

: www.albarakaturk.com.tr

Electronic mail contact info

: albarakaturk@albarakaturk.com.tr

The unconsolidated interim financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- LIMITED REVIEW REPORT
- INTERIM REPORT

The unconsolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Aecounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency Regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been reviewed and presented as attached.

July 28, 2017

Adman Ahmed
Yusuf ABDULMALEK
Chairman of the Board

Chairman of the Bo of Directors Meliksan UTKU

General Manager

remey HAZJR PĞLU

ssistant General

Financial Reporting
Manager

Yunus AHLATCI

Mustafa BÜŸÜKABACI

Chairman of the Audit Committee

Hood Hashem Ahmed HASHEM

Member of the Audit Committee

Contact Information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title

: Bora SIMSEK / Financial Reporting / Vice Manager

Telephone

: 00 90 216 666 05 59

Facsimile

: 00 90 216 666 16 11

### Table of contents

Seci	lion one	Page
Gen	eral Information	
l.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	
[1,	Shareholding structure, shareholders having direct or indirect, joint or individual control over the	1
	management and supervision of the Bank and disclosures on related changes in the current year, if any	
M.	Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in	1
11.7	the Bank, if any	2
īV.	Information on the Bank's qualified shareholders	2 3
V, VI,	Summary on the Bank's service activities and field of operations	3
VI,	Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods	
VII.	The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement	3
	of liabilities between the Bank and its subsidiaries	3
	on two	
The	Inconsolidated financial statements	
Ł.	Balance sheet (Statement of financial position)	5
И.	Statement of off-balance sheet	7
111,	Statement of income	8
ĮV.	Statement of income and expense items accounted under shareholders' equity	9
V. VI.	Statement of changes in shareholders' equity Statement of cash flows	10
Secti	on three	
Acco	unting policies	
1.	Explanations on basis of presentation	13
11.	Explanations on strategy of using financial instruments and foreign currency transactions	14
III.	Explanations on forward, option contracts and derivative instruments	14
IV.	Explanations on profit share income and expenses	15
V,	Explanations on fees, commission income and expenses	15
VI.	Explanations on financial assets	15
VII. VIII.	Explanations on impairment of financial assets	16
IX.	Explanations on offsetting of financial instruments	17
X.	Explanations on sale and repurchase agreements and lending of securities  Explanations on assets held for sale and discontinued operations and liabilities related to these assets	17
XI.	Explanations on goodwill and other intengible assets	17
XII,	Explanations on tangible assets	17
XIII.	Explanations on leasing transactions	18
XIV.	Explanations on provisions and contingent liabilities	19
XV,	Explanations on liabilities regarding employee rights	19 40
XVI.	Explanations on taxation	19 20
XVII.	Additional explanations on borrowings	21
XVIII.	Explanations on issued share certificates	21
XìX.	Explanations on acceptances and availed drafts	21
XX.	Explanations on government grants	21
XXI.	Explanations on segment reporting	21
XXII.	Explanations on other matters	21
XXIII.	Additional paragraph for convenience translation	21

	ion four	
Info	rmation on financial structure and risk management	
l,	Explanations on the capital adequacy standard ratio	22
II.	Explanations on credit risk	30
111.	Explanations on currency risk	30
IV.	Explanations on position risk of equity securities in banking book	32
V.	Explanations on liquidity risk	32
VI.	Explanations on leverage ratio	36
VII.	Explanations on presentation of financial assets and liabilities at fair values	36
VIII.	Explanations regarding the activities carried out on behalf and account of other persons	36
IX.	Explanations on risk management	37
Χ.	Explanations on business segments	48
Secti	on five	
Expla	anations and notes on the unconsolidated financial statements	
1.	Explanations and notes related to assets	49
11.	Explanations and notes related to liabilities	63
11.	Explanations and notes related to off-balance sheet commitments	72
IV.	Explanations and notes related to the statement of income	74
V.	Explanations and notes related to the statements of changes in shareholders' equity	81
VI.	Explanations and notes related to the statement of cash flows	81
VII	Explanations related to the risk group of the Bank	82
VIII.	Explanations related to domestic, foreign, off-shore branches or investments and foreign	ure
	representative offices	83
IX.	Explanations related to subsequent events	83
Section	on six	
Other	r explanations	
ſ.	Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to	
	interpretation and require clarification	83
	on saven	
Limite	ed review report	
Į	Explanations on limited review report	83
Ħ,	Other notes and explanations prepared by the independent auditors	83
Section	on eight	
	m report	
<b>f.</b>	General Information	84
11.	Bank's Financial Information and Evaluations	80

(Thousand of Turkish Lira (TL) unless otherwise stated)

### **SECTION ONE**

### **GENERAL INFORMATION**

I. History of the Bank including its incorporation date, initial legal status and amendments to legal status:

Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of "Communiqué Related to the Incorporation and Activities of Special Finance Houses" published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks 'published in the Official Gazette dated November 1, 2006 numbered 26333 and the Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Bank's head office is located in Istanbul and is operating through 212 (December 31, 2016: 212) local branches and 1 (December 31, 2016: 1) foreign branch and with 3.816 (December 31, 2016: 3.796) staff as of June 30, 2017.

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, if any:

As of June 30, 2017, 54,06% (December 31, 2016: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 24,95% (December 31, 2016: 24,84%) of the shares are publicly traded and quoted at Borsa Istanbul.



(Thousand of Turkish Lira (TL) unless otherwise stated)

### III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Bank, if any:

	on the second se	Administrative Function and	Educational	Ownership Percentage
Title	Name and Surname	Responsibility	Degree	(%)
Chairman of the Board of Directors (BOD):	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	0000,0 <sup>(*)</sup>
Members of BOD:	Yalcın ÖNER	Vice Chairman of BOD	Master	-
	Osman AKYÜZ	Member of BOD	Bachelor	
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	0000.0 (1)
	Hamad Abdulla A. EQAB	Member of BOD	Bachelor	0,000
	Fahad Abdullah A. ALRAJHI	Member of 800	Bachelor	0,000
		Member of 800	Master	0,000
	Hood Hashem Ahmed HASHEM			V- 0,0000
	Mustafa BUYUKABACI	Member of BOD	Master	-
	Dr. Khaled Abdulla Mohamed ATEEQ	Member of BOD	Doctorate	-
	Dr. Bekir PAKDEMIRLI	Member of BOD	Doctorate	•
	Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	7
	Muhammad Zarrug M. RAJAB	Independent Member of BOD	Bachelor	-
General Manager:	Melikşah UTKU	Member of BOD / General Manager	Master	-
Assistant General	Turgut SIMITCIOĞLU	Assistant General Manager Responsible	Master	*
Managers:	-	for Business Branches (General Manager		
	14-1 A 0 1 mmm 11	Deputy)	Daakaina	
	Mehmet Ali VERÇİN	Assistant General Manager Responsible	Bachelor	•
	A 1775	for Support (General Manager Deputy)		
	Nihat BOZ	Assistant General Manager Responsible	Bachelor	
		for Legal		
	Cenk DEMÍRÖZ	Assistant General Manager Responsible	Master	•
		for Credits	***	
	Deniz AKSU	Assistant General Manager Responsible	Bachelor	•
		for Risk Monitoring		4-5
	Temel HAZIROĞLU	Assistant General Manager Responsible	Master	(1)0,0342
		for Finance		
	Nevzat BAYRAKTAR	Assistant General Manager Responsible	Bachelor	-
		for Sales		
	Hasan ALTUNDAĞ	Assistant General Manager Responsible	Bachelor	-
		for Marketing		
	Malek Khodr TEMSAH	Assistant General Manager Responsible	Master	
		for Treasury and Financial Institutions		
	Fath BOZ	Assistant General Manager Responsible	Master	_
	1 Ger DOZ	for Operations	11:00101	
	Süleyman ÇELİK	Assistant General Manager Responsible	Bachelor	_
	оваунан феспу	for Human Values and Administrative	Macricioi	
		Affairs		
	Att World 1.1		Master	
	Ali TUĞLU	Assistant General Manager Responsible	Master	-
		for Information Technologies		
A 414 O mar 744 :	BALLER MINNIER MAN	Chairman of Avida Community of	Manter	
Audit Committee:	Mustafa BÜYÜKABACI	Chairman of Audit Committee	Master	C) 0.0000
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	110,0000

<sup>(1)</sup> The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Bank's share capital (December 31, 2016: 0,0342%).

### IV. Information on the Bank's qualified shareholders:

The Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below.

Name / commercial name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486.523	54,06%	486.523	*



(Thousand of Turkish Lira (TL) unless otherwise stated)

### V. Summary on the Bank's service activities and field of operations:

The Bank operates in accordance with the principles of interest-free banking as a participation bank. The Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under six different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included), one year and more than one year (with monthly, quarterly, semiannual and annual profit share payment) and accumulated participation accounts.

The Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Bank operates as an insurance agency on behalf of Bereket Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services. Moreover, the Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

### VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:

The Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiratama A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş. the subsidiaries of the Bank, through equity method and full consolidation method, respectively. ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity". Real Estate Investment Funds "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" have been consolidated as well.

### VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the bank and its subsidiaries:

There is no immediate transfer of equity between the Bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.



### **SECTION TWO**

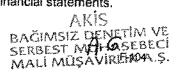
### The unconsolidated financial statements

- Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet
- III. Statement of income
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows

### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF JUNE 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

	****	Notes	-	Reviewed URRENT PER	inn		Audited	
	ASSETS	(Section		June 30, 201			PRIOR PER	
		Five-I)	TL	FC FC	Total	TL.	ecember 31	
	***************************************	·	1		1012		FC	Total
l.	CASH AND BALANCES WITH THE CENTRAL BANK		]		1	1		1
Ħ,	FINANCIAL ASSETS AT FAIR VALUE THROUGH	(1)	223.68	0 4.784.95	2 5,008,63	2 940.24	7 4.058.805	4.999.09
	PROFIT AND LOSS (Net)	(2)	975.53				_	į
2.1	Trading Financial Assets	14.5	975.53					1
2.1.1	Public Sector Debt Securities		96		- 96		2 65.074	66.096
2.1.2 3 4 3	Equity Securities  Derivative Financial Assets Held for Trading		1.12	2	- 1.12		. ا	954
1.1.4	Other Marketable Securities		10		- 10		5 65.013	
2.2	Financial Assets at Fair Value Through Profit and		973.34	3.32	976.66	2 1:	3 61	74
	Loss			_]	_	_	1	1
2.1			ļ	-		]	]	-
2.2			į	-[		-[		
2.4		ĺ	-	-	·/	-		
ī,	BANKS	(3)	580.24				-	
₫,	MONEY MARKET PLACEMENTS	1	300.241	1.517.550	2.097.79	658.410	1.501.767	2,158.177
۲.	FINANCIAL ASSETS-AVAILABLE FOR SALE (Not)	(4)	1.023.743	625,263	1.649.00	996.067	386.623	1.382,690
.1	Equity Securities	, ,	15					
.3	Public Sector Debt Securities Other Marketable Securities		1.007.416		1.325.770			1.285.338
ī.	LOANS AND RECEIVABLES	123	16.312			9.570	81.432	
.1	Loans and Receivables	(5)	16.773.518 16.127.058			17.448.650		21.843.075
.1.1			4.113			16.921.201 6.937		21.315.626
1.2					2.4.210	0.93/	29.327	36.264
.1,3 .2	Other Non-performing loans	1	16.122.945		21.440.346	16.914.264	4.365.098	21,279,362
.3	Specific Provisions (-)	i i	1.424.213	,		, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1.169	1.105.954
И.	INVESTMENTS HELD TO MATURITY (Not)	(6)	777.753 <b>625.372</b>			1		578.505
雠.	INVESTMENTS IN ASSOCIATES (Net)	(7)	4.719		625,372 4.719			668.582
.1	Accounted for under Equity Method	\ \''		-	**., 19	4,719		4.719
.2 .2.1	Unconsolidated Associates Financial Associates		4.719		4.719	4.719		4.719
	Non-Financial Associates		4.719	-	4.719			4.719
(,	SUBSIDIARIES (Net)	(8)	5,400	-			i -[	-1
1	Unconsolidated Financial Subsidiaries	101	5,400	ا ا	5.400 5.400	5.400	-	5.400
2	Unconsolidated Non-Financial Subsidiaries	j	*		3.400	5.400		5.400
.1	JOINT VENTURES (Net) Accounted for under Equity Method	(5)	20.000	-	20.000	20.000		20.000
.2	Unconsolidated	i	mc	-	-	*	-	
.2,1	Financial Joint Ventures		20.000 20.000	·	20.000	20.000	~	20.000
.2.2	Non-Financial Joint Ventures	ĺ	£0.000	~]	20.000	20.000	-	20.000
	LEASE RECEIVABLES (Net)	(10)	765.179		785.179	878.979		878.979
.1 .2	Finance Lease Receivables Operational Lease Receivables		866.307	-[	866.307	996.206	.]	998.206
	Other Ease Receivables		-[	-1	-	Ĵ.	+	
.4	Uneamed Income (-)	1	101.128	1	404.45		-	
l.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING	l	101,126	۱ -	101,128	117,227	-[	117.227
	PURPOSES	(11)	-1		_		_[_	_
1 2	Fair Value Hedge Cash Flow Hedge	- 1	-[	-[	-[	-1	_	
.3	Hedge of Net Investment Risks in Foreign		*	-	_	-	-1	-
-	Operations	1		1	İ	1	1	
1.	TANGIBLE ASSETS (Net)	(12)	563.422	435	563.857	516.340	791	747 404
4	INTANGIBLE ASSETS (Net)	(13)	33.810	194	34.004	35.157	305	517.131 35.462
	Goodwill   Other	l	-	-1	~	30.15.	333	30,402
	INVESTMENT PROPERTY (Net)	44.	33.810	194	34.004	35.157	305	35,462
	TAX ASSET	(14) (15)	17.586	-1			-	
	Current Tax Asset	1107	3.695	1	17.586 3.695	<b>25.100</b> 5.004	-]	25.100
2 1	Defened Tax Asset	İ	13.891	]	13.891	20.096	_[	5.004 20.096
11. 4	ASSETS HELD FOR SALE AND ASSETS OF		- 1	ı		20.000	1	20.030
1	DISCONTINUED OPERATIONS (Net) Assets Held for Sale	(16)	34.541	450	34.991	91.884	433	92.317
	Assets of Discontinued Operations	j	34,541	450	34.991	91.884	433	92.317
II. C	OTHER ASSETS	(17)	293.498	6.495	enn age	144 000		* m
		111/	200,450	นเพลอ	299.993	141,900	12.058	153.958
*	OTAL ASSETS		21.940.247	12.276.334	34.216.581		····	



### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF JUNE 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

LIABILITIES			J	T	Reviewed		1	Audited	······································
Section   Five-II)   T.   FC   Total   T.   Total   Total	1	E SADIE STICE	Notes	C		on	1		n
Five-II    TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   FC   Total   TL   TL   TL   TL   TL   TL   TL   T		EMBILITIES							
1				TL					
1.1   Funds from Risk Group of The Bank   10.3.370   12.286.524   10.853.695   23.140.218   12.393.235   10.97.733   24.80.801   24.801	1.			1	1		1	Ť	
1.2   Other   TRADING   12.286.524   10.835.865   23.140.215   12.539.235   10.13.233   22.688.   10.835.866   23.140.215   12.539.235   10.13.233   22.688.   10.835.866   23.140.215   12.539.235   10.13.233   22.688.   10.835.866   23.140.215   12.539.235   10.13.233   22.688.   10.835.866   23.140.215   10.835.867   23.140.215   10.835.867   23.140.215   10.835.867   23.140.215   10.835.867   23.140.215   23.140.2			(1)				12,557,143	10.597.991	23,155,134
B. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING   1983   495,887   4564,284   50,080,171   181,939   4242,600   482,784			1				18.908	487.738	486.646
TRADING				12.286.524	10.853.695	23.140.219	12,538,235	10.130.253	22.668.488
Hi   FUNDS BORROWED   138,000   138,000   138,000   138,000   138,000   1492,784   452,402   432,402   4	н.	TO A DISSO	1	1	1		1	1	
V.   BORROWINDS FROM MONEY MARKETS   105.00   105.00   105.00   482.784	111							·	88
V.   SCURITIES ISSUED [Net]			(3)					4.242.602	
MISCELLANEOUS PAYABLES   1,000   1,0				103.000	1 -	105.000	492.784	-	492.784
VIII. LEASE PAYABLES   (4)   (5)   (5)   (6)   (7)   (7)   (8)	VI.		1	563.635	110 050	4 47/1 09%	E24 24E	60 141	707 700
Vill.   LEASE PAYABLES   1.5	VII.	OTHER LIABILITIES	141	1 200.50	130.000	1,,01,,00,	634.213	\$20,144	102.338
8.1   Finance Lease Payables	VIII.			1 .					
8.3 Other 8.4 Deferred Finance Lesse Expenses (-) IX. DERIVATIVE PHANCIAL LIABILITIES FOR HEDGING PURPOSES 9.1 Fair Value Hedge 9.2 Cash Flow Hedge 9.3 Net Foreign investment Hedge X. PROVISIONS 10.1 General Provisions 10.2 Restructuring Reserves 10.3 Reserve for Employee Benefits 10.4 Insurance Technical Reserves (Net) 10.5 Other Provisions XI. TAX LIABILITY (8) \$3.382 14 \$3.396 48.484 3.315 \$1.1 10.1 Current Tax Liability 11.2 Deferred Tax Liability 11.2 Deferred Tax Liability 11.2 Deferred Tax Liability 11.2 Deferred Tax Liability 11.4 Assets Held for Sale 12.2 Assets of Discontinued Operations XIII. SURDEMINATED LOANS XIV. JARREHOLOERS' EQUITY 12.1 Assets Held for Sale 12.2 Assets of Discontinued Operations XIII. SURDEMINATED LOANS XIV. SHARRHOLOERS' EQUITY 14.2 Share Cancellation Profits 14.2.2 Share Cancellation Profits 14.2.3 Share Cancellation Profits 14.2.4 Revaluation Reserve on Tangible Assets 14.2.5 Insurance on Intangible Assets 14.2.6 Revaluation Reserves on Intangible Assets 14.2.7 Brown Shares From Shares F		Finance Lease Payables	, ,	-		i .			
1.5   1.5				-	_		_	_	
IX.   DERNATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES   1   Fair Value Hedge   2   3   7   7   7   7   7   7   7   7   7				-		j .	-	_	
### HEDGING PURPOSES 1.0.1 Fair Value Hedge 9.2 Cash Flow Hedge 9.3 Net Foreign investment Hedge 1.0.1 General Provisions 1.0.1 General Provisions 1.0.1 General Provisions 1.0.2 Reserve furployee Benefits 1.0.3 Reserve furployee Benefits 1.0.4 Insurance Technical Reserves (Net) 1.0.5 Other Provisions 1.0.6 Other Provisions 1.0.7 Other Provisions 1.0.7 Other Provisions 1.0.8 State Provisions 1.0.9 Other Provisions 1.0.1 Current Tax Liability 1.0 Current Tax Liability 1.1.1 Current Tax Liability 1.1.2 Defered Tax Liability 1.1.3 Extraordinar Provisions 1.1.4 Insurance Technical Reserves 1.1.5 State Premium 1.1.6 State Of Insurance Technical Reserves 1.1.6 State Of Insurance Technical Reserves 1.1.7 State Of Insurance Technical Reserves 1.1.8 SUBORDINATED LOANS 1.1.1 Defered Tax Liability 1.2.1 Share Premium 1.2.2 Assets Held for Sale 1.2.1 Share Premium 1.2.2 Share Cancellation Profits 1.2.3 Marketable Securities Valuation Reserve 1.2.4 Revaluation Reserve on Tangible Assets 1.2.5 Revaluation Reserve on Tangible Assets 1.2.6 Revaluation Reserve on Tangible Assets 1.2.7 Borns Shares From Associates, Subsidiaries and Jointy Controlled Emities 1.2.8 Hedging Furd's (Effective Portion) 1.2.9 Extraordinary Reserves 1.2.1 Share Reserves 1.2.2 State and Assets of Discontinued Operations 1.2.3 Extraordinary Reserves 1.2.4 Revaluation Reserves 1.2.5 State and Assets of Discontinued Operations 1.2.5 State and Assets of Discontinued Operations 1.2.6 State Reserves 1.2.7 State Reserves 1.2.8 Extraordinary Reserves 1.2.9 State Reserves 1.2.1 State Reserves 1.2.1 State Reserves 1.2.2 State Reserves 1.2.3 State Reserves 1.2.4 State Reserves 1.2.5 State Reserves 1.2.6 State Reserves 1.2.7 State Reserves 1.2.8 Extraordinary Reserves 1.2.9 State Reserves 1.2.1 State Reserves 1.2.1 State Reserves 1.2.2 State Reserves 1.2.3 State Reserves 1.2.4 State Reserves 1.2.5 State Reserves 1.2.6 State Reserves 1.2.7 State Reserves 1.2.8 State Reserves 1.2.9 State Reserves 1.2.9 State Reserves 1.2.1 State Reserves 1.2.2 State Reserves 1.2.3 Sta						-	-	-	
9.1   Fair Value Hedge   9.2   Cash Flow Hedge   9.3   Net Foreign investment Hedge	IA.			1					}
9.2 Cash Flow Hedge X. PROVISIONS (7) 199.599 35.963 235.562 191.485 42.364 136.1 10.1 General Provisions 10.2 Restructuring Reserves 10.3 Reserve for Employee Benefits 10.4 Insurance Technical Reserves (Net) 10.5 Other Provisions XI. TAX LIABILITY (8) 53.392 14 53.396 48.484 3.315 51.1 2 Lerenerd Tax Liability XII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net) 12.1 Assets Held for Sale 12.2 Assets of Discontinued Operations XIII. SUBCRIMATED LOANS XIV. SHAREHOLDERS' EQUITY 14.1 Paid-In Capital Reserves 14.2.3 Marketable Securities Valuation Reserve 14.2.4 Revaluation Reserve on Intangible Assets 14.2.5 Revaluation Reserve on Intangible Assets 14.2.6 Investment Property Revaluation Reserve 14.2.7 Bonus Shares From Associates, Subsidiaries and Jointy Controlled Entities 14.2.8 Hedging Funds (Effective Portion) 14.2 Page Reserves 14.3.1 Legal Reserves 14.3.2 Status Reserves 14.3.3 Extraordinary Reserves 14.3.4 Legal Reserves 14.3.5 Extraordinary Reserves 14.3.6 Investment Property Revaluation Differences on Assets Held For Sale and Assets of Discontinued Operations 15.356	0 1		(6)	-	-	-			-
9.3   Net Foreign Investment Hedge   X   PROVISIONS   10.1   General Provisions   109.727   24.875   134.602   110.416   25.847   136.102   136.103   134.602   110.416   25.847   136.103   136.002   136.0				-	-	-		~	-
X		Mai Fareina Investment Hadaa	•	•	-	•	-	•	
10.1   General Provisions   109.727   24.875   134.602   110.416   25.847   136.02   110.416   25.847   136.02   110.416   25.847   136.02   110.416   25.847   136.02   110.416   25.847   136.02   110.416   25.847   136.02   110.416   25.847   136.02   110.416   25.847   136.02   110.416   25.847   136.02   110.416   130.02   110.416   130.02   130.0	X.	PROVISIONS	/7%	100 500	75057	225 562	104 408	49 24 4	222.040
10.2   Restructuring Reserves (Net)   50.735   50.735   43.260   43.260   10.3   Reserve for Employee Benefits   50.735   50.735   50.735   37.809   16.577   54.315   10.5   Chief Provisions   7.5			117						
10.5   Other Provisions   39.137   11.086   50.225   37.809   16.517   54.1   53.382   14   53.396   48.484   3.315   51.1   12.0   12.1   Assets Heid for Sale   2.2   Assets of Discontinued Operations   48.2   48.484   3.315   51.1   48.2   48.484   3.315   51.1   48.2   48.484   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   48.4   48.4   3.315   51.1   48.4   4	10.2	Restructuring Reserves		103.12	24.07	194.002	110.418	£3,047	130.263
10.5   Order Provisions   10.5   Order Provisions   XI.   TAX LIABILITY   TAX LIABILITY   XII.   Current Tax Liability   XII.   Current Tax Liability   XII.   LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)   Assets Held for Sale   Assets of Discontinued Operations   XIII.   Suborational Control of Sale and Assets Held for Sale   Assets of Discontinued Operations   XIII.   Suborational Control of Sale and Assets Held for Sale   Assets of Discontinued Operations   XIII.   Suborational Control of Sale and Assets Held for Sale   Assets of Discontinued Operations   XIII.   Suborational Control of Sale and Assets Held for Sale   Assets of Discontinued Operations   XIII.   Control of Sale and Assets   Assets of Discontinued Operations   XIII.   Control of Sale and Assets   Assets		Reserve for Employee Benefits		50.735	<b>!</b> .]	50.735	43 260		43.260
XI				-	-	-	-,0,200		~0.2,00
XI.   TAX LIABILITY   1.1.1				39.137	11.088	50.225	37.809	18.517	54.326
11.2   Deferred Tax Liability   LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)   12.1   Assets Held for Sale   1.511.792   Assets Held for Sale   1.511.792   1.511.792   1.511.792   1.511.792   1.511.792   1.510.937   1.51			(8)		14	53.396			51,799
XII.   LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)   12.1   Assets Held for Sale   12.2   Assets of Discontinued Operations   1.511.792   Assets For Discontinued Operations   1.510.937   1.510.93				53.382	14	53.396	48.484	3.315	51.799
ASSETS OF DISCONTINUED OPERATIONS (Net) 12.1 Assets Held for Sale 12.2 Assets of Discontinued Operations XIII. SUBORDINATED LOANS XIV. SHAREHOLDERS' EQUITY (11) 1.511.792 1.511.792 2.376.890 900.000 900.000 900.000 900.000 900.000 224.808 908 225.716 220.842 (8.766) 211.84 2.3 Marketable Securities Valuation Reserve 14.2.2 Share Cancellation Profits 14.2.4 Revaluation Reserve on Intangible Assets 14.2.5 Revaluation Reserve on Intangible Assets 14.2.6 Revaluation Reserve on Intangible Assets 14.2.7 Revaluation Reserve on Intangible Assets 14.2.8 Hedging Funds (Effective Portion) 14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations 14.2.10 Other Capital Reserves 14.3.1 Legal Reserves 14.3.2 Status Reserves 14.3.3 Extraordinary Reserves 14.3.3 Extraordinary Reserves 14.3.4 Other Profit Reserves 14.3.5 Other Profit Reserves 14.4.6 Prior Years Profit / (Loss) 137.720 131.297 131.297 1.511.792 1.511.792 2.376.890 2.288.359 (8.766) 900.000 900.000 900.000 900.000 900.000 221.8 2.279.8 2.376.890 900.000 900.000 900.000 221.8 2.279.8 2.376.890 2.376.890 2.20.892 2.26.890 2.26.890 2.26.890 2.26.890 2.26.890 2.26.890 2.26.890 2.2		LIABILITIES CAD ASSETS USED CON SECTION		-	j -	-	•	-	•
12.1   Assets Held for Sale   12.2   Assets of Discontinued Operations   XIII.   SUBORDINATED LOANS   XIV.   SHAREHOLDERS' EQUITY   (11)   2.375.982   908   2.376.890   900.000   900.0	A***	ASSETS OF DISCONTINUES OFFICE ONE	m						ĺ
12.2   Assets of Discontinued Operations   XIII   SUBORDINATED LOANS   XIII   SUBORDINATED LOANS   XIII   SUBORDINATED LOANS   XIV. SHAREHOLDERS' EQUITY   1.511.792   2.375.890   900.000   900.0	12 1	Aceste Hald for Role	(2)	-	*	•	-	-	-
XIII.   SUBORDINATED LOANS   (10)   2.375.982   1.511.792   2.288.359   (8.766)   2.279.8   900.000   90				· -	*	-	-		-
XIV.   SHAREHOLDERS' EQUITY   (11)   2.375.982   988   2.376.880   900.000			(1n)	_	1 511 707	1 511 703	· ·	4 ድላሲ ሲንን	4 846 637
14.1   Paid-In Capital   900.000   900.000   900.000   900.000   14.2   Capital Reserves   224.808   908   225.716   220.642   (8.766)   211.8   14.2.1   Share Premium   14.2.2   Share Cancellation Profits   14.2.3   Marketable Securities Valuation Reserve   (6.921)   908   (6.013)   210   (8.766)   (8.561)   14.2.4   Revaluation Reserve on Intangible Assets   216.373   216.373   211.642   211.642   14.2.5   Investment Property Revaluation Reserve   14.2.6   Investment Property Revaluation Reserve   14.2.7   Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities   14.2.8   Hedging Funds (Effective Portion)   14.2.9   Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations   15.356   15.356   8.790   8.7   14.3.1   Legal Reserves   1.113.454   1.113.454   946.157   946.1   11.3.454   14.3.2   Status Reserves   1.16.236   11.16.236   101.765   101.7   10	XIV.			2,375,982			2 288 350		
14-2   Capital Reserves			, ,					10003	900.000
14.2.1 Share Premium       4.2.2 Share Cancellation Profits         14.2.2 Share Cancellation Profits       (6.921)       908       (8.013)       210       (8.766)       (8.55)         14.2.4 Revaluation Reserve on Tangible Assets       216.373       - 216.373       211.642       211.642         14.2.5 Revaluation Reserve on Intangible Assets       216.373       - 216.373       211.642       211.642         14.2.6 Investment Property Revaluation Reserve       - 216.373       - 216.373       211.642       211.642         14.2.7 Bonus Shares From Associates, Subsidiaries and Joinity Controlled Entities       - 216.373       - 216.373       - 217.642				224.808	908	225.716		(8.766)	211.876
14.2.3   Marketable Securities Valuation Reserve   (6.921)   908   (6.013)   210   (8.766)   (8.561)   14.2.4   Revaluation Reserve on Tangible Assets   216.373   216.373   211.642   2			1	-	- ]			-	
14.2.4 Revaluation Reserve on Tangible Assets       216.373       - 216.373       211.642         14.2.5 Revaluation Reserve on Intangible Assets       216.373       - 216.373       211.642         14.2.6 Investment Property Revaluation Reserve       - 216.373       - 216.373       211.642         14.2.7 Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities       - 216.373       - 216.373       - 216.373         14.2.8 Hedging Funds (Effective Portion)       - 216.373<				-	-	- 1	-[	-	-1
14.2.5 Revaluation Reserve on Intangible Assets         14.2.6 Investment Property Revaluation Reserve         14.2.7 Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities         14.2.8 Hedging Funds (Effective Portion)         14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discomtinued Operations         14.2.10 Other Capital Reserves       15.356         14.3.1 Legal Reserves       1.113.454         14.3.2 Status Reserves       116.236         14.3.3 Extraordinary Reserves       997.218         14.3.4 Profit Reserves       997.218         14.4 Profit or Loss       137.720         14.4.1 Prior Years Profit / (Loss)       131.297         14.4.2 Current Year Profit / (Loss)       131.297					908			(8.766)	(8.556)
14.2.6 Investment Property Revaluation Reserve         14.2.7 Borus Stares From Associates, Subsidiaries and Jointly Controlled Entities         14.2.8 Hedging Funds (Effective Portion)         14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations         14.2.10 Other Capital Reserves       15.356       - 15.356       8.790       - 8.7         14.3.1 Legal Reserves       1.113.454       - 1.113.454       946.157       - 946.1         14.3.2 Status Reserves       116.236       - 116.236       101.765       - 101.765         14.3.3 Extraordinary Reserves       997.218       - 997.218       844.392       - 844.392         14.4 Profit or Loss       137.720       - 137.720       221.560       - 221.560         14.4.1 Prior Years Profit / (Loss)       131.297       - 131.297       - 217.609       - 217.609	1425	Revaluation Reserve on Language Assets		216.373	- [	216.373	211.642	. ]	211.642
14.2.7   Borrus Shares From Associates, Subsidiaries and Joinity Controlled Entities   14.2.8   Hedging Funds (Effective Portion)   14.2.9   Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations   15.356   15.356   8.790   1.113.454   1.113.454   946.157   946.157   14.3.1   Legal Reserves   1.113.454   116.236   101.765   101.765   101.765   101.765   14.3.2   Status Reserves   997.218   997.218   997.218   997.218   844.392   844.392   844.392   14.3.4   Profit Reserves   137.720   137.720   137.720   221.560   221.560   221.560   14.4.1   Prior Years Profit / (Loss)   131.297   131.297   217.609   217.				-	- ]	-	- j	-	~ ]
Jointly Controlled Entities 14.2.8 Hedging Funds (Effective Portion) 14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations 14.2.10 Other Capital Reserves 15.356 - 15.356 8.790 8.7 14.3.1 Legal Reserves 1.113.454 - 1.113.454 946.157 948.1 14.3.2 Status Reserves 14.3.3 Extraordinary Reserves 14.3.4 Other Profit Reserves 14.3.4 Other Profit Reserves 14.4 Profit or Loss 14.4.1 Prior Years Profit / (Loss) 131.297 - 131.297 217.609 217.609		Borrus Shares From Associates Scheldisries and		-	-	-	-	-	-
14.2.8 Hedging Funds (Effective Portion)       14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discomlinued Operations         14.2.10 Other Capital Reserves       15.356       - 15.356       8.790       8.7         14.3.1 Legal Reserves       1.113.454       - 1.113.454       946.157       948.1         14.3.2 Status Reserves       116.236       - 116.236       101.765       - 101.765         14.3.3 Extraordinary Reserves       997.218       - 997.218       844.392       - 844.3         14.4 Profit or Loss       137.720       - 137.720       221.560       - 221.560         14.4.1 Prior Years Profit / (Loss)       6.423       - 6.423       3.951       3.951         14.4.2 Current Year Profit / (Loss)       131.297       - 131.297       217.609       - 217.609					_ [		.		
For Sale and Assets of Discontinued Operations 14.2.10 Other Capital Reserves 15.356 - 15.356 8.790 946.157 14.3.1 Legal Reserves 14.3.2 Status Reserves 14.3.3 Extraordinary Reserves 14.3.4 Extraordinary Reserves 14.3.5 Extraordinary Reserves 14.3.6 Other Profit Reserves 14.3.7 Profit or Loss 137.720 - 137.720 221.560 9.791 14.4.1 Prior Years Profit / (Loss) 131.297 - 131.297 217.609 217.609		Hedging Funds (Effective Portion)			]]	<u> </u>	[]		- 1
14.2.10 Other Capital Reserves     15.356     - 15.356     8.790     - 8.7       14.3 Profit Reserves     1.113.454     - 1.113.454     946.157     - 946.1       14.3.1 Legal Reserves     116.236     - 118.236     101.765     - 101.765       14.3.2 Status Reserves     997.218     - 997.218     844.392     - 844.392       14.3.4 Other Profit Reserves     137.720     - 137.720     221.560     - 221.560       14.4.1 Prior Years Profit / (Loss)     6.423     - 6.423     3.951     3.951       14.4.2 Current Year Profit / (Loss)     131.297     - 131.297     217.609     - 217.609	14.2.9					- [	- {	7	-
14.3 Profit Reserves     1.113.454     - 1.113.454     946.157     - 946.1       14.3.1 Legal Reserves     118.236     - 118.236     101.765     - 101.765       14.3.2 Status Reserves     997.218     - 997.218     844.392     - 844.392       14.3.4 Other Profit Reserves     997.218     - 997.218     844.392     - 844.392       14.4 Profit or Loss     137.720     - 137.720     - 221.560     - 221.560       14.4.1 Prior Years Profit / (Loss)     6.423     - 6.423     3.951     3.951       14.4.2 Current Year Profit / (Loss)     131.297     - 131.297     - 217.609     - 217.609			•	_ [	. [	- 1	-1	. !	_
14.3   Profit Reserves     1.113.454   -   1.113.454   946.157   -   946.157     14.3.1   Legal Reserves     1.113.454   -   116.236   -     116.236     101.765			[		- 1		8.790	-	8,790
14.3.2 Status Reserves       997.218       997.218       997.218       844.392       844.392       844.392       844.392       137.720       137.720       137.720       221.560       221.560       137.720       137.720       137.720       231.560       3.951					-			-]	946.157
14.3.3 Extraordinary Reserves     997.218     - 997.218     844.392     - 844.392       14.3.4 Other Profit Reserves     137.720     - 137.720     221.560     - 221.560       14.4.1 Prior Years Profit / (Loss)     6.423     - 6.423     3.951     3.951       14.4.2 Current Year Profit / (Loss)     131.297     - 131.297     217.609     - 217.609			ĺ	118.236	-	116.236	101.765	-	101.765
14.3.4 Other Profit Reserves     137.720       14.4 Profit or Loss     137.720       14.4.1 Prior Years Profit / (Loss)     6.423       14.4.2 Current Year Profit / (Loss)     131.297       131.297     217.609			ļ	607.04	- [			-	
14.4 Profit or Loss     137,720     - 137,720     221,560       14.4.1 Prior Years Profit / (Loss)     6.423     - 6.423     3,951       14.4.2 Current Year Profit / (Loss)     131,297     - 131,297     217,609				₩.215 <u></u>	- [	987.218	844.392	-	844.392
14.4.1 Prior Years Profit / (Loss) 6.423 - 6.423 3.951 - 3.951 14.4.2 Current Year Profit / (Loss) 131.297 - 131.297 217.609 - 217.609				137 790	- 1	137 720	771 885	- [	704 500
14.4.2 Current Year Profit / (Loss) 131.297 - 131.297 217.609 - 217.609					1			7	
10,00			İ		.1			- 1	217.609
						,,,,,,	K-17-000	-	411,000
TOTAL LIABILITIES 16.584.662 17.631.919 34.216.581 16.394.151 16.456.587 32.850.73	·····	TOTAL LIABILITIES		16.584.662	17.531.919	34.216.581	16.394.151	15.456.587	32.850.738



### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF JUNE 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

		Nes		Reviewed			Audited	
	STATEMENT OF OFF-BALANCE SHEET	Notes (Section	C	URRENT PER			PRIOR PERIC	-
		Five-III)	TL	June 30, 201	7 Total		ecember 31, 2	
		<del> </del>			1 10181	TL	FC_	Total
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	(1)	5.525.893	4.709.049	10.234.942	5,229,816	5.721.490	10.951,306
l,	GUARANTEES AND SURETIES		4,040,300	4.002.077	8.042,377	4.003.878	4,697,315	8.701.193
1.1,	Letters of Guarantees		4.014.548	3.114.819	7.129.367	3.992.017	3.817.794	7.809.811
1.1,1.			399.802	34.265	434.067	380.805	33.037	413.842
1,1,2,		1	1,635	688.035	689.670	5.911	875,341	881.252
	Other Letters of Guarantee		3.613.111	2.392.519		3.605.301	2.909.416	6.514,717
1.2.	Bank Loans Import Letter of Acceptances		-	14.513		-	20.711	20.711
1.2.2.	Other Bank Acceptances		-	14.513	14.513		20.711	20.711
1.3.	Letter of Credits			,		-	-	-
1.3.1,		İ	1.840	601,165	803.005	2.073	750.606	752.679
1.3.2.			1.840	801.165	202.00*		****	
1.4.	Prefinancing Given as Guarantee	]	1.0%0	891.163	803.005	2.073	750,606	752.679
1.5.	Endorsements		1 .	*	1	*	1	•
	Endorsements to the Central Bank of Turkey			1 :	1 .		-	•
1.5.2.		Ì	] .			1	-	•
1.5.	Other Guarantees	-		68.581	68.581	150	101,422	101 673
1.7.	Other Collaterals		23.912	2,999	26.911	9.638	6,782	101.572 16,420
R.	COMMITMENTS	(1)	1,319,134	101.910	1.421.044	1,221,782	9.379	1.231.161
2.1.	Irrevocable Commitments	''	1,319,134	101.910	1.421.044	1.221.782	9.379	1.231.161
2.1.1.	Asset Purchase and Sale Commitments		84.080	101.910	185,990	4,020	9.379	13.399
2.1.2.			1	1		7	1 0.0.0	19,000
	Subsidiaries	1	-	-	-	-		-
2.1.3.	Loan Granting Commitments		143.829	-	143.829	111.042		111.042
2.1,4,	Securities Underwriting Commitments	İ	_		-	1 -	] .	
2.1.5.		1		-			-	
2.1.6.			496.304	-	496,304	588.983	-	588.983
2.1.7.	Tax And Fund Liabilities from Export Commitments	Ì	3.343	-	3.343	3.029	-	3.029
2.1.8.		ļ.	502.908	-	502.908	475,270		475.270
2.1.9,	Commitments for Promotions Related with Credit			1	1			
5 1 10	Cards and Banking Activities Receivables From Short Sale Commitments of		458	-	458	963	-	963
2.1,10	Marketable Securities	ĺ						1
7 1 11	Payables for Short Sale Commitments of Marketable		-	-	•	+	-	-
K. 1. 11	Securities				1		1	1
2112	Other Irrevocable Commitments			-		·	-	-
2.2.	Revocable Commitments		88.212	-	88,212	38.475	-	38.475
	Revocable Loan Granting Commitments		•	-	-	,	_	1 -
2.2.2.	Other Revocable Commitments			-	-	•	-	•
HI.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	166,459	605.062	772 574	4488	404475	
	Derivative Financial Instruments for Hedging Purposes	12)	100,435	605.062	771.521	4.156	1.014.796	1.018.952
3_1.1.	Fair Value Hedge		Ĭ.		1	*	-	*
3.1.2.	Cash Flow Hedge		Ţ	]	1 1	+	· -	-
3.1,3,	Hedge of Net Investment in Foreign Operations		_		,	-	-	1
3.2.	Held for Trading Transactions		166,459	605.062	771.521	4.156	1.014.796	1.018.952
3.2.1	Forward Foreign Currency Buy/Sell Transactions		7.536	7.057	14.593	4.156	1.014.796	1.018.952
1.2.1.1	Forward Foreign Currency Transactions-Buy		3.769	3.529	7.298	2.078	539.810	541.888
3.2.1.2	Forward Foreign Currency Transactions-Seil		3,767	3,528	7.295	2.078	474.986	477.064
3.2.2.	Other Forward Buy/Sell Transactions		158.923	598,005	756.928		1	***************************************
	Other		-	-	]	-	_	
	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	[	53.684.759	7.214,479	60.899.238	46.841.565	7.544,333	54.385.898
	ITEMS HELD IN CUSTODY		1.812.903	1.085.429	2.898.332	1.598.038	1.363.315	2.961.353
	Assets Under Management		=	-	- 1	-	-	- 1
1.2.	Investment Securities Held in Custody	Ī	72	_	72	72		72
	Cheques Received for Collection		1,338.008	116.824	1.454.832	1.214.349	110,011	1.324.360
	Commercial Notes Received for Collection		443.772	49.557	493.329	351.020	31.674	382.694
	Other Assets Received for Collection Assets Received for Public Offering	ł	103	-	103	103		103
	Assets Received for Public Offering Other Items Under Custody	ļ	~~~		] ,,	*		[ ]
	Outer items under clustody Custodians		999	157.324	168.323	2,534	153.793	156.327
	PLEDGED ITEMS	Į	29.949	761.724	791.673	29.960	1.067.837	1.097.797
	Marketable Securities	- 1	51.871.856 5.861.835	6.129.050 2.363.755	58.000.906	45.243.527	6.181.018	51.424.545
	Guarantee Notes		1.310.491	2.363.755 140.161	8,225,590	2.553.972	1.690.418	4,244,390
	Commodity	į	2.059.817	650,434	1.450.652	1.461.797	180.626	1.642.623
	Varranty	I	E-2002-011	ひかいまりゅ	2.710.251	1.873.977	956.778	2.830.755
	Properties	1	40,422,869	2.006.091	42.428.960	37.530.439	1000000	20 100 500
	Other Pledged Items	]	2.038.360	954,728	3.003,088	1.571.336	1.668.064	39.198.503
.7.	Pledaed Items-Depository	1	178,484	3.881	182,365	252.006	1.681.591 3.341	3.252.927 255.347
ì. <i>i</i>	ACCEPTED INDEPENDENT GUARANTEES AND	1		J. 50 C 1	104,000	204.000	3.341	£40,041
١	NARRANTIES	i	- 1	_		. 1	_	
			l	Į	-	ا	-	•
	OTAL OFF BALANCE SHEET ACCOUNTS (A+B)		59.210.652	11.923.528	71.134.180	52.071.381	13.265.823	65.337.204



### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME AS OF JUNE 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

	6		Reviewed	Reviewed	Reviewed	***************************************
		Notes	CURRENT	PRIOR	CURRENT	Reviewed
	INCOME AND EXPENSE ITEMS	(Section		PERIOD	PERIOD	PRIOR PERIOD
]		Five-(V)	January 1-	January 1-		
		1	June 30, 2017	June 30, 2016	April 1-	April 1-
<u> </u>	**************************************		30116 30, 2017	2016 20' VO 16	June 30, 2017	June 30, 2016
┇.	<b></b>		į			
L	PROFIT SHARE INCOME	(1)	1.287.781	1.094.209	655.033	530.185
1.1	Profit Share on Loans		1.133.638	972.048	578.564	469.556
1.2	Income Received from Reserve Deposits		13,206	10.705	7.599	4.802
1.3	Income Received from Banks		913	31	347	31
1,4	Income Received from Money Market Placements					
1.5	Income Received from Marketable Securities Portfolio	1	103,794	74.736	53.102	37.381
1.5.1	Held-For-Trading Financial Assets	1 1	1001707	74.130	55.102	37,301
1.5.2	Financial Assets at Fair Value Through Profit and Loss		"	•	-	-
1.5.3	Available-For-Sale Financial Assets		20.740	***	*	
1.5.4	Investments Held to Maturity	1 1	68.740	40,297	36.239	20.261
1,6	Finance Lease Income	1 1	35.054	34.439	16.863	17,120
1.7	Other Profit Share Income		35.160	35.785	15,380	17.856
#,		1 [	1.070	904	41	559
	PROFIT SHARE EXPENSE	(2)	648.136	580.137	333,772	293,712
2.1	Expense on Profit Sharing Accounts		479.704	431.905	251.431	214,504
2.2	Profit Share Expense on Funds Borrowed		156.522	116.329	80.565	62.045
2.3	Profit Share Expense on Money Market Borrowings	1	2.849	29.043	1.308	15.068
2.4	Profit Share Expense on Securitles Issued	1	- 1			
2.5	Other Profit Share Expense		9.061	2.860	468	2,095
ĦŁ.	NET PROFIT SHARE INCOME (I - II)		639.645	514.072	321.261	236.473
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		73.917	70:295		
4.1	Fees and Commissions Received	]	107.507	99,917	35.119	37.941
4.1.1	Non-Cash Loans				54.233	53.572
4.1.2	Other	1 2691	53.390	50.031	26.057	27.252
4.2	Fees and Commissions Paid	(12)	54.117	49.886	28.176	26.320
4.2.1	Non-Cash Loans	] ]	33.590	29.622	18.114	15.631
4.2.2	Other	1 1	55	152	9	85
۲.2.2 ٧.		(12)	33.535	29.470	18.105	15.546
	DIVIDEND INCOME	(3)	- 1	. ]	- 1	*
VI.	TRADING INCOME/LOSS(net)	(4)	17.785	31.436	24.932	8,668
8.1	Capital Market Transaction Income / (Loss)		34.392	56 l	30,167	40
6.2.	Profit / (Loss) from Derivative Financial Instruments	1	(13.424)	(33,440)	(10.913)	(12.702)
6.3	Foreign Exchange Income / (Loss)	1	(3,183)	64.820	5.678	21.330
VII.	OTHER OPERATING INCOME	(5)	63.807	65.011	34,373	31,479
VIII.	TOTAL OPERATING INCOME (III+)V+V+VI+VII)	'''	795,154	680,814	416,685	314.561
IX.	PROVISION FOR LOAN LOSSES AND OTHER		,,,,,,,	444,444	715,002	314.561
	RECEIVABLES (-)	(6)	234.513	144,180	96.484	70,554
Х,	OTHER OPERATING EXPENSES (-)	76	398.494	375.458	204.274	168,319
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	""	162.147			
XII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER	[ ]	102.147	161.176	115.927	75.688
XIII.	PROFIT / (LOSS) ON EQUITY METHOD		• [	•	*	- 1
XIV.	PROFIT / (LOSS) ON NET MONETARY POSITION		•	-	•	-
XV.	PROFIT / (LOSS) FROM CONTINUED OPERATIONS		•	-	- 1	-
^•.		4.00			i	
XVI.	BEFORE TAXES (XI++XIV) TAX PROVISION FOR CONTINUED OPERATIONS (±)	(8)	162.147	161.176	115,927	75.688
		(9)	30.850	32.626	20.423	10.213
16.1	Provision for Current Taxes		15.435	40.394	6.673	16.466
16.2	Provision for Deferred Taxes		<b>1</b> 5,415	(7.768)	13.750	(6.253)
XVII.	NET INCOME / (LOSS) FROM CONTINUED OPERATIONS			·	1	
L41 41+-	(XY±XVI)	(10)	131,297	128.550	95.504	65.475
XVIII.	INCOME FROM DISCONTINUED OPERATIONS	(10)	- 1	-		-
18,1	Income from Assets Held For Sale		- 1	_ #	_ [	. ]
18.2	Income from Sale Of Associates, Subsidiaries And Jointly	I	l			ĺ
	Controlled Entities (Joint Vent.)	1	_	. ]	ا ا	.
18.3	Income from Other Discontinued Operations	1	. 1	_		" [
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)	l	_ [	<u> </u>	•	+ [
19.1	Loss from Assets Held for Sale			- 1	-	"
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled	l	-	• ]	Ť [	- [
	Entities (Joint Vent.)	-			1	
19.3	Loss from Other Discontinued Operations	ļ	^	-	-	-
CX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS	***************************************	- 1	~	- ]	~
~ **	BEFORE TAXES (XVIII-XIX)	***************************************			1	1
CXI,			-	-	-	-
	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		•	-	-	-
21.1 24.5	Provision for Current Taxes		* [	- [	-	-
21.2	Provision for Deferred Taxes	ĺ	-	-	-	. [
CXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS	1		1	1	[
	(XX±XXI)	1	_ i			_
11454	the state of the s	- 1	٠,	- 1		
CXIII.	NET PROFIT / LOSS (XVII+XXII) Earnings Per Share (Full TL)	(11)	131.297	128.550	95,504	65.475



### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME&EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF JUNE 30, 2017 (Thousand of Turkish Lira (TL) unless otherwise stated)

		Reviewed	Reviewed	Reviewed	Reviewed
5	TATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED	CURRENT	PRIOR	CURRENT	PRIOR
	UNDER SHAREHOLDERS' EQUITY	PERIOD	PERIOD	PERIOD	PERIOD
		January 1-	January 1-	April 1-	April 1-
<b> </b>		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION				
	DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL				
	ASSETS				
Ħ.	TANGIBLE ASSETS REVALUATION DIFFERENCES	3.179	(1.021)	6.254	(3.069)
HI.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-	•	•
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN	•	-	•	•
	CURRENCY TRANSACTIONS	3,366	(4.050)	1	
٧,	PROFIT/LOSS FROM DERIVATIVE FINANCIAL	3.300	(1.356)	(1.658)	1.012
	INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES				•
	(EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	_			
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIA:	]	•	-	-
	INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN		1	i	
	FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR				
	VALUE DIFFERENCES)	_	_		
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND		- 1	•	- ,
	CHANGES IN ACCOUNTING POLICIES		. [		
VIII,	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY		1	• 1	<b>"</b> ]
	IN ACCORDANCE WITH TAS			_	
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(636)	204	(1.251)	614
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY	()		(1,231)	014
	(I+II++IX)	5,909	(7) 4731		
XI.	PROFIT/LOSS	131.297	(2.173)	3.345	(1.443)
11.1	Net change in Fair Value of Marketable Securities (Recycled To	131.281	128.550	95.504	65.475
	Pronveoss)	_ ]		ļ	
11.2	Part of Derivatives Designated for Cash Flow Hedge Purposes	-	- [	- [	~ j
	reciassined and presented in Income Statement	_	1		
11.3	Part of Hedge of Net Investments in Foreign Operations	- 1	- [	-	- [
	reclassified and presented in Income Statement	_	. •	1	
11,4	Other	131.297	128.550	95.504	05 476
		141.231	120.000	90.004	65.475
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	137,206	126,377	98.849	64.032



## AKİS BAĞIMSIZ DENETİM VE SERBEST **MUS**ASEBECI MALİ MÜŞAVİRLİK A.Ş.

### UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2017 (Thousand of Turkish Lira (TL) unless otherwise stated) ALBARAKA TÜRK KATILIM BANKASI A.Ş.

ರಕ	changes in Shareholders' equity [Ravionad]	Motes (Section Five-V)	Paid to	Effect of inflation Accounting on Contact	Sharts management	Share Cartificate Cancellation	Laga C	Status		Other	Current Perfori Net Income?	Prior Years Net Income	Marketable Securities Valuation	Tangible and intangible Absets Rovakvatkon	Shares from	Medicine	Valuation Chifferences on Assets New Fer Sale and	Ę
āÄ	PRIOR PERIOD January 1- June 30, 2016		,					500000	Kezeches	1.920.7285°	1.084)	(4.049)	Reserve	Reserve	investments i	Rassoves	D180.08.	Egyagy
Œ	Bogiming balance	S	966,890	•	,	•	84.374	٠	611.757	4 937	300 863	ę t	40 696	***************************************				
ű	Changes in Period									7	Choryou-	7.4.1	18.431	169.092		•	ŧ	2.101.914
.S. :	ncrease/Decrease Related to Marger		•	٠		•	•		,									
S Ī	Markelabia Securites Valiation Efferences Hadeling Esson (Charles Composit		s	•	,		. 4	•	s >		. 4	6	- 101	r	•	•	•	1
	Cash-Plow Hedge			ŧ	١		,		•	,		. )	. ,	. ,	• •			(817)
₹.2 1.2	tadge Of Nat investment in Foreign		•	f	Ŧ	t	•	f	•	•	•		٤	ť	ı ç	,	. ,	
Ď ₽	Operations		•	•	•	,	*	•	•	•	;							
: _=	organistic Aces Pountaine Defended		•	*	,	•		•	•	•	. 5		, ,	h 1	•		¥	
ස්	Borus Shares Objaned from		•	,	•		,	•	•	٠		•		. 1	+ 4	1 4	• •	
€ (	Associates, Subsititates and Jorniy Controlled																	
ວັ ພໍ	Charles English English of the Control of the Contr		٠			ž	•	,	•	,	,							
٤٤	Laborate Children to the Current of the second		•	•	•	,	•	٠	•	(3.358)				Ŧ	•	ś	•	1
Ü	Change Related to the Recharding of		,	t	÷	\$	,		٠	1	•	٠ 1	F	٠,	•	4	,	(1.356)
A.	Assets													•	•	·	•	
-	The Effect of Change in Associate's Equity		4 +	¥	•	É	•	·		•	•	r	•		*	٠	,	
	Capital Increase				. ;			,	•	ı	,	•	•	•	•		•	
~	Cash		,		, ,	• 1			•	*		*	ş	١	•	٠	٠	
	Mernal Sources		٠	•	٠		•		ŧ	•	·	•	F	,	t	٠	1	
· · · · · · · · · · · · · · · · · · ·	Share Issue Prenaum		•	,	٠					•	•	•	•	ł	ś	ŧ	t	
	Share Cancellation Profits		ı		,	. s			•	•	•	·	1	•		ż	ŧ	
	milation Adjustment to Paid-in Capital		É	,					1 8		•	*	•		,	•	•	
7 Y Y			1	,		,	(2.822)	,	(3.4%))	2 78.8	•	1 1	•	,		٢	•	
	Feno restrictions (Loss)		•	•	,	•			topprod.	1001.3	138 880	4.037		(6.473)	1	ł	•	(7.94
	Diodende Dietolynged		ſ	,	•	٠	15.863		240.210		CX2 6631	.3.8103	t (	4 1	1	1	•	120,550
, (-	(Institute In Recentary		,		¥	,		ı	•		,	150 4001			>		•	26-56
	Ores		•	,	,	•	15,863		240.210	,	,	(256.073)	. •	. ,	t 1	1 1	•	3
ľ	Closing Balance (1+8+814 + xv1+xv16+xv(te)		, 000	*	,		'	,	•	٠	(302.863)	302.863	•		• •		,	
	TANKS (ALL STATES AND ALL STATES AND	-	559,650	,	,		97.815		848.557	2.539	128.550	2 037	3 874	187 E19		,	,	* ****

The accompanying explanations and notes are an integral part of these financial statements.

**1**0

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2017 (Thousand of Turkish Lira (TL) unless otherwise stated)

THE M SUBSTITUTE OF STREET	5 A 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	Modes		Effect of inflation		Shana					Current	Prior	Marketable	Tangkhin and Intangible	80 2010		Vakuation Differences	
[[eviswed]	Cha Catell	(Section Five-V)	Paid-in Capital	Accounting on Capital	Stare	Cancellation	Legal	Status		Other	.50	Net Income	Securities	Assets Reveluation	Shares	Literaturing	Held	
CURRENT PERIOD January 1- June 30, 2017	147						1	840	AESDIVES	Keserves	[Loss]	(((088)	Reserva	Reserve	Invasiments	Reserves	Distress	Erroffy
Beginning balanca		S	904.090	•		•	101 785	•		*								
Changes in Period							200	•	844.592	05.7.80	217.503	3,951	(8.556)	211.542	•	•	*	2.279 593
Increase/Decrease Related to Merring	to therear																	
Marketable Securities Valuation Tylingsones	Nico Chifosocres		1	,		•	•	٠	÷	٠								
Hedging Funds (Ellective Porton)	(ortion)		٠	1	•		•	•			•			•	9	٠	,	•
Cash-Flow Hedge	·			,	,		*	ı	٠		•	1	6.54.3	•	۲		•	2.543
Hedge Of Net lovestment in Foreign Cheralisms	· Foreign Operations			•	•	•	ı	•	•			F	•	•	•	1	•	•
Tangible Assets Revaluation Differences	o Differences		•		,		,	•			•	•	ś	1	•	•	•	•
Infancible Assets Revaluation Differences	To Pifference		١	,	,	3	ı	,		,	•	•	F	,	•		,	•
Boths Shares Obtained from Association	T Attocition			•	•		,	*		•	٠	•	*	•	\$	•	•	•
Subsidiaries and Jointly Contralled Cheraticus	Walled Cheration		ī	•	•	ŧ	,	1			•		,	•		1	٠	•
Foreign Exchange Differences	es constant										•		•	1	ŕ	•	4	,
Changes Related to the Discussion of Asserts	most Of Accede		٠	1	•	,	•			2 38.8								
Changes Retated to the Reclassification of	Resultention of		2	,	,	·	•	,	•	,	. ,	ŧ.	•	•	•	,	*	3.386
Assets	,		•	•	•	,	4	•	*	٠	. ,	•	•	t	f	•	•	•
The Effect of Change in Associate's Equity	Octate's Equity										•	•	,	•		,	\$	•
Capital Increase			•			,		7	t	٠	,	•						
Cash					•	1	٠	,	•	٠	,		•	٠		1	,	•
fremai Sources			•	4	·	+	,	•	٠	•	٠		•	•		•	•	•
Share Issue Premium			r	•	•		•		٠	,	•		• 1	,	٠		•	*
Share Cancellation Profits				e	t		•	t	•	•	•		f				6	٠
Inflation Adjustment to Paid-in Capital	in Capital		1 1		•		F	•	•		•		•		•	+	•	•
Office				٠		1	r	•			,	•		•		•	٠	*
Period Net Income/(Loss)			1 .	•	١	•	3.593	,	(3.591)	13.591)	•	2437	•	1 64	F	•	•	•
Profit Dislitipation			•	+		•	F	ı		. 1	131 303	7/2/7	•	4.7.91		١	•	3.612
Dividends Distributed			1		,		10.880	٠	156.417	6 799	(27.7 SPS)	t		•	•	•	٠	131.237
Transfers To Reserves				•	ť			,	•		(600)	142 501	1		•	•		(43,521)
Other				•	,		10.880	٠	156.417	6.791	•	(174.068)		7			•	(43,521)
Closing Balance (I+8+81++XVI+XVII+XVIII)	**XVI+XVIII	5	900 000	. .		, ]		,	1	ì	(217.609)	217,509		,	• •		•	•
1 A CO PANIC CON CO. CO. CO. CO. CO. CO. CO. CO. CO. CO.		***************************************	MANAGE CONTRACTOR	Transmission of the second		,	110.236	Company of the Compan	997.218	15.356	131.297	6.423	(6.913)	216.373	-			2 444 044

ARİS BAĞIMSIZ DENETİM VE SERBEST MAHĞISEBECI MALİ MÜŞAVİRLİK A.Ş.

### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

***************************************			Reviewed	Reviewed
			CURRENT	PRIOR
	STATEMENT OF CASH FLOWS	Notes	PERIOD	PERIOD
	ALMICHENT OF CHARLENGING	(Section	January 1-	January 1-
		Five-VI)	June 30, 2017	June 30, 2016
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets And Liabilities		676.291	179.545
1.1.1	Profit Share Income Received		1.186.167	977.396
1,1,2 1,1,3	Profit Share Expense Paid Dividend Received		(619.715)	(566.692)
1.1.4			. [	-
1.1.5	Fees and Commissions Received		54.117	49.885
	Other Income		49.508	36.332
.1.6	Collections from Previously Written Off Loans		130.871	74.299
,1.7	Payments to Personnel and Service Suppliers		(218.556)	(212.111)
1.8	Taxes Paid	1 1	(30.996)	(58.465)
1.9	Others		124.895	(121.099)
1.2	Changes In Operating Assets And Liabilities		(1.200.448)	(1.394,376)
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets		(912.759)	21.048
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		- [	
1.2.3	Net (Increase) Decrease in Due From Banks and Other Financial Institutions	1	(34.308)	(108.723)
.2.4	Net (Increase) Decrease in Loans		(720,007)	(857.291)
.2.5	Net (Increase) Decrease in Other Assets		(143.005)	(80.416)
2.6	Net Increase (Decrease) in Funds Collected From Banks		902.781	128.541
.2.7	Net Increase (Decrease) in Other Funds Collected			
.2.8	Net Increase (Decrease) in Funds Borrowed		(155.417)	(578.332)
2.9	Net Increase (Decrease) in Payables		- 1	٠
2.10	Net Increase (Decrease) in Other Liabilities		(137.733)	80.797
	Net Cash Flow From Banking Operations		(524.157)	(1.214.831)
ł.	CASH FLOWS FROM INVESTING ACTIVITIES		(======================================	(1121711121)
f.	Net cash flow from Investing activities		(259.415)	(1.845)
	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and			. ,
2.1	Subsidiaries Cash Obtained from Sale of Jointly Controlled Operations, Associates and		-	~
.2	Subsidiaries			
.3	Fixed Assets Purchases	1 1	(29.938)	(15.512)
.4	Fixed Assets Sales	1	30.200	39.419
5	Cash Paid for Purchase of Financial Assets Available for Sale	1 1		
.6	Cash Obtained from Sale of Financial Assets Available for Sale	1 1	(658.638)	(499.778)
.7	Cash Paid for Purchase of Investment Securities	1	320.697	439.586
8	Cash Obtained from Sale of Investment Securities	1	(132.000)	v
ğ	Cast Octanizu Irom Sale of Investment Securites Other	1	210.264	34.440
			- [	
	CASH FLOWS FROM FINANCING ACTIVITIES			
i.	Net Cash Flow From Financing Activities		273.953	42.413
1	Cash Obtained from Funds Borrowed and Securities Issued		2.691.638	1,486,186
2	Cash Used for Repayment of Funds Borrowed and Securities Issued			
3	Issued Capital Instruments	1	(2.374.164)	(1.393.353)
4	Dividends Paid	1	(42 004)	sem enter
ŝ	Payments for Finance Leases	j	(43.521)	(50.400)
	Other		-	-
	Effect of Change In Foreign Exchange Rate on Cash and Cash Equivalents		(19.712)	(30,136)
	Net (Decrease) Increase in Cash and Cash Equivalents		(529,331)	(1.204.399)
	Cash and Cash Equivalents at the Beginning of the Period		3.464,483	3.808.054
	•	- 1	i	·
l.	Cash and Cash Equivalents at the End of the Perlod	1	2.935.152	2.603.655

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### SECTION THREE

#### **ACCOUNTING POLICIES**

- I. Explanations on basis of presentation:
- a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and Interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated June 28, 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities and revalued real estates carried at fair value.

b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. The aforementioned accounting policies and valuation principles are explained in Notes II to XXII below.

TAS/TFRS changes which are effective from January 1, 2017 do not have a significant effect on the Bank's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective, except TFRS 9 financial instruments and IFRS 16 Leases, do not have a significant effect on the Bank's accounting policies, financial position or performance.

New IFRS 16 Leases Standard has been published by IASB on January 13, 2016. IFRS 16 replaces the current dual accounting model presenting the financial leases on balance sheet and not representing operational leases on balance sheet. Instead, a singular accounting model will be represented similar to current financial leasing accounting model based on balance sheet. For lessors, the accounting will remain the same as to the current accounting practices. This change will be effective for the periods after January 1, 2019. Early adoption is allowed for the entities which are already applying "TFRS 15 Revenue from contracts with customers". The Bank evaluates the impacts of the standard on financial position and performance.

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after December 31, 2017) "Financial Instruments" before January 1, 2018. Since the Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The preparation of the unconsolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## 1. Explanations on basis of presentation (continued):

# c. Restatement of the financial statements according to the current purchasing power of money:

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

# II. Explanations on strategy of using financial instruments and foreign currency transactions:

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency performing loans which were funded from these accounts is evaluated at current foreign exchange rates.

The Bank's share of foreign currency non performing loans funded by profit sharing accounts and foreign currency non performing loans funded by equity are evaluated at the exchange rates at their switch from performing to non performing and booked under Turkish lira accounts.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold and silver) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

# III. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Bank, generally, consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The Bank's derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations on profit share income and expenses:

#### Profit share income

Profit share income is accounted in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

#### Profit share expense

The Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

# V. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related cash and non-cash loans commissions directly as income.

#### VI. Explanations on financial assets:

The Bank categorizes and records its financial assets as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale", "Loans and Receivables" or "Financial Assets Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Bank is determined and accounted at the time of purchase by the Bank management taking into consideration the purpose of the investment.

### Financial assets at fair value through profit or loss:

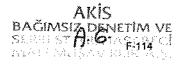
Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of June 30, 2017, the Bank has not any financial assets classified as financial assets at fair value through profit or loss except for trading financial assets (December 31, 2016; None).



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VI. Explanations on financial assets (continued):

#### Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

#### Loans and receivables:

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

#### Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under "Loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

#### VII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances,

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## VIII. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in available for sale and subordinated loan accounts.

# IX. Explanations on sale and repurchase agreements and lending of securities:

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available for sale" and "held to maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Bank has not any securities lending transactions.

# X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discounted operations to tancible assets.

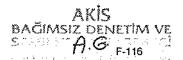
A discontinued operation is a part of the Bank's business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has not any discontinued operations.

# XI. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights. The Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intengible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for Impairment loss is provided.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### XII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary Index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2016, the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate (%)
Buildings Motor vehicles Furniture, fixture and office equipment Safe-deposit boxes Operational lease improvement costs (Leasehold improvements)	20 - 25 4 - 33 2 - 20 Leasing period - 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

AKİS BAĞIMSIZ DENETİM VE SERBEST **FILM**ASEBECİ MALİ MÜŞAVIRLIK A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## XIII. Explanations on leasing transactions:

#### Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

#### Transactions as a lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

## XIV. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent fiabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A fiability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

# XV. Explanations on liabilities regarding employee rights:

#### Defined benefit plans:

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income. As of June 30, 2017, actuarial loss amounts to TL 9.729 (December 31, 2016: TL 9.729 actuarial loss).

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# XV. Explanations on liabilities regarding employee rights (continued):

#### ii. Defined contribution plans:

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

#### iii. Short term benefits to employees:

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

#### XVI. Explanations on taxation:

#### Current tax:

The Bank is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are exempt from corporate tax if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax Law.

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Bank. As of report date, there is no information or written report transmitted to the Bank.

#### Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and llabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# XVI. Explanations on taxation (continued):

#### Transfer pricing:

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

# XVII. Additional explanations on borrowings:

The Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Bank. The Bank has issued borrowings through its subsidiary Bereket Varlik Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka Sukuk Limited.

The Bank has subordinated loan borrowed through sukuk issuance which has convertible nature to the shares.

# XVIII. Explanations on issued share certificates:

None.

# XIX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

#### XX. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Bank.

#### XXI. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note X.

#### XXII. Explanations on other matters:

None.

## XXIII. Additional paragraph for convenience translation:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION FOUR**

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

#### I. Explanations on capital adequacy standard ratio:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of June 30, 2017 the Bank's total capital has been calculated as TL 3.839.063, capital adequacy standard ratio is 16,93%. As of December 31, 2016, Bank's total capital amounted to TL 3.064.000, capital adequacy ratio was 13,46% calculated. This ratio is above the minimum ratio required by the legislation.

#### a. Information on Capital:

		Amounts related
	<b>6</b> 3	to treatment
	Current Period	before 1 January 2014 <sup>(1)</sup>
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank Share issue premiums	900.000	
Reserves	1.113.454	
Gains recognized in equity as per TAS	247.053	
Profit	137.720	
Current Period Profit	131.297	
Prior Period Profit	6.423	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled		
partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions Deductions from Common Equity Tier 1 Capital	2.398.227	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the		
Equity of Banks		
Portion of the current and prior periods' losses which cannot be covered through	*	
reserves and losses reflected in equity in accordance with TAS	21.337	
Improvement costs for operating lessing	23,179	
Goodwill (net of related tax liability)	20.1.5	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	25.622	32.028
Deferred tax assets that rely on future profitability excluding those arising from		4-1
temporary differences (net of related tax liability)		
Differences are not recognized at the fair value of assets and liabilities subject to hedge		
of cash flow risk	*	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision		
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities		
Defined-benefit pension fund net assets	_	
Direct and indirect investments of the Bank in its own Common Equity		
Shares obtained contrary to the 4th clause of the 56th Article of the Law	_	
Portion of the total of net long positions of investments made in equity items of hanks		
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or less of the issued common share capital exceeding 10% of Common Equity of the		
Bank Charles at the total of a state of the	<b>5</b> 4.	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10%		
or more of the issued common share capital exceeding 10% of Common Equity of the		
Bank		
Portion of mortgage servicing rights exceeding 10% of the Common Equity		
Portion of deferred tax assets based on temporary differences exceeding 10% of the	•	
Common Equity		
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional		
Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity		
items of banks and financial institutions outside the scope of consolidation where the		
Bank owns 10% or more of the issued common share capital	~	
Excess amount arising from mortgage servicing rights  Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	•	
Deductions to be made from common equity due to insufficient Additional Tier I Capital	*	
or Tier II Capital	_	
Total Deductions From Common Equity Tier 1 Capital	70.138	
Total Common Equity Tier 1 Capital	2.328.089	



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

Preferred Stock not included in Common Equity and the Related Share Premiums Debt instruments and premiums approved by BRSA Debt instruments and premiums approved by BRSA Additional Tier   Capital before Deductions Deductions from Additional Tier   Capital Direct and indirect investments of the Bank in its own Additional Tier   Capital Direct and indirect investments of the Bank in its own Additional equity and components of equity issued by financial institutions with compatible with Article 7. Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier   Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier   Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier   Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital The Total of Net Components  Other Items to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components  Goodwill and other Intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier   capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-)  Net deferred tax assettliability which is not deducted from Common Equity Tier   capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-)  Baductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)  Total Tier II Capital (Tier II Capital)  Total Additional Tier II Capital  Total Additional Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital  The II Ca	ADDITIONAL TIER I CAPITAL	
Debt instruments and premiums approved by BRSA Temporary Article 4)  Additional Tier I Capital before Deductions  Deductions from Additional Tier I capital  Direct and indirect investments of the Bank in its own Additional Tier I Capital  Direct and indirect investments of the Bank in its own Additional Tier I Capital  Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital  Exceeding the 10% Threshold of above Tier I Capital  The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital  Other items to be defined by the BRSA  Transition from the Core Capital to Continue to deduce Components  Codowlil and other Intangible assets and related deferred tax isabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks 10m Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks 10m Financial Institutions on the Institution on Banks 10m Financial Institutions on Banks 10m Financial Institutions on Banks 10m Financial Institutions on Banks 10m Financial Institutions and Institutions on Banks 10m Financial Institutions on Banks 10m Financial Institutions and Ins		
Debt instruments and premiums approved by BRSA (Temporary Article 4) Additional Tier I Capital before Deductions Deductions from Additional Tier I Capital Direct and infered investments of the Bank in its own Additional Tier I Capital Investments of Bank to Banks that invest in Bank's additional requity and components of equity issued by financial institutions with compatible with Article 7. Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Bank Owns 19% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other Items to be defined by the BRSA  Transfition from the Core Capital to Continue to deduce Components  Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on the Provisional Article 2 of the Regulation on Banks Own Funds (-) Beductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) Total Deductions to be made from common equity in the case that adequate Additional Tier I Capital for Tier II Capital is not available (-) Total Tier II Capital is Incommon Equity*Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Tier II Capital is Incommon Equity*Additional Tier I Capital  Total Tier II Capital is for I Capital  Total Tier II Capital I Gapital  Direct and indirect investments and share issue premiums deemed suitable by the BRSA (Tempora	Cast instance and included in Common Equity and the Related Share Premiums	•
Additional Tier (Capital before Deductions) Deductions from Additional Tier I Capital Direct and indirect investments of the Bank in its own Additional Tier I Capital Direct and indirect investments of the Bank in its own Additional Tier I Capital Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7. Total of Net Long Positions of the Investments in Equity Hernes of Unconselidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other Items to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital in out available (-) Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital  Total Tier II Capital Before Deductions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity	Destination and premiums approved by SRSA	**
Deductions from Additional Tier I Capital Direct and infered investments of the Bank in its own Additional Tier I Capital Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7. Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Bank Owns 19% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other items to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Regulation on Banks Own Funds (-) Net deferred tax assetliability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-) Banks Own	Designation of Table 2 and premiums approved by BRSA (Temporary Article 4)	
Direct and indirect investments of the Bank in its own Additional Tier I Capital Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7. Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 19% of less of the Issued Share Capital Exceeding the 16% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital The Indirect Indire	Additional tier ( Capital Defore Deductions	*
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other items to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components Goodwill and other intengible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Net deferred tax assettiliability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) Total Deductions to be made from common equity in the case that adequate Additional Tier I Capital Total Tier I Capital (Tier I Capital) Total Tier I Capital (Tier I Capital) Total Tier I Capital (Tier I Capital) Total Additional Tier I Capital (Capital) Total Additional Tier I Capital (Capital) Total Structures and share issue premiums deemed suitable by the BRSA Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Tier II Capital Before Deductions on the Equity of Banks)  1.559.231 Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and compone	Description Additional Lief ( Capital	
of equity issued by financial institutions with compatible with Article 7. Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Cepital Exceeding the 10% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Luconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other items to be defined by the BRSA. Transition from the Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks Own Funds (-) Net deferred tax assetiliability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier 1 Capital or Tier II Capital is not available (-) Total Deductions From Additional Tier I Capital  Total Additional Tier I Capital Total Tier I Capital (Fire I Capital) Total Tier I Capital (Fire I Capital) Total Tier I Capital (Fire I Capital) Tier II Capital (Fire I Capita	Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Icidal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or tess of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other items to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components Goodwill and other intengible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks 'Own Funds (-) Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks 'Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) Total Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital Tier I Capital Total Tier I Capital Tier I Capital Total Tier I Capital Tier I Capital Total Tier I Capital Tier I Capital Total Tier I Capital Tier I Capital Debt instruments and share issue premiums deemed suitable by the BRSA Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  1.559.231 Defect and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity Items of banks and financial institutions winto econditions declared in Article 8. Portion of the total of ne	of south instead by English to Banks that invest in Bank's additional equity and components	
and rinancial institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other items to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Reductions to the made from common equity in the case that adequate Additional Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier 1 Capital of I're II Capital is not available (-) Total Deductions From Additional Tier 1 Capital Total Additional Tier I Capital Total Tier I Capital (Tex) Equital Total Tier I Capital (Tex) Equital Total Tier I Capital (Tex) Equital Total Tier I Capital (Tex) Equital Total Tier I Capital (Tex) Equital Total Tier I Capital Tex II Capital (Tex) Equital Total Tier I Capital Total Tier I Capital Total Tier I Capital Total Tier I Capital Total Tier I Capital Total Tier I Capital Total Tier I Capital Total Tier I Capital Total Tier I Capital Total Tier I Capital Tier II Capital Tier II Capital Tier II Capital Tier II Capital Tier II Capital Tier II Capital Tier II Capital Total Capital Tier II Capital	Total of Not Loss Positions of the Institutions with Compatible with Article 7,	-
Exceeding the 10% Threshold of above Tier I Capital The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Bariks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other items to be defined by the BRSA Transition from tha Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks 'Own Funds (-) Net deferred tax assetiliability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) Total Deductions From Additional Tier I Capital Total Tier I Capital (Tier I Capital) Total Tier I Capital (Tier I Capital) Total Tier I Capital (Tier I Capital) Total Additional Tier I Capital Total Additional Tier I Capital Total Tier I Capital (Tier I Capital) Debt instruments and share issue premiums deemed suitable by the BRSA The Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Tier II Capital Sefore Deductions Tier II Capital Sefore Deductions Tier II Capital Sefore Deductions Tier II Capital (-) Trier II Capital Sefore Deductions The Article 4) The Sefore Tier II Capital Tier II Capital Sefore Deductions Tier II Capital Sefore Deductions of investments made in equity items of banks and financial institutions with the conditions declared in Article 8. Total Capital (The total of net long positions of investments made in equity items of banks and financial institutions with the conditions becaused in Article 8. Total Capital (The sum of Tier I Capital Tier I Capital Tier I Capital Tier I Capital Tier II Capital Tier II	and Einendial leadifuliance where the Pool Comments in Equity Rems of Unconsolidated Banks	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital I Unconsolidated Bariks and Financial Institutions where the Bank Owns more than 10% of the issued Share Capital Chter items to be defined by the BRSA  Transition from the Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)  Ret deferred tax assettliability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)  Beductions to be made from common equity in the case that adequate Additional Tier I Capital is not available (-)  Total Total Total Tier I Capital is not available (-)  Total Telation Additional Tier I Capital  Total Tier I Capital (Tier I Capital Ecommon Equity+Additional Tier I Capital)  Tier II Capital (Tier I Capital Common Equity+Additional Tier I Capital)  Tier II Capital (Tier I Capital Tier I Capital State of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Tier II Capital Before Deductions  Tier II Capital Effore Deductions  Tier II Capital Effore Deductions  Tier II Capital Effore Deductions  Tier II Capital State of the Regulation on the Equity of Banks)  Tier II Capital Effore Deductions  Tier II Capital Effore Deductions  Tier II Capital Effore Deductions  Tier II Capital Tier I Capital  Tier II Capital Tier I Capital  Total Tier II Capital Tier I Capital  Total Tier II Capital Effore Deductions  Tier II Capital Tier I Capital  Tier II Capital Tier I Capital  Tier II Capital Tier I Capital  Tier II Capital Tier II Capital  Tier II Capital Tier II Capital  Tier II Capital Tier II Capital  Tier II Capital Tier II Capital  Tier II Capital Tier II Capital  Tier II Capital Tier II Capital  Tier II Capital Tier II Capital  Total	Exceeding the 10% Throughold of about Title Country	
Capital of Unconsolidated Barks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Other items to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components  Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) 6.406  Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)  Peductions to be made from common equity in the case that adequate Additional Tier I capital or Tier II Capital is not available (-)  Total Deductions From Additional Tier I Capital  Total Tier I Capital (Tier I Capital I Capital  Total Tier I Capital (Tier I Capital I Capital  Total Tier I Capital (Tier I Capital I Capital  Debt instruments and share issue premiums deemed suitable by the BRSA 1.496.112  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks) 63.119  Tier II Capital Before Deductions 1.559.231  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or rors of the issued common share capital exceeding 10% of Common Equity of the Bank Other Items to be defined by the BRSA (-)  Total Deductions from	The Total of Nat Long Position of the Director Indicate Institute Indicate Institute Indicate Institute Indicate Institute Ins	•
than 10% of the issued Share Capital Other items to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) Total Deductions From Additional Tier I Capital Total Additional Tier I Capital in Ier Capital Total Tier I Capital (Tier I Capital) Total Tier I Capital (Tier I Capital) Total Tier I Capital Total Tier I Capital Total Tier I Capital Total Additional Tier I Capital Debt instruments and share issue premiums deemed suitable by the BRSA Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier	Capital of Licenses Idated Spatia and Cinest or Indirect Investments in Additional Tier	
Continue to be defined by the BRSA Transition from the Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital Tier II Capital is not available (-) Total Deductions From Additional Tier I Capital Total Additional Tier I Capital Total Tier I Capital (Tier I Capital) Total Tier I Capital (Tier I Capital) Tier II Capital (Tier I Capital) Tier II Capital (Tier I Capital) Tier II Capital (Tier I Capital) Tier II Capital (Tier I Capital) Debt instruments and share issue premiums deemed suitable by the BRSA Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Banks' Tier 2 and components of equity issued by tinancial institutions with the conditions dedared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital  Total Tier II Capital Loars granted contrary to the 50th and 51th Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57. Clause 1 of the Bank on the order of the Capital Immovables Exceeding the Limit Defined in the A	than 10% of the Issued Share Carifol	
Transition from the Core Capital to Continue to deduce Components Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Net deferred tax assettibilishility which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) Total Deductions From Additional Tier Capital Total Tier I Capital (Tier I Capital) Total Tier I Capital (Tier I Capital) Total Tier I Capital (Tier I Capital) Tier II Capital (Tier I Capital) Tier II Capital (Tier I Capital) Debt instruments and share issue premiums deemed suitable by the BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  63.119 Tier II Capital Before Deductions  1.559.231  Deductions From Tier II Capital Deductions From Tier II Capital Deductions From Tier II Capital Defined indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Common Equity of the Bank Other Items to be defined by the BRSA (-) Total Deductions from	Other items to be defined by the DDCs	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)  Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)  Deductions to be made from common equity in the case that adequate Additional Tier 1 Capital or Tier II Capital is not available (-)  Total Deductions From Additional Tier I Capital  Total Tier II Capital (Fier I Capital)  Total Tier II Capital (Fier I Capital)  Debt instruments and share issue premiums deemed suitable by the BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank on 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank on 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank on 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank on 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank on 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank of the Bank of the Bank of the Scope of Consolidation where the Bank on 10% or Tier II Capital 10 and 10% of Commo	Transition from the Core Could be Continued and Advantage of the Core Could be Could be Core Could be Could	4
deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)  Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)  Deductions to be made from common equity in the case that adequate Additional Tier I Capital Tier II Capital is not available (-)  Total Deductions From Additional Tier I Capital  Total Additional Tier I Capital   Capi	Goodwill and other intravible seems and sold of the components	*
16.406  17. Strict Provisional Article 2 of the Regulation on Banks' Own Funds (-) 18. Strict Provisional Article 2 of the Regulation on Banks' Own Funds (-) 19. Deductions for the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) 19. Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) 19. Total Deductions From Additional Tier I Capital 19. Total Tier II Capital (Tier I Capital=Common Equity+Additional Tier I Capital) 19. Total Tier II Capital (Tier I Capital=Common Equity+Additional Tier I Capital) 19. Debt instruments and share issue premiums deemed suitable by the BRSA (Temporary Article 4) 19. Provisions (Article 8 of the Regulation on the Equity of Banks) 10. Tier II Capital Before Deductions 10. Deductions From Tier II Capital 10. Direct and indirect investments of the Bank on its own Tier II Capital (-) 10. Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. 10. Portion of the total of net long positions of investments made in equity items of banks and financial institutions with the conditions declared in Article 8. 10. Portion of the total of net long positions of investments made in equity items of banks and financial institutions suitside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank owns 10% or or or or of the issued common share capital exceeding 10% of Common Equity of the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank owns 10% or more of the Issued Common s	deducted from Common Equity Ties I socially the transfer of ax liabilities which will not	•
Net deferred tax assel/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital is not available (-) Total Deductions From Additional Tier I Capital  Total Tier I Capital (Tier I Capital  Total Tier I Capital (Tier I Capital  Total Tier I Capital (Tier I Capital)  Debt instruments and share issue premiums deemed suitable by the BRSA  TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Tier II Capital  Total Tier II Capital and Tier II Capital in the Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the As	of the Provisional Adiala 2 of the Deceleration the purposes of the first sub-paragraph	
for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank's Own Funds (-) Deductions to be made from common equity in the case that adequate Additional Tier I Capital is not available (-) Total Deductions From Additional Tier I Capital Total Tier II Capital (Tier I Capital Total Tier I Capital (Tier I Capital Total Tier I Capital (Tier I Capital Total Tier I Capital (Tier I Capital Total Tier I Capital (Tier I Capital Debt instruments and share issue premiums deemed suitable by the BRSA 1.496.112 Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) 63.119 Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Tepital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue	Not deferred by acception this is not deducted that Comments (-)	6.406
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) Total Deductions From Additional Tier I Capital Total Additional Tier I Capital Total Additional Tier I Capital Total Additional Tier I Capital Total Additional Tier I Capital Total Additional Tier I Capital Total Additional Tier I Capital Total Additional Tier I Capital Tier II CAPITAL Debt instruments and share issue premiums deemed suitable by the BRSA Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity Insulations of the total of net long positions of investments made in equity items of banks and financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other Items to be defined by the BRSA (-) Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Total Tier II Capital Tot	for the purposes of the cub expenses of the Control	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) Total Deductions From Additional Tier I Capital Total Additional Tier I Capital=Common Equity+Additional Tier I Capital]  Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)  Tier II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA Tier II Capital Educations Detect instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Total Tier II Capital  Total Tier II Capital  Total Tier II Capital  Total Tier II Capital  Total Tier II Capital  Total Tier II Capital  Total Tier II Capital Loans granted contrary to the 50th and 51th Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57,	Ranks' Own Frinds (1)	
Total Deductions From Additional Tier I Capital  Total Additional Tier I Capital  Total Additional Tier I Capital=Common Equity+Additional Tier I Capital  Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)  2.321.683  TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  1.496.112  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  63.119  Tier II Capital Before Deductions  1.559.231  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  T	Deductions to be made from comman annity in the page that advances additional Trans	<b>*</b>
Total Deductions From Additional Tier I Capital Total Additional Tier I Capital Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital) 2.321.683 TIER II CAPITAL Debt instruments and share issue premiums deemed suitable by the BRSA Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks) Tier II Capital Before Deductions Tier II Capital Before Deductions 1.559.231 Deductions From Tier II Capital Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity Insusued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Tier II Capital Loans granted contrary to the 50th and 57th Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39,446	Capital or Tier II Capital is not excellable ( )	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)  TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  1.496.112  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Tier II Capital  Total Tier II Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39,446	Total Deductions From Additional Trans Canital	#
TIER II Capital (Tier I Capital=Common Equity+Additional Tier I Capital)  TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary  Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Tier II Capital Loans granted contrary to the 50th and 51th Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Total Additional Tier I Capital	*
Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Firer II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Tier II Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Total Tier I Capital (Tier I Capital Common Equity Additional Tier I Capital	
Debt instruments and share issue premiums deemed suitable by the BRSA 1.496.112  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks) 63.119  Tier II Capital Before Deductions 1.559.231  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital 1.559.231  Total Capital (The sum of Tier I Capital and Tier II Capital) 3.880.914  Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years 39.446	TIER II CAPITAI	2.321,683
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446		The second secon
Article 4) Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity Issued by financial institutions with the conditions declared in Article 8. Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	Debt instruments and share issue promiums deemed suitable by the BROA	1,496,112
Provisions (Article 8 of the Regulation on the Equity of Banks)  Ter II Capital Before Deductions  Deductions From Tier II Capital  Direct and Indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity Issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	Article 41	
Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity Issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Tier II Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446		*
Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	Tier II Capital Before Daductions	
Direct and indirect investments of the Bank on its own Tier II Capital (*) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity Issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Tier II Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	Deductions From Tier II Canital	1.069.231
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity Issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Direct and indirect investments of the Bank on its own Ties II Control	<u></u>
Issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Investments of Bank to Banks that invest on Bank's Tisk 2 and several and	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	Issued by financial institutions with the conditions declared to Advise a	
and inancial insulutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Portion of the total of net tong positions of investments made in anyth the entire to	-
or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	and financial institutions pulside the scape of consultation where the Dank sums and	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	or less of the issued common share canital exceeding 10% of Common Equity of the	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	Bank (-)	
Item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	Portion of the total of net long nositions of investments made in Additional Tier I Control	•
Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	riem of banks and financial institutions nutside the scope of consolidation where the	
Other Items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the  Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Bank owns 10% or more of the issued common share canital exception 10% of	
Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Common Ednify of the Bank	
Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the  Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Other items to be defined by the BRSA (-)	•
Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the  Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Total Deductions from Tier II Capital	*
Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the  Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Total Tier II Capital	4 ECO 054
Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the  Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue  Receivables and Held for Sale but Retained more than Five Years  39.446	Total Capital (The sum of Tier I Capital and Tier II Capital)	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  39.446	Deductions from Capital Large around analysis to the cath and are the	3.000.314
Afficie 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years 39.446	Net Book Values of Missahlan and Immurables Transition and 51" Article of the Law	•
Réceivables and Held for Sale but Retained more than Five Years 39,446	Article 57. Clause 1 of the Banking Law and the Assault Assaul	
Other items to be defend by the prote	Receivables and Held for Sale but Retained many than The Version Overdue	
2.405	Other items to be defined by the RDCA	
	The same of the plant of the pl	2.405

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I, Explanations on capital adequacy standard ratio (continued):

Continue to Download Components  The Sum of not long positions of in not not little and in the long positions of in not not little and in the long positions of in not not little and in the long positions of in not not little and in the long positions of in not not little and in the long positions of in not not little and in the long positions of in the long positions of in the long positions of in the long positions of in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long positions of interest in the long position of the long positions of interest in the long positions of interest in the long positions of interest in the long position of the long positions of the long position of the long positi	······································	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that		
are outside the scope of regulatory consolidation, where the bank does not own more		
than 10% of the issued common share capital of the entity which will not deducted from		
Common Equity Tier 1 capital, Additional Tier 1		
resided Tier 2 excitation the measurement ster to		
capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds		
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2	•	
the point of position general and investments in the Modificular Hell Cabital and Hell 5		
capital of banking, financial and insurance entities that are outside the scope of		
regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1		
capital, Additional Tier 1 capital, Tier 2 capital for the		
purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on		
Banks' Own Funds		
The Sum of net long positions of investments in the common stock of banking, financial	-	
and insurance entities that are outside the scope of regulatory consolidation, where the		
bank does not own more than 10% of the issued common share capital of the entity,		
mortogog penácina right, deferred tos escrito escrito ferro terres está está está está está está está es		
mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier		
1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the		
Regulation on Banks' Own Funds		
TOTAL CAPITAL	<del></del>	
Total Capital	2 020 022	
Total risk weighted amounts	3.839.063 22.682.271	
Capital Adequacy Ratios	113.300.33	·
Core Capital Adequacy Ratio (%)	40.00	·
Tier 1 Capital Adequacy Ratio (%)	10,26 10,24	
Capital Adequacy Ratio (%)	16,93	
BUFFERS	10,93	***************************************
Bank-specific total core capital ratio	1,25	
Capital conservation buffer requirement (%)	1,25	
Bank specific counter-cyclical buffer requirement (%)	1,20	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first	-	
paragraph of the Article 4 of Regulation on		
Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5,76	
Amounts below the Excess Limits as per the Deduction Principles	J <sub>1</sub> (V	<del></del>
Portion of the total of net long positions of investments in equity items of unconsolidated		
panks and financial institutions where the bank owns 10% or less of the issued share		
apital exceeding the 10% threshold of above Tier I capital	_	
Portion of the total of investments in equity Items of unconsolidated banks and financial		
nstitutions where the bank owns 10% or less of the issued share capital exceeding the		
0% threshold of above Tier I capital		
amount arising from deferred tax assets based on temporary differences		
imits related to provisions considered in Tier II calculation	45.753	
imits related to provisions considered in Tier II calculation		
Seneral provisions for standard based receivables (before ten thousand twenty five		
mitation)	_	
lp to 1.25% of total risk-weighted amount of general reserves for receivables where		
ne standard approach used	63.119	
xcess amount of total provision amount to credit risk Amount of the Internal Ratings		
ased Approach in accordance with the Communique on the Calculation	-	
xcess amount of total provision amount to &-,6 of risk welchted receivables of credit		
sk Amount of the Internal Ratings Based Approach in accordance with the		
ommuniqué on the Calculation	_	
ebt instruments subjected to Article 4 (to be implemented between January 1.		·
018 and January 1, 2022)	<del> </del>	
018 and January 1, 2022)  Ipper limit for Additional Tier I Capital subjected to temporary Article 4	-	
018 and January 1, 2022)  Ipper limit for Additional Tier I Capital subjected to temporary Article 4  mounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	<u>.</u>	
018 and January 1, 2022)  Ipper limit for Additional Tier I Capital subjected to temporary Article 4  mounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4  ipper limit for Additional Tier II Capital subjected to temporary Article 4  mounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	- -	

(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

		Amounts related to treatment before 1 January
MATERIAL MATERIAL STATES AND A SECOND AS A SECOND AS	Prior Period	2014 <sup>(-)</sup>
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank Share issue premiums	900.000	
Reserves	946.157	
Gains recognized in equity as per TAS	232,165	
Profit	221.560	
Current Period Profit	217.609	
Prior Period Profit	3.951	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period		
Common Equity Tier 1 Capital Before Deductions	2.299.882	
Deductions from Common Equity Tier 1 Capital	<del></del>	<del>(10.01 - 1</del>
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the		
Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through		
reserves and losses reflected in equity in accordance with TAS Improvement costs for operating leasing	20.289	
Goodwill (net of related tax liability)	27,695	
Other Intangibles other than mortgage-servicing rights (net of related tax liability)	19.895	33.159
Deferred tax assets that rely on future profitability excluding those arising from	15.030	33,138
temporary differences (net of related tax fiability)		
Differences are not recognized at the fair value of assets and liabilities subject to hedge		
of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal		
Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	•	
Defined-benefit pension fund net assets	•	
Direct and indirect investments of the Bank in its own Common Equity		
Shares obtained contrary to the 4th clause of the 56th Article of the Law	_	
Portion of the total of net long positions of investments made in equity items of hanks		
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or less of the issued common share capital exceeding 10% of Common Equity of the Bank		
Portion of the total of net long positions of investments made in equity items of banks	M	
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or more of the issued common share capital exceeding 10% of Common Equity of the		
Bank	_	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the		
Common Equity	•	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional		
Article 2 of the Regulation on the Equity of Banks  Excess amount arising from the net long positions of investments in common equity	**	
items of banks and financial institutions outside the scope of consolidation where the		
Bank owns 10% or more of the issued common share capital	_	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	_	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital		
or Tier II Capital		***
Total Deductions From Common Equity Tier 1 Capital  Total Common Equity Tier 1 Capital	67,879	
ANTER ACTURED EMERIT LES E CARLES	2.232.003	······································



(Thousand of Turkish Lira (TL) unless otherwise stated)

# i. Explanations on capital adequacy standard ratio (continued):

ADDITIONAL TIER I CAPITAL		~
Preferred Stock not Included in Common Equity and the Related Share Premiums	<b>→</b>	
Debt instruments and premiums approved by BRSA	•	
Debt instruments and premiums approved by BRSA(Temporary Article 4)		
Additional Tier   Capital before Deductions	=	
Deductions from Additional Tier I Capital	*	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	<b></b>
Investments of Bank to Banks that invest in Bank's additional equity and components		
of equity issued by financial institutions with compatible with Article 7.	4	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks		
and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		
Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I		
Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more		
than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA		
Transition from the Core Capital to Continue to deduce Components	<u>.</u>	
Goodwill and other intangible assets and related deferred tax liabilities which will not		
deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph	•	
of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	13.264	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital		
for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on		
Banks' Own Funds (-)	•	
Deductions to be made from common equity in the case that adequate Additional Tier		
Capital or Tier II Capital is not available (-)	_	
Total Deductions From Additional Tier I Capital	_	
Total Additional Tier   Capital	+	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital) TIER II CAPITAL	2.218.739	
Debt instruments and share issue premiums deemed suitable by the BRSA	793.260	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)		
Provisions (Article 8 of the Regulation on the Equity of Banks)		
Tier II Capital Before Deductions	60.956	
Deductions From Tier II Capital	854.216	
Decident is a set of the control of		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
investments of Bank to Banks that invest on Bank's Tier 2 and components of equity		
Issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks		
and financial institutions outside the scope of consolidation where the Bank owns 10%		
or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)		
Portion of the total of net long positions of investments made in Additional Tier I Capital	•	
item of banks and financial institutions outside the scope of consolidation where the		
Bank owns 10% or more of the Issued common share capital exceeding 10% of		
Common Equity of the Bank		
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	BEA DAE	
Total Capital (The sum of Tier I Capital and Tier II Capital)	854.216	
Particulars from Capital Laure season of a little of Capital	3.072.955	
Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the		
Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue		
Receivables and Held for Sale but Retained more than Five Years	5.813	
Other items to be defined by the BRSA	3.142	



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations on capital adequacy standard ratio (continued):

In Iransition from Total Core Capital and Supplementary Capital (the capital) to	? <del>???!????!??!!??!!??!????????????????</del>	*********
Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of	64-64-4 <del>4-4-4</del>	
Banks Common Equity) in the capital of banking, financial and insurance entities that		
are outside the scope of regulatory consolidation, where the bank does not own more		
than 10% of the issued common share capital of the entity which will not deducted from		
Common Equity Tier 1 capital, Additional Tier 1		
capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional		
Article 2 of the Regulation on Banks' Own Funds	_	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2		
capital of banking, financial and insurance entities that are outside the scope of		
regulatory consolidation, where the bank does not own more than 10% of the issued		
common share capital of the entity which will not deducted from Common Equity Tier 1		
capital, Additional Tier 1 capital, Tier 2 capital for the		
purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on		
Banks' Own Funds	•	
The Sum of net long positions of investments in the common stock of banking, financial		
and insurance entities that are outside the scope of regulatory consolidation, where the		
bank does not own more than 10% of the issued common share capital of the entity,		
mortgage servicing rights, deferred tax assets arising from temporary differences which		
will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-		
paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds		
TOTAL CAPITAL		
Total Capital	3.064.000	
Total risk weighted amounts	22.757.911	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	9,81	
Tier 1 Capital Adequacy Ratio (%)	9,75	
Capital Adequacy Ratio (%) BUFFERS	13,46	****
Bank-specific total core capital ratio	0,63	
Capital conservation buffer requirement (%)	0,63	
Bank specific counter-cyclical buffer requirement (%)	0.00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first	0.00	
paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical		
Capital buffers to Risk Weighted Assets (%)	5,31	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated		
banks and financial institutions where the bank owns 10% or less of the issued share		
capital exceeding the 10% threshold of above Tier I capital	•	
Portion of the total of investments in equity items of unconsolidated banks and financial		
institutions where the bank owns 10% or less of the issued share capital exceeding the		
10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	•	
Limits related to provisions considered in Tier II calculation	32,927	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five		
limitation)	•	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where		
the standard approach used	60.956	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings		
Based Approach in accordance with the Communique on the Calculation	-	
Excess amount of total provision amount to &-,6 of risk weighted receivables of credit		
risk Amount of the Internal Ratings Based Approach in accordance with the		
Communique on the Calculation  Debt instruments subjected to Article 4 (to be implemented between January 1,	<u> </u>	
pest instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4		
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	_ _	
Upper limit for Additional Tier If Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	•	
war	······	

<sup>(1)</sup> Amounts in this column represents the amounts of items that are subject to transition provisions.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations on capital adequacy standard ratio (continued):
- b. Information on reconciliation of total capital and equity

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provisions and debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, general provision up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations on capital adequacy standard ratio (continued):

#### c. Details on Subordinated Liabilities:

Issuer	Albaraka Sukuk Ltd.	ABT Sukuk Ltd.
Unique Identifier (CUSIP, ISIN etc.)	XS1301525207	XS0927211754
Governing Law(s) of the Instrument	English Law	English Law
Special Consideration in the Calculation of Equity		· · · · · · · · · · · · · · · · · · ·
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated / Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Sukuk Wakala	Sukuk Murabaha
Amount recognized in regulatory capital (as of most recent reporting date)	TL 793.712	TL 702.400
Par Value of Instrument	TL 793.712	TL 702.400
Accounting Classification	Subordinated Loan	Subordinated Loan
Original date of Issuance	November 30, 2015	May 7, 2013
Perpetual or dated	Dated	Dated
Maturity date	November 30, 2025	May 7, 2023
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, conlingent call dates and redemption amount	Last Payment Date: November 30, 2020 Total Repayment Amount of Profit Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000	Last Payment Date: May 7, 2018 Total Repayment Amount of Profit Share: USD 77.500.000, Repayment Period: 6 months Principal Payment: USD 200.000.000
Subsequent call dates	_	-
Profit Share / Dividends		
Fixed or floating profit share / dividend	Fixed	Fixed
Profit share rate and any related index	10,50%	7,75%
Existence of a dividend stopper	As per BRSA regulations and Communiqués it is payable	As per BRSA regulations and Communiques it is payable
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	_	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or Non-convertible		
If convertible, conversion trigger	As per BRSA regulations and Communiqués it is convertible	As per BRSA regulations and Communiqués It is convertible
If convertible, fully or partially	As per BRSA approval it is convertible fully or partially	As per BRSA approval it is convertible fully or partially
If convertible, conversion rate	As per BRSA approval it is convertible and the rate may be determined.	As per BRSA approval it is convertible and the rate may be determined.
If convertible, mandatory or optional conversion	Subject to BRSA's approval.	Subject to BRSA's approval.
If convertible, specify instrument type convertible into	Share certificate	Share certificate
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature		
and the second s		7.
If write-down, write-down trigger(s)	*	·
If write-down, write-down trigger(s)  If write-down, full or partial	*	-
If write-down, full or partial		
If write-down, full or partial  If write down, permanent or temporary		
If write-down, full or partial  If write down, permanent or temporary  If temporary write-down, description of write-up mechanism  Position in subordination hierarchy in liquidation (specify instrument		
If write-down, full or partial  If write down, permanent or temporary  If temporary write-down, description of write-up mechanism	- After all creditors and	



(Thousand of Turkish Lira (TL) unless otherwise stated)

# II. Explanations on credit risk:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### III. Explanations on currency risk:

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

- a. The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position / shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b. The Bank does not have any derivative financial instruments held for hedging purposes.
- c. As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.
- ç. Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

	USD	EUR
As of June 30, 2017 - Balance sheet evaluation rate	3,512	4.007
As of June 29, 2017	3.512	4.011
As of June 28, 2017	3.510	3,991
As of June 23, 2017	3.500	3.920
As of June 22, 2017	3.514	3.919
As of June 21, 2017	3,522	3.923

d. The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 3,512 for 1 USD (December 2016: TL 3,494), TL 3,943 for 1 EUR (December 2016: TL 3,679).

The Bank is mainly exposed to EUR and USD currency risks.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### III. Explanations on currency risk (continued):

#### Information on currency risk of the Bank:

Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey purchased) and balances with the Central Bank of Republic of Turkey Banks	Current Period	EUR	USD	Other FC <sup>(f)</sup>	Total
Durchased   and balances with the Central Bank of Republic of Turkey   804,842   3.103,817   876.293   4.784.952   Banks   447.798   892.777   176.975   1.517.555   Financial assets at fair value through profit and loss   4   3.318   - 3.322   - 3.322   - 3.322   - 3.322   - 3.323   - 3.322   - 3.323	Assets				
Durchased   and balances with the Central Bank of Republic of Turkey   804,842   3.103,817   876.293   4.784.952   Banks   447.798   892.777   176.975   1.517.555   Financial assets at fair value through profit and loss   4   3.318   - 3.322   - 3.322   - 3.322   - 3.322   - 3.323   - 3.322   - 3.323	Cash (cash in vault, foreign currency, money in transit, cheques				
Turkey					
Banks		804.842	3.103.817	876.293	4.784.952
Financial assets at fair value through profit and loss   4   3.318   - 3.322					
Money market placements	Financial assets at fair value through profit and loss	·		-	
Available-for-salet financial assets   166   625.097   - 625.263     Loans and financial lease receivables   3.260.620   7.400.356   370   10.661.346     Subsidiaries, associates and joint ventures       Held-to-maturity investments       Liabilities		*	۵.010	•	0.00.0
Loans and financial lease receivables		166	625.097	-	625 263
Subsidiaries, associates and joint ventures			~~~~~	370	
Held-to-maturity investments				5.0	10.001.010
Derivative financial assets for hedging purposes		_			
Tangible assets Intrangible assets (Intrangible assets)         -         435 (435) (148)         435 (148)         435 (148)         435 (148)         435 (148)         435 (148)         435 (148)         435 (148)         435 (148)         435 (148)         435 (148)         435 (148)         445 (148)         445 (148)         445 (148)         456 (148			_		_
Intangible assets			_	435	AZE
Cher assets   3,002		_			
Total assets		3.002	4.418	,	
Current account and funds collected from banks via participation accounts   964.581   454.717   3.325   1.422.623				**************************************	d demonstrative and a second s
Current account and funds collected from banks via participation accounts   964.581   454.717   3.325   1.422.623	3 A 1961 960 25.0 24	7.030.702	18.023.103	1.044,040	11,001.010
Current account and funds collected from banks via participation accounts   964.581   454.717   3.325   1.422.623	t intsiléténe		,		
Accounts					
Other current and profit sharing accounts   2.476.746   6.657.937   823.602   9.958.285		084 594	AEA 717	2 225	4 422 622
Money market borrowings					
Funds provided from other financial institutions and subordinated loans 995.285 5.080.791 - 6.076.076 Marketable securities issued		2.410.140	0.001.001	023,002	9.900.200
Design		-	•	•	•
Marketable securities issued         -		005 285	E 060 704		6 076 076
Miscellaneous payables         24.477         112.250         1.323         138.050           Derivative financial liabilities for hedging purposes         -		233.203	2.000.731		0.070.070
Derivative financial liabilities for hedging purposes   1.102	·· ···································	2 <i>ለ ለ</i> ንን	140 050	1 222	126 050
Other liabilities         5.214         5.807         81         11.102           Total liabilities         4.466.303         12.311.502         828.331         17.606.136           Net balance sheet position         50.129         (281.719)         227.127         (4.463)           Net off balance sheet position         (19.744)         375.976         (207.210)         149.022           Derivative financial instruments assets <sup>(-)</sup> 12.631         401.485         13.881         427.997           Derivative financial instruments liabilities <sup>(-)</sup> 32.375         25.509         221.091         278.975           Non-cash loans <sup>(-)</sup> 1.258.678         2.711.449         31.950         4.002.077           Prior Period         70.000         4.803.238         10.449.176         1.139.478         16.391.892           Total liabilities         4.767.097         11.015.341         657.068         16.439.506		44.411	1 (2,400	1.383	130,030
Total liabilities		# 214	E 0/17	01	44 400
Net balance sheet position         50.129         (281.719)         227.127         (4.463)           Net off balance sheet position         (19.744)         375,976         (207.210)         149.022           Derivative financial instruments assets <sup>[-]</sup> 12.631         401.485         13.881         427.997           Derivative financial instruments liabilities <sup>[-]</sup> 32.375         25.509         221.091         278.975           Non-cash loans <sup>[]</sup> 1.258.678         2.711.449         31.950         4.002.077           Prior Period           Total assets         4.803.238         10.449.176         1.139.478         16.391.892           Total liabilities         4.767.097         11.015.341         657.068         16.439.506					
Net off balance sheet position   (19.744)   375,976   (207,210)   149,022	1 Of St.	4.400.303	12.311.302	020.331	11.000.330
Net off balance sheet position         (19.744)         375,976         (207.210)         149.022           Derivative financial instruments assets 1 Derivative financial instruments liabilities 1 32,375         12.631         401.485         13.881         427.997           Derivative financial instruments liabilities 1 32,375         25.509         221.091         278.975           Non-cash loans 1 1,258,678         2.711.449         31.950         4.002.077           Prior Period           Total assets         4.803,238         10.449.176         1.139.478         16.391.892           Total liabilities         4.767,097         11.015.341         657.068         16.439.506	Bias baseana micas a amisia a	#6 200	1501 7101	557 457	(1.15%)
Derivative financial instruments assets   12.631   401.485   13.881   427.997	ser paratics attest boathout	30.1Z8	(201./19)	221.721	[4.463]
Derivative financial instruments assets   12.631   401.485   13.881   427.997	And the Landson of th				
Derivative financial instruments liabilities   32.375   25.509   221.091   278.975				······································	
Non-cash loans(*****)         1,258.678         2.711.449         31.950         4.002.077           Prior Period         Total assets         4.803.238         10.449.176         1.139.478         16.391.892           Total liabilities         4.767.097         11.015.341         657.068         16.439.506					
Prior Period         4.803.238         10.449.176         1.139.478         16.391.892           Total liabilities         4.767.097         11.015.341         657.068         16.439.506	Denvative financial instruments liabilities				
Total assets         4.803.238         10.449.176         1.139.478         16.391.892           Total liabilities         4.767.097         11.015.341         657.068         16.439,506	Non-cash loans'	1.258.678	2.711.449	31.950	4.002.077
Total assets         4.803.238         10.449.176         1.139.478         16.391.892           Total liabilities         4.767.097         11.015.341         657.068         16.439,506					
Total liabilities 4.767,097 11,015,341 657,068 16,439,506					
Net balance sheet position 36.141 (566.165) 482.410 (47.614)	Total liabilities	4.767.097	11.015.341	657.068	16.439.506
Net balance sheet position 36.141 (566.165) 482.410 (47.614)					
	Net balance sheet position	36,141	(566.165)	482.410	(47.614)
	**************************************				
Net off balance sheet position (222) 534.761 (473.712) 60.827				(473.712)	60.827
Derivative financial instruments assets 2.886 538.533 1.082 542.501		2.886	538.533	1.082	542.501
Derivative financial instruments liabilities 3.108 3.772 474,794 481.674	Derivative financial instruments liabilities	3.108	3.772	474,794	481.674
Non-cash loans 1.429.354 3.231.964 35.997 4.697.315	Non-cash loans	1.429.354	3.231.964	35.997	4.697.315

Tt. 867.667 (December 31, 2016; Tt. 790.486) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, Tt. 116.207 (December 31, 2016; Tt. 274.919) of the balance in Banks in other FC column represent precious metals accounts with banks, Tt. 776.826 (December 31, 2016; Tt. 599.733) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.



The balance includes foreign currency indexed loans and financial lease receivables of TL 5.323.673 (December 31, 2016; TL 5.971.045).

Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 1.666 (December 31, 2016; TL 566) is included in other assets

f<sup>(\*\*)</sup> In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 44.063 (December 31, 2016; TL 2.691) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 57.847 (December 31, 2016; TL 6.688).

<sup>[\*\*\*\*]</sup> Does not have any effect on the net off-balance sheet position.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations on position risk of equity securities in banking book:

The Bank does not have any associate and subsidiary quoted at Borsa Istanbul.

## V. Explanations on liquidity risk:

Liquidity Risk is managed by Asset and Liability Committee (ALCO) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Risk Management Contingency Funding Plan" in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators in each stress.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# V. Explanations on liquidity risk (continued):

# Liquidity Coverage Ratio:

	Current Period	Rate of "Perco taken into ac Implemented"	count" not Fotal value <sup>(*)</sup>	Rate of "Perc taken into Implemented	account"
ļ		TL+FC	FC	TL+FC	FC
<b>-</b>	HIGH QUALITY LIQUID ASSETS (HQLA)				
<u> </u>	HIGH QUALITY LIQUID ASSETS			4.840.787	3.356.363
	CASH OUTFLOWS				
2	Retail and Small Business Funds Collected	13.463.820	5.635.244	1.182.380	563.524
	Stable Funds Collected	3.280.029	-	164.001	
4	Less stable Funds Collected	10.183.791	5.635.244	1.018,379	563,524
5	Unsecured Funding other than Retail and Small				·
_	Business Customers Deposits	7.389.040	4.468.755	4.238.015	2.523.789
6	Operational Funds Collected	696.693	694.644	174,173	173.661
7	Non-Operational Funds Collected	3.819.416	1.976.653	2.161.976	1.190,254
8	Other Unsecured Funding	2.872.931	1.797.458	1.901.866	1.159.874
9	Secured funding				(1100,017
10	Other Cash Outflows	975.244	639.998	975,244	639.998
11	Liquidity needs related to derivatives and	]		510,4,77	008.850
	market valuation changes on derivatives				
	transactions	975.244	639,998	975.244	639.998
12	Debts related to the structured financial		000.000	370,244	035.550
	products		_ [		
13	Commitment related to debts to financial	_	_ [	<b>"</b>	•
	markets and other off balance sheet liabilities	_			
14	Commitments that are unconditionally revocable	_	-	-	~
	at any time by the Bank and other contractual				
	commitments				
15	Other irrevocable or conditionally revocable	-	*	-	*
	commitments	8.977.316	3.980.250	710 000	221 222
16	TOTAL CASH OUTFLOWS	0,517.310	3.800.250	739.622	374.728
	CASH INFLOWS			7.135.261	4.102.039
17	Secured Lending Transactions				
18	Unsecured Lending Transactions	2 000 475	-		~
19	Other contractual cash inflows	3.868.170	2.130,924	3.102.296	1.929.571
20	TOTAL CASH INFLOWS	981.313	916.541	981.313	916.541
	TO THE OVOIL HALFOMA	4.849.483	3.047.465	4.083.609	2.846.112
			i	Upper limit	applied
21	TOTAL HQLA	Principal management of the Committee of	<u> </u>	amour	
				4.840.787	3.356.363
	TOTAL NET CASH OUTFLOWS			3.051.652	1.255.927
<del></del>	Liquidity Coverage Ratio (%)			158,63	267,24

<sup>&</sup>lt;sup>17</sup>Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dated on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

Liquidity Coverage Ratio (%)	Current	Current Period		
	TL+FC	FC		
Lowest	116.89	126.59		
Date	April 9, 2017	April 16, 2017		
Highest	235,38	450.94		
Date	April 28, 2017	April 28, 2017		
Average (%)	158,63	267,24		

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### V. Explanations on liquidity risk (continued):

#### Liquidity Coverage Ratio (continued):

			Rate of "Percentage to be taken into account" not		entage to be
		implemented		taken into Implemented	
	Prior period	TL+FC	FC	TL+FC	FC
	HIGH QUALITY LIQUID ASSETS (HQLA)		······································		***************************************
1	HIGH QUALITY LIQUID ASSETS			4.284.356	3.183.015
	CASH OUTFLOWS				······································
2	Retail and Small Business Funds Collected	12.007.743	4.522.901	1.050.523	452.290
3	Stable Funds Collected	3.005.018	*	150.251	***
4	Less stable Funds Collected	9.002.725	4.522.901	900,272	452,290
5	Unsecured Funding other than Retail and Small				
	Business Customers Deposits	5.880.405	3.358.936	3.296.235	1.958.555
6	Operational Funds Collected	442.615	441.165	110.654	110.291
7	Non-Operational Funds Collected	3.321.805	1,797,946	1.840.626	1,138,890
8	Other Unsecured Funding	2.115.985	1.119.825	1,344,955	709.374
9	Secured funding				
10	Other Cash Outflows	726.241	698.029	726.241	698.029
11	Liquidity needs related to derivatives and	[			
	market valuation changes on derivatives	İ			
ĺ	transactions	726.241	698.029	726.241	698.029
12	Debts related to the structured financial				
	products	-	- i	-	_
13	Commitment related to debts to financial	ļ			
	markets and other off balance sheet liabilities	-	-	-	
14	Commitments that are unconditionally revocable				
	at any time by the Bank and other contractual				
	commitments	-	-	-	
15	Other irrevocable or conditionally revocable				
	commitments	9.455.208	4.249.207	747,162	362.820
16	TOTAL CASH OUTFLOWS			5.820.161	3.471.694
	CASH INFLOWS				*******
17	Secured Lending Transactions	-	-	_	_
18	Unsecured Lending Transactions	3,437,727	1.606.509	2.704.696	1.510.024
19	Other contractual cash inflows	731.192	172.774	731.192	172.774
20	TOTAL CASH INFLOWS	4.168.919	1.779.283	3,435,888	1.682.798
				Upper limit	applied
			,	amou	
21	TOTAL HQLA			4.284.356	3.183.015
22	TOTAL NET CASH OUTFLOWS			2.384.273	1.788.896
23	Liquidity Coverage Ratio (%)			179,69	177,93

<sup>&</sup>lt;sup>(1)</sup>Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2016 are as follows.

Liquidity Coverage Ratio (%)	Pr	or period
	TL+FC	FC
Lowest	128,75	137,50
Date	October 29, 2016	October 10, 2016
Highest	235,90	254,80
Date	December 26, 2016	December 3, 2016
Average (%)	179,69	177,93

(Thousand of Turkish Lira (TL) unless otherwise stated)

# V. Explanations on liquidity risk (continued):

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1+3 months	3-12 months	1-5 years	Over 5 years	Unallocated	Tota
Assets								
Cash (cash in vault, foreign								
currency, money in transit								
cheques purchased) and								
balances with the Central Bank								
of Republic of Turkey	1.379.495	2 850 427						
Banks		3.629.137	***	•	•	•	*	5.008.633
	1.518.172	516.815	62.609	~	•	-	+	2.097.796
Financial Assets at Fair Value								
Through Profit and Loss	403.679	267	-	-	962	573.947	•	978.855
Money Market Placements	-	•	-	•	•	-	-	
Available-For-Sale Financial								
Assets	7.126	9.838	437.933	387.521	758.053	48.535	•	1.649.006
Loans <sup>(*)</sup>		1.326.007	1.235.610	4.858.855	12,233,983	2.575.448	646,467	22.876.370
Held-To-Maturity Investments	*		233,196	780	391.396		*	625,372
Other Assets	-	-	Ŕ	117	103		980.322	980.55(
***************************************								
Total Assets	3.308,472	5.482.064	1,969,556	5.247.273	13.384.497	3.197.930	1.626.789	34.216.581
Liabilities								-
Current account and funds								
collected from banks via								
participation accounts	744,183	519.740	119,174	42.124				4 400 004
Other current and profit sharing	1-1-1,100	D13.140	115.114	44.124	•	•	+	1.425.221
accounts	5.042.810	10 153 000	4.000 440	4 600 440				
Funds provided from other	5.042.010	12.153.890	4.096.410	1.033.115	19.356	•	-	22.345.581
financial institutions and								
subordinated loans	-	513.292	1,969,513	1.188.224	1.404.822	1.496.112	-	6.571,963
Money Market Borrowings	•	105.000	•	*	_	~	-	105.000
Marketable securities issued	*	-	•	-	-	-	-	
Miscellaneous payables	•	189.418	44,327	12.362	-	-	855.878	1,101,985
Other liabilities	64	60.263	6.741	223	-	-	2,599,604	2.666.831
Total Liabilities	5.786,993	13.541.603	6.235.165	2.276,048	1.424.178	1.496.112	3.455.482	34.216.581
		*		·····				
Net Liquidity Gap	(2.478.521)	(8.059.539)	(4.266.609)	2.971.225	11.960.319	1.701.818	(1.828.693)	*
Vet Off-balance sheet			×	·····	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~			····
Position		(883)	4.770			_	_	3.887
Financial Derivative Assets	······································	158.945	223.558	5.191	·····			387,704
Financial Derivative Liabilities		159.828	218,798	5.191	•	•	•	383.817
Yon-cash Loans	4.583.932	139.971	449,120	1.858.188	973.855	37.311	·	8.042.377
			702786		315.433	21.211		G,442.3/1
Prior period								
Total Assets	3,353,916	5.376.599	1.826,859	7.070.374	12.139.159	1,473,542	1.610.289	32.850.738
Total Liabilities	5.430.950	15.035.467	2.984.109	3.460.644	1.449.996	1.495.260	2.994.312	32.850.738
vet Liquidity Gap	(2.077.034)	(9.658.868)	(1.157.250)	***************************************	15 555 755			~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
TO REGULET GETS	12.011.054)	(3.030.000)	(1.137.830)	3.609,730	10.689.163	(21.718)	(1.384.023)	
let Off-balance sheet		······································		·	······			
osition	n	*	64.824		-	*	-	64.824
Financial Derivative Assets		945	538.765	2.178	~	-		541.888
			-					w
Financial Derivative								
	_	945	473.941	2.178	_	_	_	477.064

Continue to the same included under loans. Unailocated amount represents the amount erising from advances granted for leasing receivables and net non-performing loans.



Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here.

The unallocated other fiabilities column consists of equity, provisions and (if any) deferred tax fiabilities.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## VI. Explanations on leverage ratio:

As of June 30, 2017, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 5,16% (December 31, 2016: 5,27%). Leverage ratio is required to remain minimum 3% as per Communiqué on Measurement and Evaluation for Leverage Ratios of Banks. The reason for the difference in leverage ratio between current and previous period is the average increase ratio of total risk amount is more than the average increase ratio of core capital.

*******		Current Period	Prior Period
		June 30,	December 31,
	Balance sheet assets	2017(*)	2016(*)
1	Balance sheet assets (excluding derivative financial assets and		
•	credit derivatives, including collaterals)		
2	(Assets deducted from Core capital)	33.723.057	31,308,239
3	Total rick amount of halance about any and a contract of halance about the capital of halance about the	(52.824)	(62.304)
	Total risk amount of balance sheet assets (sum of lines 1 and 2)	33.670.233	31.245.935
4	Derivatives financial assets and credit derivatives	~	
4	Cost of replenishment for derivative financial assets and credit		
5	derivatives	168	45.286
Ð	Potential credit risk amount of derivative financial assets and credit		
	derivatives	8.938	9.860
6	Total risk amount of derivative financial assets and credit derivatives		2.000
***************************************	(sum of lines 4 and 5)	9.106	55.146
	Financing transactions secured by marketable security or	The state of the s	V&1170
	commodity		
7	Risk amount of financing transactions secured by marketable	<del></del>	······································
	security or commodity (excluding Balance sheet)	625.743	218.594
8	Risk amount arising from intermediary transactions	₩₩₩¬₽	210,554
9	Total risk amount of financing transactions secured by marketable	-	-
<del></del>	Security or commodity (sum of lines 7 and 8)	625.743	218,594
	Off-balance sheet transactions	UEU-170	Z 10.054
10	Gross notional amount of off-balance sheet transactions	9.618.853	0.000.000
11	(Correction amount due to multiplication with credit conversion rates)	3.010.000	9.809.355
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	9.618.853	A 844 ACC
	Capital and total risk	9.010.000	9.809.355
13	Core Capital	0.000.047	2 4 2 4 4 4 4 4
14	Total risk amount(sum of lines 3, 6, 9 and 12)	2.266.217	2.176.537
	Leverage ratio	43,923,935	41.329.030
15	Leverage ratio (%)	# 40	*
(1) "(1)	s melitaria di managana afilia la ang	5,16	5,27

<sup>(&</sup>quot;) The arithmetic average of the last 3 months in the related periods

# VII. Explanations on presentation of financial assets and liabilities at fair value:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# VIII. Explanations regarding the activities carried out on behalf and account of other persons:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IX. Explanations on risk management:

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables which have to be prepared within the scope of Internal rating-based (IRB) approach have not been presented.

## a. Risk management strategy and weighted amounts:

#### a.1. Risk management strategy:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### a.2. Risk weighted amounts: /

		······································	·····	Minimum capital
		Risk Weighte		requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)			
~	(CCR)	18.470.801	20.911.373	1.477.664
2	Standardised approach (SA)	18,470,801	20.911.373	1.477.664
3	Internal rating-based (IRB) approach		-	**
4	Counterparty credit risk	2.786	37.318	223
5	Standardised approach for counterparty credit risk			
_	(SA-CCR)	2.786	37.318	223
6	Internal model method (IMM)		_	
7	Basic risk weight approach to Internal models			
	equity position in the banking account			•
8	Investments made in collective investment			
	companies - look-through approach	*		_
9	Investments made in collective investment			
	companies - mandate-based approach	_	•	
10	Investments made in collective investment			
	companies - 1250% weighted risk approach			
11	Settlement risk	-		_
12	Securitization positions in banking accounts	_	-	
13	IR8 ratings-based approach (R8A)		_	_
14	IRB Supervisory Formula Approach (SFA)		_	
15	SA/simplified supervisory formula approach		_	-
	(SSFA)	_	_	
16	Market risk	2.210.375	88.758	176.830
17	Standardised approach (SA)	2.210.375	88.758	176.830
18	Internal model approaches (IMM)	2.2.10.010	00.700	170,030
19	Operational Risk	1.998.309	1.720.462	450 005
20	Basic Indicator Approach	1.998.309	1.720.462	159.865
21	Standard Approach	1.530.505	1.120.402	159.865
22	Advanced measurement approach	•	•	
23	The amount of the discount threshold under the	-	-	*
	equity (subject to a 250% risk weight)			
24	Floor adjustment	•	-	<u>-</u>
<del>-114</del> - 2	· ····································	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	22.682.271	22.757.911	1.814.582

# b. Financial statements and regulatory exposures reconciliation:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".



(Thousand of Turkish Lira (TL) unless otherwise stated)

# IX. Explanations on risk management (continued):

- c. Credit risk:
- c.1. General information on credit risk:

## c.1.1. General qualitative information on credit risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### c.1.2. Credit quality of assets:

	Current Period	statements prepared	g value in financial in accordance with ig Standards (TAS)	Allowances/ amortisation and	
		Defaulted	Non-defaulted	impairments	Net values
1	Loans	1.424.898	22.364.168	912.696	22.876.370
2 3	Debt securities Off-balance sheet	•	2.274.545	3.016	2.271.529
	exposures	92.556	9.370.865	30.124	9.433.297
4	Total	1.517.454	34.009.578	945.836	34.581.196

<del></del>	·············	WA			
	Prior Period	statements prepared i Turkish Accountin	g value in financial in accordance with g Standards (TAS)	Allowances/ amortisation and	
	······································	Defaulted	Non-defaulted	impairments	Net values
1	Loans	1.105.954	22.313.281	697.181	22.722.054
2	Debt securities	+	2.052.558	7,585	2.044.973
3	Off-balance sheet			7,000	E.WHH.DIU
<del></del>	exposures	90.015	9.842.339	37.036	9,895,318
4	Total	1.195.969	34,208,178	741.802	34.662.345

# c.1.3. Changes in stock of default loans and debt securities:

*********		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period		
-	1	1.195,969	519.163
2	Loans and debt securities that have defaulted since the last reporting period	446.327	790.342
3	Receivables back to non-defaulted status		
~		133	287
4	Amounts written off	4,229	76
S	Other changes	6727	/ t)
		120.480	113,173
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1.517.454	1.195.969
***************************************		11-211-242-4	E00.001.:

# c.1.4. Additional information on credit quality of assets:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### c.2. Credit risk mitigation

# c.2.1 Qualitative disclosure on credit risk mitigation techniques:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

AKİS BAĞIMSIZ DENETİM VE SERBEST AUĞLAŞEBECİ MALI MÜŞAVİRLIK A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# IX. Explanations on risk management (continued):

# c.2.2 Credit risk mitigation techniques:

Current Period	Exposures unsecured: carrying amount as pes TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	14.476.250	8.400.120	4.068.742	1.382.097	338,471	0011403462	OC:1490462
<ol><li>Dept securities</li></ol>	2.271.529		**	_	*	_	-
3 Total 4 Of which	16.747.779	8,400,120	4.068.742	1.382.097	338.471	-	•
defaulled	480.125	166.342	82.127	705	357		

	Prior Period	Exposures unsecured: carrying amount as pes TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Coliateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	17.191.241	5.530,813	3.856.520	1.342.508	670.447		_
2	Dept securities	2.044.973		•	*	#/0.711		
3	Total	19.236.214	5.530.813	3.856,520	1,342,508	670.447		<u>.</u>
4	Of which				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	VI (41-4.)	-	•
····	defaulted	424.410	103.039	89.234	1.778	916		

(Thousand of Turkish Lira (TL) unless otherwise stated)

# IX. Explanations on risk management (continued):

# c.3. Credit risk under standardised approach:

# c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

# c.3.2. Credit risk exposure and credit risk mitigation techniques:

Current Period			Exposures	before Credit	Credit Risk I	Mitigation and	Dick Wainht	ad Avarana
Orbidance		Coverant Davin at	Convers	Conversion Rate and		es post-Credit		
Risk classes	*******	Current Period	Credit R	isk Mitigation				
Receivables from central governments or central banks   5.067.936   1.806   5.067.936								
Receivables from central governments or central banks   5.067.936   1.806   5.067.936   5.03   159.415   3.15%		Risk classes						
Secretables from regional or central banks   5.067.936   1.806   5.067.936   503   159.415   3.15%	1		assivers.	amount	amount	amount	RWA	density
Danks   Securables from regional or local governments   31   1.032   31   515   273   50,00%								
Receivables from regional or local governments 31 1.032 31 515 273 50,00% administrative units and non-commercial enterprises 31.488 34.930 31.488 17.034 40.702 83,88% Receivables from multilateral development banks  Receivables from linternational organizations  Receivables from banks and brokerage houses 7 Receivables from banks and brokerage houses 8 8.486.005 5.245.000 8.486.005 3.260.974 11.116.474 94,63% Receivables secured by mortgages on property 1.036.289 77.638 1.036.289 30.279 377.483 35.39% Receivables secured by mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% property BRSA 13 Securities collateralized by mortgages (1.647.719 3.343 1.647.719 669 949.737 57,62% 17.6		banks	5.067.936	1.806	5 067 936	ธกร	150 415	2 4 5 6 7
Receivables from administrative units and non-commercial enterprises   31.488   34.930   31.488   17.034   40.702   83,88%   Receivables from multilateral development banks   5   Receivables from international organizations   8   Receivables from banks   2.126.881   209.764   2.126.881   176.604   1.023.189   44,42%   Receivables from banks   3.560.350   3.026.685   3.560.350   3.260.974   11.116.474   94,63%   Retail receivables   3.560.350   3.026.685   3.560.350   3.109.490   65,87%   Receivables secured by mortgages on property   1.036.289   77.638   1.036.289   30.279   377.483   35,39%   Receivables secured by mortgages on commercial property   2.022.202   647.111   2.022.202   408.927   1.250.361   51,43%   1.26.89	2	Receivables from regional			0.00,100.0	303	139.410	3,15%
Receivables from administrative units and non-commercial enterprises   31.488   34.930   31.488   17.034   40.702   83,88%	_		31	1.032	31	515	273	EU 900%
Non-commercial enterprises   31.488   34.930   31.488   17.034   40.702   83,68%	3				٠.	010	470	50,00%
## Receivables from multilateral development banks    Receivables from international organizations   Receivables from banks and brokerage houses   Receivables from corporates   8.486.005   5.245.000   8.486.005   3.260.974   11.116.474   94.63%   8.86289   8.66289   3.560.350   3.026.685   3.560.350   3.109.490   65.87%   8.6289   30.279   377.483   35.39%   8.6289   30.279   377.483   35.39%   8.6289   30.299   3.029.202   408.927   1.250.361   51,43%   8.6289   8.6								
Receivables from multilateral development banks  Receivables from international organizations  Receivables from banks and brokerage houses and corporates  Receivables from corporates  Receivables secured by mortgages on property Receivables secured by mortgages on commercial property Past due receivables 393.049  Receivables defined in high risk category by BRSA  Short-term receivables from banks and brokerage houses 7.638  Retail receivables 3.560.350  Retail receivables 3.560.350  Receivables secured by mortgages on property 1.036.289  Receivables secured by mortgages on commercial property 2.022.202  Receivables defined in high risk category by BRSA  Securities collateralized by mortgages  Investments similar to collective investment funds  Other receivables 1.647.719  Requity share investments								
Tecevables from multilateral development banks   Secevables from banks   Although			31.488	34.930	31.488	17.034	40,702	83.88%
banks Receivables from international organizations Receivables from banks and brokerage houses Receivables from banks and brokerage houses Receivables from corporates Receivables from corporates Receivables from corporates Receivables from corporates Receivables 3.560.350 3.026.685 3.560.350 1.160.599 3.109.490 65,87% Receivables secured by mortgages on property Receivables secured by mortgages on commercial property Past due receivables Receivables defined in high risk category by BRSA Securities collateralized by mortgages Investments similar to collective investment funds Cother receivables Investments similar to collective investments Cother receivables Receivables I.647.719 3.343 1.647.719 669 949.737 57,62% Receivables from banks, brokerage houses and corporates Cother receivables Cother receivables Receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%	4							,,-
Receivables from international organizations   Receivables from banks and brokerage houses   2.126.881   209.764   2.126.881   176.604   1.023.189   44,42%   Receivables from corporates   8.486.005   5.245.000   8.486.005   3.260.974   11.116.474   94,63%   Retail receivables   3.560.350   3.026.685   3.560.350   1.160.599   3.109.490   65,87%   mortgages on property   1.036.289   77.638   1.036.289   30.279   377.483   35,39%   Receivables secured by mortgages on commercial property   2.022.202   647.111   2.022.202   408.927   1.250.361   51,43%   1.250.361   1.2		hanke						
international organizations Receivables from banks and brokerage houses Receivables from corporates Receivables from corporates Receivables secured by mortgages on property Receivables secured by mortgages on commercial property Receivables 393.049 Receivables 393.049 Receivables secured by mortgages on commercial property Receivables 393.049 Receivables 393.049 Receivables secured by mortgages on commercial property Receivables secured by mortgages on commercial property Receivables 393.049 Receivables defined in high risk category by BRSA Securities collateralized by mortgages Investments similar to collective investment funds Colher receivables Receivables Receivables defined in high risk category by Receivables from banks, brokerage houses and corporates Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables and corporates Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables and corporates Receivables and corporates Receivables and corporates Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables and corporates Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables defined in high risk category by Receivables Receivables defined in Receivables Receivables defined in Receivables Receivables defined in Receivables Receivables defined in Receivables Receivables defined in Receivables Receivables defined in Receivables Receivables defined in Receivables Receivables defined in Receivables Receivables defined in Receivables Receivables defined in Receiv	5		-	-	-	•	-	-
organizations Receivables from banks and brokerage houses 2.126.881 209.764 2.126.881 176.604 1.023.189 44,42% Receivables from corporates 8.486.005 5.245.000 8.486.005 3.260.974 11.116.474 94,63% Retail receivables 3.560.350 3.026.685 3.560.350 1.160.599 3.109.490 65,87% Receivables secured by mortgages on property 1.036.289 77.638 1.036.289 30.279 377.483 35,39% Receivables secured by mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% Receivables defined in high risk category by BRSA Securities collateralized by mortgages Short-term receivables from banks, brokerage houses and corporates Investments similar to collective investment funds Cither receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%	-							
Receivables from banks and brokerage houses 2.126.881 209.764 2.126.881 176.604 1.023.189 44,42% Receivables from corporates 8.486.005 5.245.000 8.486.005 3.260.974 11.116.474 94.63% Retail receivables 3.560.350 3.026.685 3.560.350 1.160.599 3.109.490 65,87% mortgages on property 1.036.289 77.638 1.036.289 30.279 377.483 35,39% mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% 12.885 Receivables defined in high risk category by BRSA Securities collateralized by mortgages and corporates Investments similar to collective investment funds 1.647.719 3.343 1.647.719 669 949.737 57,62% Required for the street of the street			_					
and brokerage houses Receivables from corporates Receivables secured Receivables secured by mortgages on property mortgages on commercial property Receivables Rec	6		•	-	-	-	-	-
Receivables from corporates 8.486.005 5.245.000 8.486.005 3.260.974 11.116.474 94,63% 8 Retail receivables 3.560.350 3.026.685 3.560.350 1.160.599 3.109.490 65,87% 9 Receivables secured by mortgages on property 1.036.289 77.638 1.036.289 30.279 377.483 35,39% 10 Receivables secured by mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% 12 Receivables 393.049 393.049 393.049 443.677 112,88% 12 Receivables defined in high risk category by BRSA 13 Securities collateralized by mortgages houses and corporates 1.05 Investments similar to collective investment funds 15 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62% 18 Total 15 Investments investments 16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%		and brokerage houses	2.126 881	209.764	2 126 001	470 004	4 000 400	
Retail receivables 3.560.350 3.026.685 3.560.350 1.160.599 3.109.490 65,87% Receivables secured by mortgages on property 1.036.289 77.638 1.036.289 30.279 377.483 35,39% mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% 12.88% Receivables defined in high risk category by BRSA 13 Securities collateralized by mortgages 14 Short-term receivables from banks, brokerage houses and corporates 15 Investments similar to collective investment funds 16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62% 18 Total 17 Equity share investments	7	Receivables from		200.104	2.120.001	176,004	1.023.189	44,42%
8 Retail receivables 3.560.350 3.026.685 3.560.350 1.160.599 3.109.490 65,87% Receivables secured by mortgages on property 1.036.289 77.638 1.036.289 30.279 377.483 35,39% mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% 12 Receivables defined in high risk category by BRSA 13 Securities collateralized by mortgages 14 Short-term receivables from banks, brokerage houses and corporates Investments similar to collective investment funds 15 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62% 18 Equity share investments		1	8.486.005	5.245.000	8 486 005	3 360 07 <i>1</i>	11 112 474	D4 000/
Receivables secured by mortgages on property 1.036.289 77.638 1.036.289 30.279 377.483 35,39% receivables secured by mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% 393.049 393.049 - 443.677 112,88% Receivables defined in high risk category by BRSA 393.049 - 393.049 - 443.677 112,88% by mortgages 14 Short-term receivables from banks, brokerage houses and corporates 15 Investments similar to collective investment funds 1.647.719 3.343 1.647.719 669 949.737 57,62% Equity share investments			3.560.350	3.026.685				
Receivables secured by mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% 12 Receivables defined in high risk category by BRSA 13 Securities collateralized by mortgages 14 Short-term receivables from banks, brokerage houses and corporates 15 Investments similar to collective investment funds 1.647.719 3.343 1.647.719 669 949.737 57,62% 18 Total To	9	Receivables secured by				77100.000	0.105.430	US,6776
mortgages on commercial property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% 12 Receivables defined in high risk category by BRSA 393.049 393.049 443.677 112,88% by mortgages by	45	mortgages on property	1.036.289	77.638	1.036.289	30.279	377 4R3	35 30%
property 2.022.202 647.111 2.022.202 408.927 1.250.361 51,43% 12 Receivables defined in high risk category by BRSA 13 Securities collateralized by mortgages 14 Short-term receivables from banks, brokerage houses and corporates 15 Investments similar to collective investment funds 16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62% 17 Equity share investments	10						***************************************	20,0075
11 Past due receivables 393.049 393.049 443.677 1.250.361 51,43% 12 Receivables defined in high risk category by BRSA 13 Securities collateralized by mortgages 14 Short-term receivables from banks, brokerage houses and corporates 15 Investments similar to collective investment funds 16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62% 17 Equity share investments								
Receivables defined in high risk category by BRSA  13 Securities collateralized by mortgages 14 Short-term receivables from banks, brokerage houses and corporates 15 Investments similar to collective investment funds 16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62% 17 Equity share investments	11			647.111		408.927	1.250.361	51,43%
high risk category by BRSA  13 Securities collateralized by mortgages  14 Short-term receivables from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%			393.049	*	393.049	-	443,677	
BRSA  Securities collateralized by mortgages  14 Short-term receivables from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%  17 Equity share investments	`*							
by mortgages  14 Short-term receivables from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%  17 Equity share investments		BRSA						
by mortgages  14 Short-term receivables from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%  17 Equity share investments	13		•	-	-	-	-	•
Short-term receivables from banks, brokerage houses and corporates  Investments similar to collective investment funds  Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%  Total Total Collection investments			_	_				
houses and corporates Investments similar to collective investment funds  16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%  17 Equity share investments	14			-	-	•	-	~
houses and corporates Investments similar to collective investment funds  16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%  17 Equity share investments		from banks, brokerage						
collective investment funds  16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%  18 Total 7.54 7.55 7.62%		houses and corporates	_	_				
funds 16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62% 17 Equity share investments	15					•	-	*
16 Other receivables 1.647.719 3.343 1.647.719 669 949.737 57,62%  18 Total 7.54 24 24 24 25 25 25 25 25 25 25 25 25 25 25 25 25								
17 Equity share investments 57,62%	40		-	•	•	**	*	_
1/ Equity share investments			1.647.719	3.343	1.647,719	669	949.737	57.62%
24.371.950 9.247.309 24.371.950 5.056.104 18.470.801 62,77%			_		_			~ 1 1 to 40 (t)
	10	(Utd)	24.371.950	9.247.309	24.371.950	5.056.104	18.470.801	62,77%



(Thousand of Turkish Lira (TL) unless otherwise stated)

# IX. Explanations on risk management (continued):

# c.3.2. Credit risk exposure and credit risk mitigation techniques (continued):

Prior   Period   Credit Risk Mitigation   Conversion Rate   Risk classes   Circulation   Circulati	********	Priar Period	Conver	before Credit sion Rate and isk Mitigation	Exposur	Mitigation and es post-Credit	Risk Weighted Average and Risk Weighted	
Risk classes	*Hammu		On-balance	Off-balance	On-balance	Off-balance	Aver	age Density
Receivables from central banks   5.289.536   2.377   5.289.536   614   1.449.554   27,40%   Receivables from regional or local governments   17   1.049   17   5.19   268   50,00%   3.7659   3.659		Risk classes					C'II A L	
Central banks   5.289.536   2.377   5.289.536   614   1.449.554   27,40%	1		2111071232	4133QQQ	amount	amount	KWA	density
Receivables from regional or local governments   17   1.049   17   519   268   50,00%   38,86%   18,00%   38,499   19,694   18,398   37,659   98,86%   37,659   38,86%   37,659   38,86%   37,659   38,86%   37,659   38,86%   37,659   38,86%   38,499   38,								
Receivables from regional or local governments			5.289.536	2.377	5.289.536	614	1 440 554	27.409/
Security   Security	2				01204,44,6	4:4	1,443.554	27,4070
Receivables from administrative units and non-commercial enterprises 19.694 38.499 19.694 18.398 37.659 98,86% multilateral development banks 330 66 86 8 8 8 8 9 9 9 9 9 9 9 9 9 9 9 9 9								
Receivables from administrative units and non-commercial enterprises 19.694 38.499 19.694 18.398 37.659 98,86% Receivables from multilateral development banks - 330 - 66 Receivables from international organizations			17	1.049	17	519	268	50.00%
Non-commercial enterprises   19.694   38.499   19.694   18.398   37.659   98,86%	3					2,0	200	30,0078
## Receivables from multilateral development banks   330   330   66   66   66   66   66								
Receivables from multilateral development banks - 330 - 666 - 55, 1836 - 330 - 666 - 55, 1836 - 330 - 666 - 55, 1836 - 566 - 5								
Receivables from multilateral development banks			19.694	38.499	19.694	18.398	37 659	MAR RO
banks       330       - 66         Receivables from international organizations       - 2.193.259       160.958       2.193.259       126.965       974.683       42,01%         Receivables from banks and brokerage houses       2.193.259       160.958       2.193.259       126.965       974.683       42,01%         Receivables from corporates       9.037.195       6.043.517       9.037.194       3.826.074       12.252.669       95,25%         Retail receivables secured by mortgages on property mortgages on property mortgages on property mortgages on commercial property       511.961       157.291       511.961       80.985       212.268       35,80%         10       Receivables secured by mortgages on commercial property mortgages on commercial property       1.582.323       410.033       1.582.323       331.130       977.531       51.09%         12       Receivables defined in high risk category by BRSA       340.793       - 340.793       - 393.759       115,54%         13       Securitles collateralized by mortgages houses and corporates from banks, brokerage houses and corporates linvestment funds       - 1.427.906       3.992       1.427.906       606       816.752       57,18%         16       Other receivables       1.427.906       3.992       1.427.906       606       816.752       57,18% <td>4</td> <td>Receivables from</td> <td></td> <td></td> <td></td> <td></td> <td>27.7540</td> <td>20,0070</td>	4	Receivables from					27.7540	20,0070
Receivables from international organizations   Receivables from banks and brokerage houses   2.193.259   160.958   2.193.259   126.965   974.683   42,01%   Receivables from corporates   9.037.195   6.043.517   9.037.194   3.826.074   12.252.669   95,25%   8   Retail receivables   4.045.396   3.073.087   4.045.397   1.237.040   3.796.230   71,87%   9.037.194   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.195   1.237.040   3.796.230   71,87%   9.037.040   3.796.230   9.037.040   3.796.230   3.037.040   3.796.230   3.796.230   3.796.230   3.796.230   3.796.230   3.						•		
international organizations Receivables from banks and brokerage houses Receivables from corporates Receivables from corporates Receivables secured by mortgages on commercial property Receivables 340.793 Receivables 340.793 Receivables 340.793 Receivables secured by mortgages on commercial property Receivables 340.793 Receivables collateralized by mortgages Receivables defined in high risk category by BRSA Short-term receivables from 9.037.195 Receivables collateralized by mortgages on company by mortgages on company by mortgages on commercial property Receivables defined in high risk category by BRSA Short-term receivables from banks, brokerage houses and corporates Short-term similar to collective investment funds Receivables 1.427.906 Receivables 1.427.906 Receivables 1.427.906 Receivables defined in high risk category by BRSA Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables defined in high risk category by BRSA Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables defined in high risk category by BRSA Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables defined in high risk category by BRSA Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages Receivables collateralized by mortgages con commercial property Receivables collateralized by mortgages con commercial property Receivables and receivables collateralized by mortgages con commercial property Receivables secured by mortgages con commercial property Receivables secured by mortgages con commercial property Receivables secured by mortgages con commercial property Receivables secured by mortgages co			-	330	-	66		
The process of the property   Part of the p	b							
Receivables from banks and brokerage houses 2.193.259 160.958 2.193.259 126.965 974.683 42.01% Receivables from corporates 9.037.195 6.043.517 9.037.194 3.826.074 12.252.669 95.25% Retail receivables 4.045.396 3.073.087 4.045.397 1.237.040 3.796.230 71,87% mortgages on property 511.961 157.291 511.961 80.985 212.268 35,80% Receivables secured by mortgages on commercial property 1.582.323 410.033 1.582.323 331.130 977.531 51.09% 12.252.669 95.25% 1.237.040 3.796.230 71,87% 1.237.040 3.0985 212.268 35,60% 1.237.040 3.796.230 71,87								
Analysis			-	•	-	-	-	-
Receivables from corporates   9.037.195   6.043.517   9.037.194   3.826.074   12.252.669   95,25%   8   Retail receivables   4.045.396   3.073.087   4.045.397   1.237.040   3.796.230   71,87%   9.037.194   80.985   212.268   35,80%   1.237.040   3.796.230   71,87%   1.237.040   3.826.074   1.237.040   3.826.074   1.237.040   3.796.230   71,87%   1.237.040   3.796.230   71,87%   1.237.040   3.826.074   1.237.040   3.82	Ð							
Corporates 9.037.195 6.043.517 9.037.194 3.826.074 12.252.669 95,25% Retail receivables 4.045.396 3.073.087 4.045.397 1.237.040 3.796.230 71,87% mortgages on property 511.961 157.291 511.961 80.985 212.268 35,80% mortgages on commercial property 1.582.323 410.033 1.582.323 331.130 977.531 51,09% mortgages on commercial property 1.582.323 410.033 1.582.323 331.130 977.531 51,09% 340.793 340.793 340.793 3393.759 115,54% Receivables defined in high risk category by BRSA 5.2 57,18% Securitles collateralized by mortgages 5.2 5.2 5.2 5.2 5.2 5.2 5.2 5.2 5.2 5.2	•••		2.193.259	160.958	2.193.259	126.965	974.683	42.01%
8 Retail receivables 4.045.396 3.073.087 4.045.397 1.237.040 3.796.230 71,87%   9 Receivables secured by mortgages on property 511.961 157.291 511.961 80.985 212.268 35,80%   10 Receivables secured by mortgages on commercial property 1.582.323 410.033 1.582.323 331.130 977.531 51,09%   11 Past due receivables 340.793 340.793 340.793 393.759 115,54%   12 Receivables defined in high risk category by BRSA	- 1		~ ~~~					• • • • •
Receivables secured by mortgages on property   511.961   157.291   511.961   80.985   212.268   35,80%	Q					3.826.074	12.252,669	95,25%
mortgages on property Receivables secured by mortgages on commercial property 1.582.323 1.593.759 1.554%			4.045.396	3.073.087	4.045.397	1.237.040	3,796.230	
10 Receivables secured by mortgages on commercial property 1.582.323 410.033 1.582.323 331.130 977.531 51,09% 12 Receivables 340.793 - 340.793 - 393.759 115,54% 13 Securities collateralized by mortgages 14 Short-term receivables from banks, brokerage houses and corporates 15 Investments similar to collective investment funds 16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% 18 Total 16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% 18 Total 18	3		CAA OCA	******				
mortgages on commercial property 1.582.323 410.033 1.582.323 331.130 977.531 51,09% 11 Past due receivables 340.793 - 340.793 - 340.793 - 393.759 115,54% 115,	10		311.901	157.291	511.961	80.985	212.268	35,80%
1.582.323	,,,	modesnes on						
Past due receivables 340.793 - 340.793 - 393.759 115,54% Receivables defined in high risk category by BRSA Securitles collateralized by mortgages - Short-term receivables from banks, brokerage houses and corporates - Investments similar to collective investment funds Investments 1.427.906 3.992 1.427.906 606 816.752 57,18%  Total			1 500 202	440.000	4 700 000			
Receivables defined in high risk category by BRSA  Securitles collateralized by mortgages  Short-term receivables from banks, brokerage houses and corporates  Investments similar to collective investment funds  Other receivables  1.427.906  393.759  115,54%  393.759  115,54%  393.759  115,54%  393.759  115,54%  606  816.752  57,18%	11			410,033		331.130		
high risk category by BRSA  13 Securitles collateralized by mortgages  14 Short-term receivables from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18%			340.133	-	340.793	-	393.759	115,54%
BRSA Securitles collateralized by mortgages  14 Short-term receivables from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% Equity share investments	`-							
Securities collateralized by mortgages  14 Short-term receivables from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% investments		BRSA						
by mortgages  14 Short-term receivables from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% investments	13		•	•	•	-	•	-
Short-term receivables from banks, brokerage houses and corporates  Investments similar to collective investment funds  Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% investments			_					
from banks, brokerage houses and corporates  15 Investments similar to collective investment funds  16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% 17 Equity share investments	14	Short-term receivables		-	*	-	•	-
houses and corporates  Investments similar to collective investment funds  Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% investments		from banks, brokerage						
15 Investments similar to collective investment funds 16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% 17 Equity share investments			•					
funds 16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% 17 Equity share investments	15				-	•	-	-
16 Other receivables 1.427.906 3.992 1.427.906 606 816.752 57,18% investments		collective investment						
17 Equity share investments			н.	-	_	_		
17 Equity share investments		Other receivables	1.427.906	3.992	1,427,906	eue -	816 750	E7 109/
40 7.4-3	17	Equity share		_,=~m	11	000	u (0.7 az	31,1070
18 Total 24.448.080 9.891.133 24.448.080 5.622.397 20.911.172 60.64%		<del></del>				•	_	
	18	Total	24.448.080	9.891.133	24.448.080	5,622,397	20 911 373	¥0.8 03



BAĞIMSIZ DENETIM VE SERBEST MENSEBECI MALI MÜŞAVIRLIK A.Ş.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2017 (Thousand of Turkish Lira (TL) unless otherwise stated)

Explanations on risk management (continued): ≚

c.3.3 Exposures by asset classes and risk weights;

8 318.354 75% 100% 150% 200% 75% 100% 150% 200% 75% 100% 150% 200% 75% 100% 150% 200% 75% 100% 150% 200% 200% 200% 200% 200% 200% 200% 2		Current Period				35% secured by							
Receivables from central solutions of central banks with the ceavables from regional or local governments.         4748 847         7318 354         238         700%         200%           Receivables from regional or local solutions or central banks with the safe of central banks and non-commercial antipersis.         7,813         8         770 236         238         2	-	Risk Classes/Risk Weighted	%0	, 00, %	20%	Property		i	-				Total risk amount
Receivables from regional or certifact banks   4.749.847   318.354   238     Receivables from regional or local governments   7.813   8   546       Receivables from administrative urits and non-commercial and non-commercial or property   12.839   770.238   1.302.534   191.454   10.994.162     Receivables from corporates   4.624   1.035.119   7.419   10.558     Receivables from corporates   8.848   4.624   1.035.119   7.419   10.558     Receivables from corporates   8.848   4.624   1.035.119   7.419   10.558     Receivables from corporate   352   54   352   351.536		Receivables from central			A.4 /8	топдаде		75%	100%	150%	200%	Others	(post-CCF and CRM)
Receivables from administrative units and non-commercial units and non-commercial enterprises         7.813         8         40.701           enterprises         Receivables from multilateral development banks         7.813         8         7.70.238         7.302.534         7.71.874           Receivables from international organizations         12.839         7.70.238         1.302.534         2.17.874           Receivables from banks and browkerage houses         12.839         7.70.238         191.454         10.994.162           Receivables from corporates         540.983         38.795         191.454         10.588           Receivables secured by mortgages on property         8.848         4.624         1.035.119         7.419         10.558           Past due receivables secured by mortgages on property         8.848         4.624         1.035.119         7.419         10.558           Past due receivables defined in high risk         352         5         2.361.536         69.593           Receivables defined in high risk         352         5         116.048         58.628           Short-term receivables from banks, howestment funds         10.0527         10.0527         10.0527         10.0527           Equity share investments         10.0533.44         1.447.159         1.447.159         1.447.630 <td></td> <td>governments or central banks Receivables from regional or local</td> <td>4.749.847</td> <td>*</td> <td>•</td> <td>•</td> <td>318,354</td> <td>•</td> <td>238</td> <td>,</td> <td>•</td> <td>·</td> <td>5.068,439</td>		governments or central banks Receivables from regional or local	4.749.847	*	•	•	318,354	•	238	,	•	·	5.068,439
units and non-commercial enterprises         7.813         8         40.701           Receivables from multilateral development banks         7.813         8         40.701           Receivables from international organizations         7.70 238         1.302.534         217.874           Receivables from corporates         428.431         12.839         770 238         1.302.534         10.394.162           Receivables from corporates         428.431         12.839         770 238         19.455         10.394.162           Receivables from corporates         8.848         4.624         1.035.119         7.419         10.594.162           Receivables secured by mortgages         8.848         4.624         1.035.119         7.419         10.558           On commercial property         8.848         4.624         1.035.119         7.419         10.558           Receivables secured by mortgages         8.848         4.624         1.035.119         7.419         10.558           Past due receivables         352         5         5         36.628           Receivables defined in high risk         352         5         116.048         58.628           Scurities collateralized by         352         5         36.628         58.628           <		governments Receivables from administrative	•	ŧ	•	ŧ	546	٠	¥	,	•	•	548
Receivables from international   12.839   770.238   1.302.534   10.994.162   1.202.634		units and non-commercial enterprises Receivables from multitateral	7.813	4	œ	,	,	ı	40.701	,	•	,	48 522
Receivables from banks and protectivables from banks and protectivables from corporates         12.839         770.238         1.302.534         217.874           Receivables from corporates         12.839         770.238         1.302.534         217.874           Retail receivables from corporates         540.983         38.795         191.454         10.394.162           Receivables secured by mortgages on property         8.848         4.624         1.035.119         7.419         10.558           Past due receivables secured by mortgages on commercial property         352         5         2.361.536         69.593           Receivables secured by mortgages on commercial property         352         5         2.361.536         69.593           Receivables defined in high risk calegory by BRSA scalegory         Securities collateralized by mortgages         5         2.361.536         58.58           Short-term receivables from banks, brokerage hourses and corporates         Short-term receivables from banks, brokerage hourses and corporates         Short-term receivables         Short-term receivables           Chine receivables         Equily share investments         510.527         847.630		development banks Receivables from international	•	•	ì	•	ķ	1	*	,	•	٠	
brokerage houses         12.839         770.238         1.302.534         217.874           Receivables from corporates         428.431         132.932         191.454         10.994.162           Retail receivables         540.983         38.795         16.582         4.124.579         10.558           Receivables secured by mortgages         8.848         4.624         1.035.119         7.419         10.558           on commercial property         Receivables secured by mortgages         352         5         2.361.536         69.583           Past due receivables         Receivables defined in high risk         352         5         116.048         58.58           Receivables defined in high risk         Securities collateralized by         352         5         58.58           Short-term receivables from banks, brokerage houses and corporates investments similar to collective investments similar to collective investments similar to collective investments         290.231         510.527         60.587         60.530           Equity stare investments         6.038.344         1.457.129         1.467.129         1.467.129         1.467.129		organizations Receivables from banks and	4	٠	4	ŧ	•	•	•	,	•	\$	,
Retail receivables         540.983         38.795         191.454         10.994.162           Receivables secured by mortgages on property         8.848         4.624         1.035.119         7.419         10.558           on property         Receivables secured by mortgages         352         5         5         2.361.536         69.593           on commercial property         Past due receivables defined in high risk         352         5         5         58.628           Past due receivables defined in high risk         category by BRSA         Securities collateralized by         116.048         58.628           mortgages         Short-term receivables from banks, brokerage houses and corporates investments similar to collective         290.231         510.527         510.527         847.630           Equity share investments         Equity share investments         6.039.344         4.447.199         6.026         6.039.346         6.039.346         6.039.346         6.039.346         6.035.31         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.039.346         6.03		brokerage houses Receivables from corporates	12.839	+ 1	770.238	í	1.302.534	•	217.874	•	٠	•	2.303.485
on property Receivables secured by mortgages On commercial property Past due receivables Receivables secured by mortgages On commercial property Past due receivables Receivables defined in high risk category by BRSA Securities collateralized by mortgages Short-term receivables from banks, prokerage houses and corporates Investments similar to collective investments similar to collective investments Cother receivables Cother rec		Retail receivables Receivables secured by mortgages	540.983		38.795	• •	191.454	4.124.579	10.994.162		٠,	1 1	11.746.979
Past due receivables Receivables defined in high risk 352 5 5 716.048 69.593 Receivables defined in high risk calegory b BRSA Securities collateralized by mortgages Short-term receivables from banks, brokerage houses and corporates investments similar to collective investments similar to collective investments similar to collective investments and corporates investments and corporates investments and corporates investments and collective investments and collective investments and collective investments are investments.		on property Receivables secured by mortgages	8.848	*	4.624	1.035.119	7.419	·	10.558	¥	•		1,066,568
category by BRSA Securities collateralized by mortgages Short-term receivables from banks, brokerage houses and corporates investments similar to collective investments similar to collective investments similar to collective investments Other receivables Equity share investments Total		on commercial property Past due receivables Receivables defined in high risk	352	• •	' kri		2,361,536	+ 1	69.593 58.628	218.016	1 1	i k	2.431.129
Short-term receivables from banks, Short-term receivables from banks, brokerage houses and corporates from banks, Investments similar to collective investment funds Other receivables Equity share investments Total  Food of the receivables  Food o		category by BRSA Securities collateralized by	•	,	ŧ	•	,	•	,	ı	١	•	,
brokerage houses and corporates investments similar to collective investment funds  Equity share investments  Total		mortgages Short-term receivables from banks,	ŧ	1	•	,	1	,	•	•	•	•	•
Other receivables 290.231 510.527 547.630 6039.344 1 447.139 1 0025.40		brokerage houses and corporates investments similar to collective	,	,	•	•	•	•	*	1	ı	ŧ	
Total 6.039.344 . 1 487 190 . 1 005 140	ļ	Other receivables  Equity share investments	290.231	s + +	510.527	, ,	, ,	• •	847.630		t ì		1.648.388
1.055.119 4.314.487 6.1040		Total	6.039.344	1	1.457,129	1,035,119	4 314 483	A 124 E70	* 000 000	, , , ,	*	•	

F-141

42

AKÍS BAĞIMSIZ DENETÎM VE SERBEST MÎLÊNSEBECÎ MALÎ MÜŞAVÎRLÎK A.Ş

30.070.477

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2017
(Thousand of Turkish Lira (TL) unless otherwise stated)

Explanations on risk management (continued):

≚

c.3.3 Exposures by asset classes and risk weights (continued):

				(population) output	· insection							
	Fildr Penod				35% secured by							
	Risk Classes/Risk Weighted	%0	10%	7800	Property							Total Said Later
<b>-</b>	Receivables from central			707	топраде	20%	75%	100%	150%	200%	Othere	Manager and Jacob
N	governments or central banks Receivables from regional or food	2,391,042	•	•	•	2.899.108	•					Control and chim
	governments							•	•	•	•	5,290,150
(7)	Receivables from administrative	,		ŧ	1	536	•	*	*	•	•	4
	units and non-commercial										•	D. C.
	enlerprises	385		₹2								
œ	Receivables from multilateral			5	•	•	•	37.646	•	٠		18 AG7
	development banks	99	,	ŀ								470000
rs	Receivables from international				•	•	•	•	,	Ŧ	ì	ŭ
	Organizations	•										3
Φ	Receivables from banks and		•	•	•	•	*	•	•	•	1	
	brokerage houses	41 400		4							•	•
	Receivables from corporator	200.13	•	888,583	•	1,246,346	•	172 703				
a		392,535	•	131,612	•	225 544		900000000000000000000000000000000000000	•	•	•	2.320.224
	Trial Islandines	186,598	,	35.903		110000	* 1	12.113.5//	•	•	•	12 863 268
	Receivables secured by			· F	•	43.016	5.036.322	1	•	ŧ	٠	701.200.11
	mortgages on property	10.334		5.507	559,078	2 470		4				4,404,436
<u></u>	Receivables secured by						•	2000	ş	1	,	592,946
	modgages on commercial	•										
	property	1	•	1	•	1.871.842	,	41.611	•	1		4
<u>ئ</u> ۔۔۔	Past due receivables	763		ì						•		1,913,453
12	Receivables defined in high risk	3	,	ocy N	•	80.367	,	71 176	188 323			:
	category by BRSA								1000406	ŧ	ŧ	340.793
ņ	Securities collateralized to	•	,	,	,	ı	í	•	,			
	mortgages								•	,	ŧ	•
<u>4</u>	Short-term receivables from	ŧ	•		•	•	1	•	,			
	banks, brokerage houses and								•	•	•	•
	corporates											
ť	Investments similar to collective	•	1	,	•	•	•	•	•			
	investment funds										,	,
÷	Other receivables	200 810	,	- 000	•	٠	•	•	,	1		
17	Equity share investments	20000	,	388.588	•	,	•	739.014				* 6
18	Total	3.294,035		451 607		, ,	•	ŧ	,			710'075'
	400 DECEMBER OF THE PROPERTY O	**************************************		THE CONTRACT OF THE CONTRACT O	0/0/800	6.350.838	5.036.322	13.190.367	188.232			70 070 07
								White the second	WWW.	ACCOUNTAGEMENT		* ンサンハンシャ

F-142

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IX. Explanations on risk management (continued):

#### ç. Counterparty credit risk:

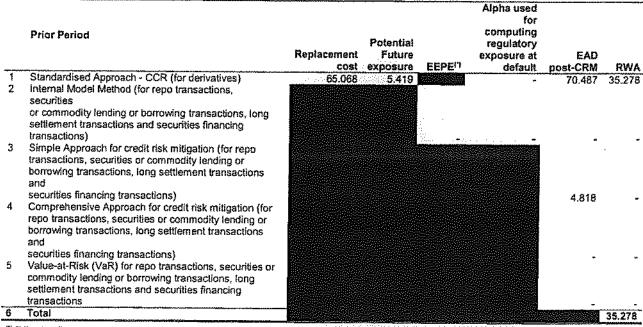
#### ç.1. Qualitative disclosure on counterparty credit risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### ç.2. Counterparty credit risk (CCR) approach analysis:

	Current Period	Replacement cost	Potential Future exposure	EEPE(')	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1 2	Standardised Approach - CCR (for derivatives) Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	109	3.877		-	3.986	2.030
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and					•	-
4	securities financing transactions)  Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and					-	-
5	securities financing transactions) Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					134,000	
6	Total						2.030

<sup>(1)</sup> Effective Expected Positive Exposure



<sup>(1)</sup> Effective Expected Positive Exposure

(Thousand of Turkish Lire (TL) unless otherwise stated)

# IX. Explanations on risk management (continued):

# ç.3. Capital requirement for credit valuation adjustment (CVA):

	Current Peri	od	Prior Perío	ď
	EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital	<del></del>			174674
obligation	•	_		
1 (i) VaR component (including the 3×multiplier)				··
2 (ii) Stressed VaR component (including the	- I			
3×multiplier)		[		
3 All portfolios subject to the Standardised CVA capital				·
obligation	3.986	756	70.487	2.040
4 Total subject to the CVA capital obligation	3.986	756	70.487	2.040

# ç.4. CCR exposures by risk class and risk weights:

<b>Current Period</b>						7.11			
Risk Weighted						······································		****************	<del></del>
Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(*)
Receivables from central		***************************************	······				10070	00101	evboseis.
governments or central banks	134.000	-	-			-	_	_	134.000
Receivables from regional or									154.000
local governments	*	-	-	_	_	_		_	
Receivables from administrative								-	_
units and non-commercial									
enterprises	-	-	-		_	_	_	_	_
Receivables from multilateral									_
development banks	~	-	-		_	-	_		_
Receivables from international									•
organizations	_	_	-	_	-		_	_	_
Receivables from banks and									_
brokerage houses	**	-	16	3.887	-	_	_		3.903
Receivables from corporates	-	_	_	_	_	83			83
Retail receivables		_		_	_	-	_	_	63
Receivables secured by						•	-	-	•
mortgages on property		-	-			_			
Past due receivables	_	_	_	-	-	-	-	-	<b>*</b>
Receivables defined in high risk			_	•	-	-		-	-
category by BRSA		-							
Securities collateralized by				-	•	-	-	-	-
mortgages	_	_	_	_					
Securitisation positions			_	_	-	-	~	•	**
Short-term receivables from		_	•	•	•		-	-	-
banks, brokerage houses and									
corporates	_	_							
Investments similar to collective		_	_	~	-	•	*	•	-
investment funds		_	_						
Equity share investments	_		•	•	-	-	-	-	•
Other receivables	<del>"</del>	_	-	-	-	-	•	-	•
Other assets	-	-	-	*	•	~	-		•
Total	****	#: 			-	*		· -	-
O'Total readit rick responsable the arms.	134.000		16	3.887	+	83		**	137.986

<sup>()</sup> Total credit risk respresents the amount relating to CAR calculation after application of counterparty risk measurement techniques.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## IX. Explanations on risk management (continued):

# ç.4. CCR exposures by risk class and risk weights (continued):

Prior Period					······································	~~~~	***************************************		······································
Risk Weighted	3				<del>Colinaria de la colonia de la</del>		***************************************		····
Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(*
Receivables from central			······································	····					
governments or central banks	4,818	-		_	_	-	_	-	4.818
Receivables from regional or									,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
local governments	_	~	_	-	-	_	-		
Receivables from administrative									
units and non-commercial									
enterprises	-	-	-	-		-		_	_
Receivables from multilateral									
development banks	-	-	~	-	_	-	_		
Receivables from international									
organizations	-	-	-	-		-	-	_	_
Receivables from banks and									
brokerage houses	w	-	10	70.401	-	***	-		70.411
Receivables from corporates		_	-	-		76	_	-	76
Retail receivables	-		_	_			_		
Receivables secured by									-
mortgages on property	_	-	_	-	_		_		_
Past due receivables		_		_	_	_	_		-
Receivables defined in high risk				_	_	_	_	•	-
category by BRSA	_		_			_	_	_	
Securities collateralized by						_	-	•	_
mortgages	-	_	-	_	_	_	_	_	_
Securitisation positions		-	_	_	_	_		-	_
Short-term receivables from					-	-	•	_	-
banks, brokerage houses and									
corporates	_		_	_	_	_			
Investments similar to collective				_		_	-	-	~
investment funds		_	-	_	_	_			
Equity share investments	_		_	_	_	-	-	~	-
Other receivables		_	-	-	**	-	-	*	===
Other assets		_	_		-	-	-	-	•
Total	4.818	······································	10	70.401	<del>-</del>	76		_	~ ~~~
	4,010		1 V	10,401	-	/0	**		75.305

<sup>(1)</sup> Total credit risk respresents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# IX. Explanations on risk management (continued):

#### ç.5. Collaterals for CCR

		ollateral for deriv	ative transacti	ons	Collateral transa	
Current Period	Collatera	ls received	Collatera	ls granted	Collaterals	Collaterals
	Segregated	Unsegregated	Segregated	Unsegregated	received	granted
Cash-domestic currency	*		_	_		
Cash-foreign currency	_				-	*
Domestic sovereign debts	•			•	*	40.4.000
Other sovereign debts		_	_	•	-	134.000
Government agency debts	~	_		-		•
Corporate debts	-		-	•	-	-
Equity securities		_	-	-	*	*
Other collateral	•		-	-	*	-
Total	***************************************		······································			······································
		*		**************************************		134.000
			**************************************		Collateral (	or other
Dring Darind		ilateral for deriva	ilive transactio	ns	transac	tions

<b></b>		ollateral for deriv	alive transacti	ons	Collateral transa	
Prior Period	Collatera	ls received	Collatera	als granted	Collaterals	Collaterals
	Segregated	Unsegregated	Segregated		received	granted
Cash-domestic currency	-	-		_		
Cash-foreign currency	-	_	_	_	-	-
Domestic sovereign debts	-				-	405.400
Other sovereign debts	-		_	-	•	125,130
Government agency debts	-	_	_	*	•	*
Corporate debts		_		•	•	-
Equity securities			•	-	•	•
Other collateral		-	-	*	-	-
Total			······		·····	125.130

# ç.6. Information on the risks of the Bank arising from purchased or sold credit derivatives

The Bank does not have any risks arising from purchased or sold credit derivatives (December 31, 2016; None).

# ç.7. Information on risks of the Bank arising from central counterparty

The Bank does not have any risks arising from central counterparty (December 31, 2016: None).

# d. Information to be announced to public on Securitization:

There is not any information to be announced to public on securitization (December 31, 2016: None).

#### e. Market risk

#### e.1. Qualitative disclosure on market risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

# e.2 Market risk under standardised approach:

· · · · · · · · · · · · · · · · · · ·		Current Period	Prior Period
		RWA	RWA
<u> </u>	utright products <sup>(*)</sup>		
1	Profit rate risk (general and specific)	3.453	37
2	Equity risk (general and specific)	1.948.624	1.908
3	Foreign exchange risk	257.877	86.813
4	Commodity risk	421	00.813
0	ptions	72	-
5	Simplified approach		
ŝ	Delta-plus method	•	**
7	Scenario approach	•	•
3	Securitisation	-	*
) T	otal	2.210.375	88.758

<sup>&</sup>lt;sup>(1)</sup> Outright products refer to positions in products that are not optional.

#### f. Operational risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures A OIMSIZ DENETIM VE

BAĞIMSIZ DENETIM VE SERBEST BUB ASEBECI MALI MÜŞAVIRLIK A.Ş.

akis

(Thousand of Turkish Lira (TL) unless otherwise stated)

# X. Explanations on business segments:

The Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

Current Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	3.365.800	19.670,475	9.298.031	1.882.275	34.216.581
Total Liabilities Total Equity	15.240.000	9.495.331	6,644.971	459,389 2.376,890	31.839.691 2.376.890
Net profit share income/(expense)(*\(^+\))* Net fees and commissions	(164.060)	590.129	116.426	97.150	639.645
income/(expense) Other operating income/(expense) Provision for loan losses and other	13.540 22.957	156.484 (87.162)	(13.459) 96.292	(82.648) (348.989)	73.917 (316.902)
receivables Profit/(loss) before tax Provision for tax	(23.069) (150.632)	(134.816) 524.635	199.259	(76.628) (411.115) (30.850)	(234.513) 162.147 (30.850)
Net profit / (loss) for the period	(150.632)	524.635	199.259	(441.965)	131.297

		Commercial and	······································		<del>~~~</del>
Prior Period	Retail	Corporate	Treasury	Undistributed	Total
Total Assets	3.143.162	19.700.717	8.605.896	1.400.963	32.850,738
Total Liabilities	14.306.903	9.396.852	6.398.938	468.452	30.571.145
Total Equity	•	Ψ.	-	2.279.593	2.279.593
Net profit share income/(expense)(*\") Net fees and commissions	(154.697)	583.426	83.511	1.832	514.072
income/(expense)	8.902	74.768	(13.733)	358	70.295
Other operating income/(expense) Provision for loan losses and other	14.594	(7.860)	12.868	(298.613)	(279.011)
receivables	(14.629)	(84,794)	*	(44.757)	(144.180)
Profit/(loss) before tax	(145.830)	S65.540	82,646	(341.180)	161.176
Provision for tax	-	-	-	(32.626)	(32.626)
Net profit / (loss) for the period	(145.830)	565.540	82.646	(373.806)	128,550

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

<sup>(\*)</sup> Since the management uses net profit share income/(expense) as a performance measurement criteria, profit share income and expense is presented net.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION FIVE**

Explanations and notes on the unconsolidated financial statements

- I. Explanations and notes related to assets:
- a. Cash and balances with the Central Bank of Republic of Turkey (CBRT):

			-	
	Current Pe	riod	Prior Per	iod
****	TL TL	FC	TL	FC
Cash / Foreign currency CBRT Other <sup>(*)</sup>	123.343 13.195 87.142	146,717 4,212,266 425,969	123.254 735.118 81.875	148.150 3.599.536 311.119
Total	223.680	4.784.952	940.247	4.058.805

Includes precious metals amounting to TL 2.585 (December 31, 2016; TL 4.306) and cash in transit amounting to TL 510.526 (December 31, 2016; TL 388.688) as of June 30, 2017.

#### b. Information related to CBRT:

1	Current Pe	riod	Prior Per	od
	TL.	FC	TL	FC
Unrestricted demand deposit Unrestricted time deposit	12.261	584.063	733.965	522.979
Restricted time deposit	934	3.628.203	1.153	3.076.557
Total	13.195	4.212.266	735.118	3.599.536

<sup>(1)</sup> As of June 30, 2017, the reserve requirement held in standard gold is TL 865,082 (December 31, 2016; TL 786,181).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1\*, banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of June 30, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on maturity of deposits.

The Central Bank of Republic of Turkey has started to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.

2. a. Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

None (December 31, 2016; None).

b. Table of positive differences related to derivative financial assets held for trading:

	Current Per	Current Period		riod
	TL TL	FC	TL	PC
Forward Transactions	109	-	55	65.013
Swap Transactions Futures Transactions	•	-	-	••
Options	•	*	*	-
Other	-	•	•	•
- Caron	-	-	-	-
Total	109		<i>*</i>	
	rva		55	65.013

AKİS BAĞIMSIZ DENETİM VE SERBEST MILGASEBECİ MALİ MÜŞAVİRLIM4A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

#### c. Information on Other Securities

	Current Period		Prior Period	
	TL.	FC	TL	FC
Real Estate Investment Fund Participation				
Certificates (Net) <sup>(*)</sup>	973.190	-	-	
Other	150	3.322	13	61
Total	973.340	3.322	13	61

<sup>(</sup>¹) Includes participation certificates of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu".

#### 3. a. Information on banks:

***************************************	Current Period		Prior Period	
V	TL	FC	TL	FC
Banks				
Domestic <sup>(*)</sup>	580.246	1.279.449	656.410	1.230.805
Abroad	•	238.101	_	270.962
Foreign head offices and branches	-	-	-	
Total	580.246	1.517.550	656.410	1.501.767

<sup>11</sup> Includes blockaged amount TL 539,554 (December 31, 2016; TL 610,730) booked under TL accounts arising from POS transactions.

#### b. Information on foreign bank accounts:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 4. Information on financial assets available for sale:

## a. Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

The Bank does not have any sukuk investments with respect to money market transactions and subject to repurchase agreements (December 31, 2016; TL 292.937).

As of June 30, 2017, available for sale investments' nominal amount given as a guarantee or blocked is TL 757.530 (December 31, 2016; TL 223.346).

#### b. Information on financial assets available for sale:

	Current Period	Prior Period	
Debt securities	1.644.708	1.383.925	
Quoted on a stock exchange <sup>(1)</sup> Unquoted	1.644.708	1.383.925	
Share certificates	7.126	6.350	
Quoted on a stock exchange Unquoted		~	
Impairment provision (-)	7.126 2.828	6.350 7.585	
Total			
1 CPECI   Sinternative contraction of the contracti	1.649.006	1.382.690	

O Includes debt securities quoted on a stock exchange which are not traded at the related period ends.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- Information on loans and receivables:

Total

a. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Per	lod
WANGE COLOR OF THE	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	123.892	15.779	272	62.130
Corporate shareholders	123.536	15.429	-	61,780
Real person shareholders	356	350	272	350
Indirect loans granted to shareholders	24.282	21,877	35.550	24.249
Loans granted to employees	11.703	•	8.905	28
Total	159,877	37.656	44.727	86.407

 Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

		andard loans and ther receivables		Loans and other receivables under close monitoring			
Cash loans	Loans and other receivables (Total)	Restructured reschedule		Loans and other receivables	Restructured		
V8311 (V811)	<u> </u>	Extension of Repayment Plan	Other	(Total)	rescheduled Extension of Repayment Plan	<u> </u>	
Loans	19.944.313	482.338	94.341	1.520.411	227.B31	7.465	
Export loans	730.772	22.063		1.175		_	
Import loans	1.492.803	22,732	857	20.804	2.784	215	
Business loans	10.048.818	288.974	79.055	1.294.952	190.683	2.202	
Consumer loans	3.225.829	19.298	9.094	52.021	1.721	4,143	
Credit cards	213.197			5.544			
Loans given to							
financial sector	135.827	-	_		-		
Other <sup>(1)</sup>	4.097.067	129.271	5.335	145.915	32,643	905	
Other receivables	-	-	-	-		-	
Total	19.944.313	482.338	94.341	1.520.411	227.831	7.465	
(*) Details of other loan	s are provided b	elow:	·				
Commercial loans with Other investment credit						728.444 355.307	
Loans given to abroad					•	781.171	
Profit and loss sharing i						373.340	
Loans for purchase of n		ies for customer				397.317	
Other					-	7.403	

As of June 30, 2017, the related balance represents profit and loss sharing investment projects (12 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects are done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects are clarified and net profit of projects is determined once the project / stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. In the current period the Bank recognized TL 125.590 (June 30, 2016: TL 55.817) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

# b. Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables (continued):

	Extension of Re	payment Plan
	Standard loans and other receivables	Loans and other receivables under close monitoring
1 or 2 times 3, 4 or 5 times	482.338	227.831
Over 5 times	•	

Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring
6 months	118.572	79.00
6 - 12 months	50.998	21.08
1 - 2 years	82.353	67.17
2 - 5 years	165.546	41.34
5 years and over	64.869	19.22

#### c. Maturity analysis of cash loans:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".



(Thousand of Turkish Lira (TL) unless otherwise stated)

## Explanations and notes related to assets (continued):

# Ç. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Consumer loans-TL Housing loans Vehicle loans Other Consumer loans-FC indexed Housing loans Vehicle loans Consumer loans-FC indexed Housing loans Consumer loans-FC Consumer loans Consumer loans Consumer loans Consumer loans Other Consumer loans Consumer loans Other Consumer loans Other Consumer loans Other Consumer loans Other Consumer loans Other Retail credit cards-TL With installment Without installment Without installment Without installment Without installment Without installment Consumer loans Consumer lo	Medium and long-term	7-1
Housing loans 2.925 Vehicle loans 3.709 Consumer loans 37.362 Other	10118-161111	Total
Housing loans Vehicle loans Consumer loans Other  Consumer loans-FC indexed Housing loans Vehicle loans Consumer loans-FC Consumer loans-FC Consumer loans Other  Consumer loans-FC Housing loans Vehicle loans Consumer loans-FC Housing loans Vehicle loans Consumer loans Other  Consumer loans Other Retail credit cards-TL With installment Without installment Without installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Consumer loans Consum	3.226,603	3.270.599
Vehicle loans Consumer loans-FC Indexed Housing loans Vehicle loans Consumer loans-FC Indexed Housing loans Vehicle loans Consumer loans-FC Consumer loans-FC Consumer loans-FC Consumer loans Other Consumer loans Other Consumer loans Consumer loans Other Retail credit cards-TL With installment Without installment Without installment Without installment Vehicle loans Consumer loans-TL Housing loans Consumer loans-TL Housing loans Consumer		2.974,439
Consumer loans Other  Consumer loans-FC indexed  Housing loans Vehicle loans Consumer loans-FC Consumer loans-FC Consumer loans-FC Consumer loans-FC Housing loans Other Consumer loans Other Consumer loans Other Consumer loans Other Consumer loans Other Retail credit cards-TL With installment Without installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel cards-FC With installment Vehicle loans Consumer loans Other Personnel credit cards-TL With installment Vehicle loans Consumer loans Other Versonnel credit cards-FC With installment Without installment Vergraft account-TL (Real Person)		119.983
Consumer loans-FC indexed Housing loans Vehicle loans Consumer loans Consumer loans Other Consumer loans-FC Housing loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Without installment Without installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Co		
Housing loans Vehicle loans Consumer loans Other Consumer loans-FC Housing loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans Consumer loans With installment Without installment Without installment Without installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Consumer loans Other Personnel loans-FC Housing loans Consumer loans Other Personnel loans-FC With installment Consumer loans Other Personnel loans-FC Weitle loans Consumer loans Other Personnel loans-FC Weitle loans Consumer loans Other Personnel loans-FC Weitle loans Consumer loans Other Personnel loans-FC Weitle loans Consumer loans Other Personnel credit cards-TL With installment Vehicle loans Consumer loans Other Personnel credit cards-FC With installment Without installment Vehicle loans Vehicle loans Consumer loans Other Personnel credit cards-FC With installment Vehicle loans Vehicle loans Consumer loans Other Personnel credit cards-FC With installment Vehicle loans Vehicle loans Consumer loans Other Personnel credit cards-FC With installment Vehicle loans	100.010	176.177
Vehicle loans Consumer loans Other  Consumer loans-FC Housing loans Consumer loans Other  Consumer loans Consumer loans Consumer loans Cother  Retail credit cards-TL With installment Without installment Without installment Without installment Without installment Wersonnel loans-TL Housing loans Consumer loans Other  Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC With installment Vehicle loans Consumer loans Other  Personnel loans-FC With installment Vehicle loans Consumer loans Other  Personnel credit cards-TL With installment Versonnel credit cards-FC With installment Verdraft account-TL (Real Person)		
Consumer loans Other  Consumer loans-FC Housing loans Vehicle loans Consumer loans Other  Retail credit cards-TL With installment Without installment Without installment Without installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC With installment Vehicle loans Consumer loans Other  Personnel loans-FC Withinstallment Vehicle loans Consumer loans Other  Personnel loans-FC With installment Vehicle loans Consumer loans Other  Personnel credit cards-TL With installment Vehicle loans Consumer loans Other  Personnel credit cards-FC With installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment Without-installment	<u>-</u>	
Other Consumer loans-FC Housing loans Vehicle loans Consumer loans Other Retail credit cards-TL With installment Without installment Without installment Wehicle loans Vehicle loans Vehicle loans Consumer loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Personnel loans-FC Whith installment Vehicle loans Consumer loans Other Vehicle loans Consumer loans Other Versonnel loans-FC Vehicle loans Consumer loans Other Versonnel loans-FC Versonnel loans-FC Versonnel loans-FC Versonnel loans Vehicle loans Consumer loans Other Versonnel credit cards-TL With installment Versonnel credit cards-FC With installment Versonnel credit cards-FC With installment Verdraft account-TL (Real Person)	<del>.</del>	•
Consumer loans-FC Housing loans Vehicle loans Consumer loans Other Retail credit cards-TL With installment Without installment Without installment Without installment Without installment Without installment Without installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel loans-FC With installment Vehicle loans Consumer loans Other Versonnel cards-FC With installment Versonnel credit cards-TL With installment Versonnel credit cards-FC With installment Versonnel credit cards-FC With installment Verdraft account-TL (Real Person)		•
Housing loans Vehicle loans Consumer loans Other  Retail credit cards-TL With installment Without installment Wehicle loans Consumer loans-TL Housing loans Vehicle loans Consumer loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel cons Consumer loans Other Personnel cons Consumer loans Other Vehicle loans Consumer loans Other Vehicle loans Consumer loans Other Versonnel cons Consumer loans Other Versonnel cons Consumer loans Other Versonnel cons Consumer loans Other Vehicle loans Consumer loans Other Versonnel cons Consumer loans Other Versonnel cons Consumer loans Other Versonnel credit cards-TL With installment Versonnel credit cards-FC With installment Versonnel credit cards-FC Without-installment Verdraft account-TL (Real Person)	***	•
Housing loans Vehicle loans Consumer loans Other  Retail credit cards-TL With installment Without installment Without installment Without installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Indexed Housing loans Consumer loans Other Personnel loans-FC Housing loans Consumer loans Other Personnel loans-FC Whith installment Vehicle loans Consumer loans Other Personnel cans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel cans Othe	-	
Vehicle loans Consumer loans Other  Retail credit cards-TL  With installment Without installment Without installment  Personnel loans-TL Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC  Personnel loans-FC  Housing loans Vehicle loans Consumer loans Other  Personnel cons Consumer loans Other  Personnel loans-FC  With installment  Vehicle loans Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans Other  Personnel cons Consumer loans		61
Consumer loans Other  Retail credit cards-TL With installment Without installment Without installment Without installment Without installment Without installment Without installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel loans-FC With installment Without installment Verdraft account-TL (Real Person)		61
Other  Retail credit cards-TL  With installment  Without installment  Without installment  Without installment  Without installment  Without installment  Personnel loans-TL  Housing loans  Vehicle loans  Consumer loans  Other  Personnel loans-FC indexed  Housing loans  Vehicle loans  Consumer loans  Other  Personnel loans-FC  Housing loans  Vehicle loans  Consumer loans  Other  Personnel loans-FC  With installment  Vehicle loans  Consumer loans  Other  Versonnel credit cards-TL  With installment  Versonnel credit cards-FC  With installment  Versonnel credit cards-FC  With installment  Versonnel credit cards-FC  With installment  Without-installment  Verdraft account-TL (Real Person)	-	-
Retail credit cards-TL With instaliment 23.882 Without instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Retail credit cards-TL With instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Retail credit cards-FC With instaliment 43.467 Without-instalime	-	•
With installment 23.882 Without installment 43.467 Retail credit cards-FC With installment	-	•
Without installment Retail credit cards-FC  With installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel loans-FC With installment Versonnel credit cards-FC With installment Without-installment Werdraft account-TL (Real Person)	-	67.349
Retail credit cards-FC  With installment  Without installment  Personnel loans-TL  Housing loans  Vehicle loans  Consumer loans-FC indexed  Housing loans  Vehicle loans  Consumer loans  Other  Personnel loans-FC indexed  Housing loans  Vehicle loans  Consumer loans  Other  Personnel loans-FC  Housing loans  Vehicle loans  Consumer loans  Other  Personnel loans-FC  With installment  Personnel credit cards-TL  With installment  Personnel credit cards-FC  With installment  Without-installment  Without-installment  Werdraft account-TL (Real Person)	-	23.882
With installment Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Whousing loans Vehicle loans Consumer loans Other Personnel roans Other Personnel credit cards-TL With installment Versonnel credit cards-FC With installment Versonnel credit cards-FC With installment Verdraft account-TL (Real Person)	-	43.467
Without installment Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Wehicle loans Consumer loans Vehicle loans Consumer loans Wehicle loans Consumer loans Wehicle loans Consumer loans Vehicle loans Consumer loans Withinstallment Versonnel credit cards-TL With installment Versonnel credit cards-FC With installment Without-installment Verdraft account-TL (Real Person)	-	-
Personnel loans-TL Housing loans Vehicle loans Consumer loans Other Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Vehicle loans Consumer loans Wehicle loans Consumer loans Wehicle loans Consumer loans Other Versonnel credit cards-TL With installment Versonnel credit cards-FC With installment Verdraft account-TL (Real Person)	•	
Housing loans  Vehicle loans Consumer loans Other  Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel credit cards-TL With installment Versonnel credit cards-FC With installment Versonnel credit cards-FC With installment Verdraft account-TL (Real Person)	•	-
Vehicle loans Consumer loans Other  Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel credit cards-TL With installment Personnel credit cards-FC With installment Without-installment Without-installment Verdraft account-TL (Real Person)	2.241	7.190
Consumer loans Other  Personnel loans-FC indexed Housing loans Vehicle loans Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel credit cards-TL With installment Vithout installment Verdraft account-TL (Real Person)  4.911	228	228
Other Personnel loans-FC Indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel credit cards-TL With installment Vehicle loans Without installment Versonnel credit cards-FC With installment Without-installment Without-installment Verdraft account-TL (Real Person)	1.680	1.718
Personnel loans-FC Indexed Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel credit cards-TL With installment Vehicle loans Without installment Versonnel credit cards-FC With installment Without-installment Without-installment Verdraft account-TL (Real Person)	333	5.244
Housing loans Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel credit cards-TL With installment Vehicul installment Versonnel credit cards-FC With installment Without-installment Without-installment Verdraft account-TL (Real Person)	_	
Vehicle loans Consumer loans Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel credit cards-TL With installment Versonnel credit cards-FC With installment Versonnel credit cards-FC With installment Without-installment Verdraft account-TL (Real Person)	-	
Consumer loans Other  Personnel loans-FC Housing loans Vehicle loans Consumer loans Other  Personnel credit cards-TL With installment Versonnel credit cards-FC With installment Versonnel credit cards-FC With installment Without-installment Verdraft account-TL (Real Person)	-	
Other Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel credit cards-TL With installment Versonnel credit cards-FC With installment Versonnel credit cards-FC With installment Without-installment Verdraft account-TL (Real Person)	-	
Personnel loans-FC Housing loans Vehicle loans Consumer loans Other Personnel credit cards-TL With installment Personnel credit cards-FC With installment Personnel credit cards-FC With installment Without-installment Without-installment Verdraft account-TL (Real Person)	_	_
Housing loans  Vehicle loans  Consumer loans Other  Personnel credit cards-TL  With installment Without installment Personnel credit cards-FC  With installment Without-installment Without-installment  Werdraft account-TL (Real Person)	•	_
Vehicle loans Consumer loans Other Personnel credit cards-TL With installment Without installment Personnel credit cards-FC With installment Without-installment Without-installment Overdraft account-TL (Real Person)	_	_
Consumer loans Other Personnel credit cards-TL With installment Versonnel credit cards-FC Without installment Versonnel credit cards-FC With installment Without-installment Verdraft account-TL (Real Person)		_
Other Personnel credit cards-TL With installment Without installment Personnel credit cards-FC With installment Without-installment Without-installment Verdraft account-TL (Real Person)		•
Personnel credit cards-TL With installment Without installment Personnel credit cards-FC With installment Without-installment Without-installment Person Without-installment Werdraft account-TL (Real Person)	<del>-</del>	•
With installment 2.259 Without installment 2.254 Personnel credit cards-FC With installment Without-installment Verdraft account-TL (Real Person)	-	-
With installment  Without installment  ersonnel credit cards-FC  With installment  Without-installment  verdraft account-TL (Real Person)	-	
Without installment Personnel credit cards-FC With installment Without-installment Verdraft account-TL (Real Person)	**	4.513
lersonnel credit cards-FC With installment Without-installment Verdraft account-TL (Real Person)	-	2.259
With installment Without-installment Verdraft account-TL (Real Person)	•	2.254
verdraft account-TL (Real Person)	•	-
verdraft account-TL (Real Person)	-	-
verdraft percent EC /Desi Berenn	-	-
**************************************	-	
otal 120,868	3.228.844	3.349.712

AKİS BAĞIMSIZ DENETİM VE SERBEST MOHASEBECİ MALI MÜŞAVİRLIM58.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## Explanations and notes related to assets (continued):

## d. Information on commercial loans with installments and corporate credit cards:

		Medium and	
	Short-term	long-term	Total
Commercial installment loans-TL	40.889	1.106.124	1,147,013
Business loans	10.258	325.381	335.639
Vehicle loans	16.896	265.515	333.639 282.411
Consumer loans	13.735	515.228	
Other	10.733	313.220	528,963
Commercial installment loans-FC indexed	16.324	500.039	516.363
Business loans	8.859	227.384	236.243
Vehicle loans	3.034	89.151	230.243 92.185
Consumer loans	4.431	183.504	187.935
Other	*.401	100.004	167.953
Commercial installment Loans-FC		65.068	65.068
Business loans	•	-	00.00
Vehicle loans	_	_	
Consumer loans		65.068	65.068
Other		-	03.008
Corporate credit cards-TL	146.879	_	146,879
With installment	39.094	_	39.094
Without installment	107.785	_	107.785
Corporate credit cards-FC		_	107.765
With installment		_	•
Without installment	_	- -	•
Overdraft account-TL (Legal Entity)		-	*
Overdraft account-FC (Legal Entity)	-	-	-
Total	204.092	1.671,231	1.875.323

#### e. Allocation of loans by customers:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### f. Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans Foreign Ioans	20.683.553 781.171	20,731,548 584,078
Total	21.464.724	21.315.626

## g. Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

#### ğ. Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability Loans and receivables with doubtful collectability Uncollectible loans and receivables	21.098 154.243 580,667	31.504 140.892 387.789
Total	756,008	560.185

In addition to specific provision for loans amounting TL 756.008 (December 31, 2016: TL 560.185), provision amounting to TL 22.423 (December 31, 2016: TL 18.320) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 778.431 (December 31, 2016: TL 578.505). Specific provision for loans amounting to TL 394.495 (December 31, 2016: TL 316.517) represents participation account share of specific provisions of loans provided from participation accounts.

## h. Information on non-performing loans and receivables (net):

## h.1. Non-performing loans and receivables which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	7.0		
(Gross amount before specific provisions)	1,638	25.004	20.935
Restructured loans and other receivables Rescheduled loans and other receivables	1.638	25.004	20.935
rescribbuled loans and other receivables	-	-	-
Prior period			
(Gross amounts before specific provisions)	464	3.973	10.726
Restructured loans and other receivables	464	3.973	10.726
Rescheduled loans and other receivables	•	-	**

### h.2. Movements of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Closing balance of prior period	236.903	355.038	405 500
Additions in the current period (+)	385.756	34.480	495.693
Transfers from other categories of non-performing loans (+)	363.136		26.091
Transfers to other categories of non-performing loans (-)	428.158	428.158	278.981
Transfers to standard loans (-)	420.100	278.981	-
Collections in the current period (-)	27.356	51 47.977	51.791
Write offs (-)	_	-	4.229
Corporate and commercial loans	•	-	4.229
Retail loans		_	7,440
Credit cards	-		
Other	•	-	•
Closing balance of the current period	167.063	490.667	744.745
Specific provisions (-)	21.098	154,243	580.667
Vet balance at the balance sheet	145.965	336.424	164.078

AKİS BAĞIMSIZ DENETİM VE SERBEST MUBAŞEBECİ MALİ MÜŞAVİRLİK A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## Explanations and notes related to assets (continued):

### h. Information on non-performing loans and receivables (net) (continued):

Non-performing loans and receivables in the amount of TL 1.402.475 (December 31, 2016: TL 1.087.634) comprise TL 737.367 (December 31, 2016: TL 572.551) of participation account share of loans and receivables provided from participation accounts. In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 22.423 (December 31, 2016: TL 18.320). In the current period, collections from fees, commissions and other receivables with doubtful collectability amounted to TL 3.747 (December 31, 2016: TL 4.167).

## h.3. Non-performing loans and other receivables in foreign currencies:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period:	,		
Period end balance	6.693	93.823	28.362
Specific provision (-)	1.006	33.142	21.688
Net balance on balance sheet	5.687	60.681	6.674
Prior period:			
Period end balance	62.883	1.885	20.518
Specific provision (-)	8.006	298	12.845
Net balance on balance sheet	54.877	1.587	7.673

## h.4. Gross and net non-performing loans and other receivables per customer categories:

H	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	receivables	receivables with	Uncollectible
	with limited	doubtful	loans and
	collectibility	collectability	receivables
Current period (net) <sup>(2)</sup>	145.965	336.424	4 h & hma
Loans to individuals and corporates (gross)	167.063	·······	164.078
Specific provision (-)		490.667	744.745
Loans to individuals and corporates (net)	21.098 145.965	154.243 336.424	580.667 164.078
Banks (gross)	174,000	300,424	104.070
Specific provision (-)	-	-	-4
Banks (net)	***************************************		
Other loans and receivables (gross)			
Specific provision (-)			•
Other loans and receivables (net)	-		**************************************
Prior period (net) <sup>(*)</sup>	A.R. A.A.		
Loans to individuals and corporates (gross)	205.399	214.146	107.904
Specific provision (-)	236.903	355.038	495.588
I name to individuals and a second (1)	31.504	140.892	387,684
Loans to individuals and corporates (net)	205.399	214.146	107.904
Banks (gross)	-	-	105
Specific provision (-)	±	*	105
Banks (net)	÷		*
Other loans and receivables (gross)	•	-	
Specific provision (-)	*		_
Other loans and receivables (net)	4	÷	

<sup>&</sup>lt;sup>(1)</sup> In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability and their full specific provision both amounting to TL 22.423 (December 31, 2016; TL 18.320).



(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

## I. Liquidation policy for uncollectible loans and receivables:

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

#### i. Information on "Write-off" policies:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 6. Information on held-to-maturity investments:

### a. Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of June 30, 2017, nominal value of held to maturity investments given as a guarantee/blocked is TL 67,000. The Bank does not have any held to maturity investments subject to repurchase transactions. (December 31, 2016: The Bank does not have any held to maturity investments given as a guarantee / blocked. Nominal value of held to maturity investments subject to repurchase agreements is TL 188.888).

## b. Information related to government securities held to maturity:

	Current Period	Prior Perlod
Government Bonds		
Treasury Bills Other Government Securities(1)	<b>,</b>	···
	625.372	668.582
Total	625,372	668.582
17 Carrieta at California		

O Consists of Sukuk certificates issued by Undersecretariat of Treasury of Turkey.

## c. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities  Quoted on a stock exchange(*)  Unquoted	625.372 625.372	668,582 668,582
Impairment provision (-)	**	*
Total	625.372	668.582

<sup>(1)</sup> Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

### ç. Movement of held-to-maturity investments:

	Current Period	Prior Period
Balance at beginning of period Foreign currency differences on monetary assets	668.582	762.890
Purchases during period Disposals through sales and redemptions Impairment provision (-)	132.000 (210.264)	264.055 (423.539)
Income accruals	35.054	65.176
Closing balance	625.372	668.582

AKİS BAĞIMSIZ DENETİM VE SERBEST MIHASEBECİ MALİ MÜŞAVİRENSON.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- 7. Associates (net):
- a. Information on unconsolidated associates:

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara / Turkey	1,69	-
			***************************************

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2016.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share Income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
296.098	268.121	7.898	M	*	372	(12.443)	-

#### b. Information on consolidated associates:

As of balance sheet date, the Bank does not have any consolidated associates.

- 8. Information on subsidiaries (net):
- 8. Information on unconsolidated subsidiaries:

As of balance sheet date, the Bank does not have any unconsolidated subsidiary.

- 9. Information on consolidated subsidiaries:
  - i. The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from the not reviewed financial statements as of June 30, 2017.

Name			ress ountry)			Risk share percentage of other shareholders (%)	
Bereket Varlık Kira	alama A.Ş.	Istanbu	I / Turkey				
Total assets	Shareholders'	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/ loss	Prior period income/loss	Fair value
1.556.520	277	4	-	-	87	(210)	

ii. In the Board of Directors meeting dated February 25, 2015, the Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The balances of Albaraka Gayrimenkul Portföy Yönetimi A.Ş. presented in the table below have been obtained from the not reviewed financial statements as of June 30, 2017.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- b. Information on consolidated subsidiaries (continued):

Name	ooraanii kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaanoo kaa			dress Country)	Bank's share percentage- If different votin percentage (%	Ris ng percent	sk share tage of other holders (%)
Albaraka G	ayrimenkul Portföy	Yön. A.Ş.	Istant	ul / Turkey	100,00		₩
Total assets	Shareholders'	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period	Fair value
6.394	5.938	5	•	-	1.682	(744)	**
ii. Moveme	ent and Sectoral	informat	ion on con	solidated su	ıbsidiaries:	······································	
······································						Surrent Period	Prior Period
Moveme	at the beginning of ents inside the term es / new incorporat					5.400	5.250
Bonus s	hares					•	150
	ceived from current	year share	)			-	-
Sales	\$? f					_	_
Impairm	tion increases					-	
	e end of the period					•	
apital comm						5.400 -	5.400
hare of the	capital at the end	of the per	iod (%)			100,00	100,00
······································					Сиг	rent Period	Prior Period
anks							
surance Cor	npanies					-	-
actoring Con	•					<b></b> _	-
easing Comp						-	-
nancing Con						-	
mer Financia	l Subsidiaries					5,400	5.400

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

#### 9. Information on investments in joint- ventures:

The Bank founded Katılım Emeklilik ve Hayat A.Ş. ("Company") — a private pension and insurance company- through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company was registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. The financial data from not reviewed financial statements as of June 30, 2017 are below.

Joint-Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non- Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	66.311	830.476	836.516	32.148	27.979

investment in joint venture in the unconsolidated financial statements is carried at cost.

#### 10. Information on lease receivables (net):

### a. Presentation of remaining maturities of funds lent under finance lease method:

	Current Po	Current Period		
	Gross	Net	Gross	Net
Less than a year	357.021	284.669	377.436	300.158
1 to 4 years	399.923	374.480	489.465	453,402
More than 4 years	109.363	106.030	129.305	125.419
Total	866.307	765.179	996.206	878.979

#### b. Information on net investments through finance lease:

	Current Period	Prior Perlod
Financial lease receivables (Gross) Unearned financial lease receivable (-)	866.307 101.128	996.206 117.227
Net receivable from financial leases	765.179	878.979

#### c. General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

		dard loans and er receivables		Loans and other receivables under close monitoring			
	Loans and other receivables (Total)	other eceivables Restructured or		Loans and other receivables (Total)	d r s Restructured o		
######################################		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other	
Financial lease receivables (Net)	637.909	38.793	12.032	127.270	80.725	•	

AKİS BAĞIMSIZ DENETİM VE SERBEST MUDASEBECİ MALİ MÜŞAVİRBİK A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations and notes related to assets (continued):

#### 11. Information on derivative financial assets for hedging purposes:

None (December 31, 2016: None).

#### 12. Information on tangible assets:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 13. Information on intangible assets:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 14. Information on investment property:

None (December 31, 2016: None).

#### 15. Information related to deferred tax assets:

As of June 30, 2017, the Bank calculated net deferred tax asset of TL 13.891 (December 31, 2016; TL 20.096) by netting off deferred tax asset of TL 53.712 (December 31, 2016; TL 52.576) and deferred tax liability of TL 39.821 (December 31, 2016; TL 32.480) on all tax deductible/ taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

	Current Period	Prior Period
Rediscount on profit share and prepaid fees and commission income and		
uneamed revenues	37.053	37.806
Provisions for retirement and vacation pay liabilities	10.147	8.652
Difference between carrying value and tax base of tangible assets	4.923	3.013
Revaluation difference of available for sale	636	2.139
Provision for impairment	760	772
Other	193	194
Deferred tax asset	53.712	52.576
Revaluation difference of property	12.019	22.183
Trading securities revaluation difference	6.836	8
Rediscount on profit share	17.463	7.662
Other	3.503	2.627
Deferred tax liability	39.821	32.480
Deferred tax asset (net)	13.891	20.096



(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

## 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing toans.

	Current Period	Prior Period
Opening Balance Additions Disposals Transfers <sup>(*)</sup> Impairment Provision(-)/Reversal of Impairment Provision	92.317 28.424 (14.206) (71.599) 55	22.819 117.190 (28.834) (19.153) 295
Net closing balance	34.991	92.317

<sup>(1)</sup> The balance has been transferred from assets held for sale tangible assets to assets to be sold.

As of June 30, 2017, TL 32.174 (December 31, 2016: TL 88.341) of the assets held for sale is comprised of real estates, TL 2.817 (December 31, 2016: TL 3.976) is comprised of other tangible assets.

The Bank has not any discontinued operations and assets of discontinued operations (December 31, 2016; None).

#### 17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 299.993 (December 31, 2016: TL 153.958) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- il. Explanations and notes related to liabilities:
- 1. Information on funds collected:
- a. Information on maturity structure of funds collected:

Current Period	£1 pr	Up to	- P- +	Up to 6	Up to 9	Up to 1		Accumulated participation	
GBI CHEFEIRA	Demand	1 month	months	months	months	year	Over 1 year	accounts	Total
I. Real Persons Current									
Accounts Non-Trade TL	996,016				_				800 040
II.Real Persons Participation					_	•	•	•	996.016
Accounts Non-Trade TL		2.367.438	4.458,291	134,528		38.D42	451,278	5.038	7.452.613
III.Current Account other-TL	1.385.926	=	***************************************	1571525		50.542	431.270	3.035	1.385.926
Public Sector	38.540			_		_	_	•	38.540
Commercial Institutions	1.278.058						_	•	1,278,058
Other Institutions	62,942					-		-	62.942
Commercial and Other							•	•	24.54%
Institutions	4.252	_						_	4.252
Banks and Participation Banks	2.134				_			-	2.134
Central Bank of Turkey	_	-				_	-	_	2.104
Domestic Banks	739	-			•			_	739
Foreign Banks	1.391	-		_		_	_		1,391
Participation Banks	4		*			-	_		1,55:
Other	-	*		-					*
IV. Participation Accounts-TL		429,463	2,014,467	39.833		6.886	42.672	18	2.524,319
Public Sector	•	37	-		_	*	4,1014	-	37
Commercial Institutions	-	401.825	1.625,289	24,734	4	6.387	34,206	18	2.092.458
Other Institutions	-	18.447	388,173	15.099	•	479	6.884	10	429.082
Commercial and Other				10,000		413	0.004	-	448.004
Institutions		154	541				1.583	_	2.278
Banks and Participation Banks		-	464	_			1.640	-	464
V. Real Persons Current Accounts							•	•	404
Non-Trade FC	1.209,750	-		-			_		1.209.750
VI. Real Persons Participation							•	-	1,245,130
Accounts Non-Trade FC		1,484,488	2.607,065	207,819		17.749	558,498	44	4.875.663
VII. Other Current Accounts FC	1,930,457	-	_		-	.,,,,,,		77	1.930.457
Residents in Turkey-Corporate	1.075.582		-	_	-		_	·	1.075.582
Residents Abroad-Corporate	112.826	-				_	_		112.826
Banks and Participation Banks	742.049	-	-	•			_	_	742.049
Central Bank of Turkey	•		_						792.098
Domestic Banks				-	_		_		•
Foreign Banks	739.980	•	-		_				739.980
Participation Banks	2.069	•			_		-		2.069
Other		-			_		_		2.003
Vill. Participation Accounts								-	•
other- FC	•	734.733	1,468,227	186.670	_	87.955	110.627	_	2.588.212
Public sector	_	-			_	47.505	110.021	-	T1 X100 x 1X
Commercial institutions	-	416.496	858.931	15,410	_	62.891	19.583	_	1.373,311
Other institutions	•	14.854	104.244	38		DE.001	10.000	_	119.136
Commercial and Other				44				-	115.120
Institutions	-	60.393	264.817		-	960	89.021		415,191
Banks and Participation Banks		242,990	240.235	171,222		24,104	2.023	-	680.574
X. Precious Metals Deposits	264.644	123.712	365.005	11,639	-	505	11.113	ë	776.826
(. Participation Accounts			*******	***		000	11.113	6	119.028
Special Fund Pools TL	-	-	-	31,620			_	_	31.020
Residents in Turkey	•			31.020	•			•	31.020
Residents Abroad	-			-	-		-	•	31,029
(i.Participation Accounts					=	-	*	-	*
ipecial Fund Pools - FC	_				_				
Residents in Turkey		_			_	-	•	*	•
Residents Abroad	-				-	-	-	**	-
							•	-	
otal (I+II++(X+X+XI)	5.786.993	5.130.834	10.913.055	811,509		149,117	1.174.186	5.108	23.770.802



(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

## a. Information on maturity structure of funds collected (continued):

Real Persons Current   Accounts Non-Trade TL	Priar Period	Demand	Up t		Up to 6 months	Up to 9	Up to 1	Over 1 year	Accumulated participation accounts	
Accounts Nan-Trade TL B. Read Persons Participation Accounts Non-Trade TL B. Read Persons Participation Accounts Non-Trade TL B. Read Persons Participation Accounts Non-Trade TL B. Read Persons Participation Commercial Institutions 1 991 .028	1 Paul December Comment						75.07	Oto, I kesi	accounts	Total
B. Real Persons Participation   996.122	Accounts Non Years 21	050 144	_							
Accounts Non-Trade TL R. Current Account of the TL Public Sector Public		998.122	?	• .			-			998 172
Bit Current Account other-TL										530.722
Public Sector		4 270 449	1.287.089	5.505.341	79.907	•	93,100	545.201	2,136	7.512.754
Commercial institutions 1.891.528	Public Sector				•		-			
Other Institutions 49,820 Commercial and Other 1,857 Banks and Participation Banks 1,890 Cortral Bank of Turkey 1,890 Contral Bank of Turkey 1,890 Contral Bank of Turkey 1,890 Contral Bank 1,890 Contral Bank of Turkey 1					~	-	•	-		
Commercial and Other Institutions 1.857   1.85				-	٠	**	-	-	-	
Banks and Participation   1.857   1.890   1.		49.020		• •	-	-		-	-	
Banks and Participation Banks Banks Banks Banks Banks 1 13		1 567								
Banks		1.00.1		•	-	-	•	-	-	1.857
Central Bank of Turkey   1.890   1.895   1.896   1.8		1 800								
Domestic Banks   13	Central Bank of Turkey	1.020		•	•	*	•	-	-	1.890
Foreign Banks 1.866 Participation Banks 11 Other (IV. Participation Accounts-TL Public Sector 2.512 Commercial Institutions 265.797 1.848.841 15.773 16.647 33.044 37 2.176.899 Other Institutions 9.356 151.778 12.064 1.694 3.219 178.113 Institutions 9.356 151.778 12.064 1.694 3.219 178.113 Institutions 4 26.832 Banks and Participation Banks And Participation 446 Banks and Participation Accounts FC 1.685.795 Residents in Turkey Corporate 922.978 Residents abroad- Compraise Ganks 92.693 92.693 Viii. Participation Accounts Banks 92.693 1.942.665 256.436 60.743 147.506 3.020.284 Viii. Participation Accounts Other Commercial Institutions 92.693 93.390 107.745 95.170 8.315 1.327.012 Commercial Institutions 92.422 279.641 1.555 137.340 442.760 Banks and Participation Accounts Commercial Institutions 92.422 279.641 1.555 137.340 442.760 Banks And Participation Accounts Other Commercial Institutions 92.4224 279.641 1.555 137.340 442.760 Banks And Participation Accounts Other Commercial Institutions 92.4224 279.641 1.555 137.340 442.760 Banks And Participation Accounts Service Accounts Service Accounts Service Accounts Service Accounts Other Commercial Institutions 92.424 279.641 1.555 137.340 442.760 Banks And Participation Accounts Service Accounts Serv		173		•	-	**	-	-	-	
Participation Banks Other Other IV. Participation Accounts-TL Public Sector 2 512 Commercial Institutions Commercial Instituti				•	-		~	-	-	13
Other   Cher				•	-	•	*	-	-	1.866
Public Sector 2.512 3 37.2.377.849 Commercial finalitutions 255.797 1.848.641 15.773 16.647 33.044 37 2.189.939 Commercial and Other 9.358 151.778 12.664 1.694 3.219 1781.113 Institutions 9.358 151.778 12.664 1.694 3.219 1781.113 Institutions 9.358 151.778 12.664 1.694 3.219 1781.113 Institutions 9.358 151.778 12.664 1.694 3.219 1781.113 Institutions 9.358 151.778 12.665 2.6838 Banks 9.2.693 179.178 179					-	-	*	-	-	11
Public Sector 2.512 3 37.2.377.849 Commercial finalitutions 255.797 1.848.641 15.773 16.647 33.044 37 2.189.939 Commercial and Other 9.358 151.778 12.664 1.694 3.219 1781.113 Institutions 9.358 151.778 12.664 1.694 3.219 1781.113 Institutions 9.358 151.778 12.664 1.694 3.219 1781.113 Institutions 9.358 151.778 12.664 1.694 3.219 1781.113 Institutions 9.358 151.778 12.665 2.6838 Banks 9.2.693 179.178 179	IV. Participation Accounts-TL		267.671	2 027 700	77 027	•	4~ ~ 1.		-	-
Commercial institutions	Public Sector				£7,037	•	18.341	36.253	37	
Cher Institutions	Commercial Institutions	-		¥	* 5 772	•	****	***		
Commercial and Other Institutions	Other Institutions				-	•				
Banks and Participation Banks V.Reaf Persons Current Accounts Non-Trade FC VI. Reaf Persons Participation Accounts Non-Trade FC VI. Reaf Persons Participation Accounts Non-Trade FC VI. Reaf Persons Participation Accounts Non-Trade FC VI. Cher Current Accounts FC 1.685.795 Residents in Turkey Corporate Seasing Season Banks Banks Banks Banks Banks Banks Foreign Banks Foreign Banks Foreign Banks Foreign Banks Foreign Banks Foreign Banks Current Commercial Institutions Cher Institutions Cher Residents abroad Commercial Institutions Cher Residents Chert FC Public Sector Commercial Institutions Cher Residents Chert Banks B	Commercial and Other		4.000	101.110	12.004	-	1.094	3.219	-	178.113
Banks and Participation Banks V.Real Persons Current Accounts Non-Trade FC VI. Real Persons Participation Accounts Non-Trade FC VI. Real Persons Participation Accounts Non-Trade FC VI. Cher Current Accounts FC VI. Cher Current Accounts FC Residents in Turkey Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Corporate Residents abroad- Banks Foreign Banks Foreign Banks Foreign Banks Foreign Banks Participation Banks 92.693 VII. Participation Accounts cher-FC Public Sector Commercial Institutions 215.473 936.309 107.745 Section Cher Institutions 225.473 Section Residents abroad VI. Participation Residents abroad VI. Participation Accounts Special Fund Pools T. Residents in Turkey Resid			4	28.832	_					
V.Real Persons Current Accounts Non-Trade FC Accounts Non-Trade FC VI. Real Persons Participation Accounts Non-Trade FC VI. Real Persons Participation Accounts Non-Trade FC VII. Other Current Accounts FC Residents in Turkey- Corporate Persons Participation Accounts Non-Trade FC VII. Other Current Accounts Residents abroad- Corporate Banks and Participation Banks Foreign Banks Foreign Banks Foreign Banks Participation Banks Participation Accounts Cother VII. Participation Accounts Cother Commercial Institutions VII. Participation Accounts Cother State Commercial Institutions VII. Participation Accounts Cother State Commercial Institutions VII. Participation Banks VII. Participation Accounts Cother State Commercial Institutions VII. Participation Banks VII. Participation VIII. Participation VIII. Par	Banks and Participation			25,002		•	•	-	-	26.836
V.Real Persons Current Accounts Non- Trade FC VI. Real Persons Participation Accounts Non- Trade FC VII. Other Current Accounts FC VII. Other Current Accounts FC Residents in Turkey Corporate Session Session Residents abroad Corporate Banks Residents abroad Corporate Banks Banks Banks Banks Banks Foreign Bank		-		446	_					
VI. Real Persons Participation Accounts FC No. 712.667 2.864.441 82.024 159.176 575.077 4.403.365 1.685.795 Residents in Turkey.  Corporate 922.978 92	V.Real Persons Current						•	-	-	446
Accounts Non-Trade FC 712.667 2.864.441 92.024 159.176 575.077 4.403.385 71.00 for Current Accounts FC 1.685.795 71.665.7		888.794						_		864 701
Vil.Other Current Accounts FC   1.685.795   1.685.79	VI. Neal Persons Participation						-	•	-	888.794
Total (Hell++ X+X+X )   5.43.9.55   1.685.795   1		-	712.667	2.864.441	92.024	-	159.176	575 A77		A 400 060
Corporate   922.978   922.978   922.978   86.906   86.9		1.685.795	-		-		********	219,911	•	
Residents abroad- Corporate 86,906 Banks and Participation Banks 675,911 Central Bank of Turkey Domestic Banks 583,218 Foreign Banks 92,693 Other VIII. Participation Accounts other-FC Public Sector Commercial institutions 2,2749 Other Institutions 2,2749 Commercial and Other Institutions 2,4224 Banks and Participation Banks 370,488 Banks and Participation Banks 370,488 Special Fund Pools TL Residents in Turkey Residents abroad XI. Participation Accounts Special Fund Pools FC Residents in Turkey Residents abroad Total (I+II++IX+XXII)  Total (I+II++IX+XXIII)  Total (I+II++IX+XXIII)  Total (I+II++IX+XXIII)  Total (I+II++IX+XXIII)  Total (I+II++IX+XXIII)  Total (I+II++IX+XXIIII)  Second Foreign Banks 675,911								•	•	1.085./83
Corporate   86.906		922,978	-	-	•		-	_	_	000 07p
Banks and Participation Banks Banks Central Bank of Turkey Domestic Banks Foreign Banks Foreign Banks Participation Banks String Banks Other Vili. Participation Accounts other- FC Public Sector Commercial Institutions Commercial Institutions Commercial Institutions Commercial Institutions Commercial and Other Institutions Commercial and Other Institutions Sanks Banks and Participation Banks String Banks S									•	822,510
Banks   675,911   Central Bank of Turkey   Domestic Banks   Foreign Banks   583,218   Farticipation Banks   92,593   S83,218		86,906	*	-	•	-	_		_	ತ್ರಗ್ರಹ ಕಷ
Central Bank of Turkey										00.500
Domestic Banks   Foreign Banks   583.218		6/5,911		-	•		-		_	675 911
Foreign Banks			*	•		•				W/0.011
Participation Banks		500.040	-	•	•	*	-		-	_
Other  Vill. Participation Accounts other-FC Public Sector Commercial Institutions Other			-	•	-	-	-			583 218
Vili. Participation Accounts         612.934         1.942.665         256.436         60,743         147.596         3.020.284           Public Sector         20mmercial Institutions         215.473         936.309         107,745         59.170         8.315         1.327.012           Commercial and Other         2.749         127.976         18         1.327.012         130.743           Commercial and Other         2.749         127.976         18         1.327.012         130.743           Commercial and Other         2.749         127.976         18         1.327.012         130.743           Institutions         2.4.224         279.641         1.555         137.340         442.760           Banks and Participation         370.488         598.739         148.691         1.851         1.119.769           IX. Practicipation Accounts         390.488         323.928         4.833         4.696         7.525         599.733           Special Fund Pools Ti.         Residents abroad         1.229.229         12.64.023         44.833         4.696         7.525         599.733           Total (I+II++IX+XXXII)         5.430.950         2.949.279         12.64.023         44.643         44.643         44.643         44.643         44.643		92.093	•	-	-	•	•		_	
other-FC Public Sector Public Sector Commercial Institutions Other Institutions Other Institutions Other Institutions Other Institutions Commercial and Other Institutions Ins		-	•	•	-	-	•	-	_	-
Public Sector Commercial Institutions Commercial Institutions Other Institutions Commercial and Other Institutions Commercial and Other Institutions Sanks and Participation Banks IX. Practicus Metais Deposits X. Participation Accounts Special Fund Pools Ti. Residents In Turkey Residents abroad  XI. Participation Accounts Special Fund Pools FC Residents in Turkey Residents abroad  Total (I+II+,+IX+X+XII)  SAN 936.309 107.745 - 59.170 8.315 - 1.327.012 - 18.51 - 18.51 - 1.327.012 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51 - 18.51	other-FC		£43.034	*****						
Commercial Institutions		-	012.934	1.942.665	256.436	•	60,743	147.506	_	3.020,284
Other Institutions		_	216 422	000 000	-	•		*	-	
Commercial and Other   130.743   1		_			107,745	-		8.315	-	1.327.012
Institutions		_	2.149	(%1,31.0)	-	•	16	-		130.743
Banks and Participation Banks  X. Preclous Metais Deposits X. Participation Accounts Special Fund Pools Ti. Residents In Turkey Residents abroad XI. Participation Accounts Special Fund Pools — C Residents in Turkey Residents in Turkey Residents in Turkey Residents in Turkey Residents in Turkey Residents in Turkey Residents in Turkey Residents abroad  Total (I+II+,+IX+X+XII)  SA30 959 2 949 279 12 544 087	Institutions		24 224	276 644						
Banks IX. Precious Metais Deposits IX. Precious Metais Deposits IX. Participation Accounts Special Fund Pools 71. Residents in Turkey Residents abroad XI. Participation Accounts Special Fund Pools -FC Residents in Turkey Residents in Turkey Residents in Turkey Residents abroad  Total [I+II++IX+X+XII]  S430 859 2 949 279 13 544 087	Banks and Participation		A-14-6-5	1140.617	-	-	1.555	137,340	•	442.760
X. Precious Metais Deposits 189.821 68.938 J23.928 4.833 4.696 7.525 599.733  Special Fund Pools Ti. Residents in Turkey Residents abroad  XI. Participation Accounts  Special Fund Pools – C Residents in Turkey Residents in Turkey Residents in Turkey Residents abroad  Total (I+II+,+IX+X+XII) 5.430.850 2.949.273 12.644.063 474.013	Banks	•	370 488	508 720	146.604					
X. Participation Accounts Special Fund Pools Ti. Residents In Turkey Residents abroad XI. Participation Accounts Special Fund Pools —FC Residents in Turkey Residents abroad  Total (I+II+,+IX+X+XI)  5.430 950 2 949 273 12 644 927 474 927	IX. Precious Metais Deposits	189,821				-	4 600		-	
Residents in Turkey Residents abroad  XI. Participation Accounts  Special Fund Pools – FC Residents in Turkey Residents abroad  Total (I+II+,+IX+X+XI) 5.430 850 2.949 273 12.644 687	X. Participation Accounts			P.O.D.D	4.644	•	4.096	7.525	•	599.733
Residents abroad  XI. Participation Accounts  Special Fund Pools – FC Residents in Turkey Residents abroad  Total (I+II+,,+IX+X+XI)  5.430 950 2 949 275 12 644 667 474 677	Special Fund Pools TL			_	_					
XI. Participation Accounts  Special Fund Pools –FC  Residents in Turkey  Residents abroad  Total (I+II+,+IX+X+XI) 5.430 950 2 949 278 12 664 967 474 977		-			-	•	•	•	•	-
Special Fund Pools —FC Residents in Turkey Residents abroad  Total (I+II+,,+IX+X+XI) 5.430 950 2 949 279 12 644 967 474 977			-			-	^	•	•	•
Residents in Turkey Residents abroad  Total (I+II+,,+IX+X+XI) 5.430 950 2 949 279 12 644 987					-	-	-	•	-	-
Residents abroad  Total (I+II+,,+IX+X+XI) 5.430 950 2 949 279 13 544 667 474 677							_			
Total (I+II+,,+IX+X+XI) 5.430 950 2 949 279 12 554 657 474 657		-				·	-	-	•	•
Total (I+II++IX+X+XI) 5.430.950 2.949.279 12.664.067 451.037 - 336.056 1.311.572 2.173 23.155.134	Residents abroad		-		_	-		-	-	-
10681 (14114+124-X+XI) 5.430.950 2.949.279 12.664.967 461.937 - 338.056 1.311.572 2.173 23.155.134	Washington and the second						•	-	-	•
	1 USSI (171(7,,+]X+X+X )	5.430.950	2.949,279	12.664.067	461.037	-	336.056	1.311.572	2.173	23.155.134

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities (continued):

## a. Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

#### b.1. Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarant of Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions				
Turkish Lira accounts	4.604.565	4.644.005	3.874.063	3.864.868
Foreign currency accounts  Foreign branches' deposits subject to foreign	1.934.095	1.563.947	4.828.602	4.259.604
authorities insurance		-	-	_
Off-shore deposits under foreign authorities' insurance		-	-	

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

## b.2. Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and	28.669	26,805
Children in Care	*	-
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care		
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	10.392	10.556
Profit Sharing Accounts in Participation Banks Established in Turkey in order to	-	•
engage solely in Off-Shore Banking Activities	•	-



(Thousand of Turkish Lira (TL) unless otherwise stated)

## Explanations and notes related to liabilities (continued):

## 2. Information on derivative financial liabilities held for trading:

***************************************	Current Per	riod	Prior Period		
		FC	TL	FC	
Forward transactions Swap transactions	983	-	88	•	
Swap transactions Futures transactions	46	-	•	•	
	•	•	-	-	
Options Other	m.	•		_	
Other	-	-	-	_	
Total					
ł Vlaj	983	N-	88	<del></del>	

### 3. Information on borrowings:

The Bank has obtained Syndicated Murabaha Loans from international markets amounting to USD 403,500,000 and EUR 56,250,000 with maturity of more than one year (December 31, 2016; more than one year maturity: USD 458,500,000 and EUR 56,250,000).

As of June 30, 2017, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 219.520.181 and EUR 153.782.311 (December 31, 2016: USD 84.171.095 and EUR 132.496.602).

The table below respresents the sukuk issued by Bank through its subsidiary Bereket Varlık Kiralama A.Ş. to collect funds from various investors:

Issue Date	Amount <sup>(*)</sup>	FC	Maturity	Profit Share % (Yearly)	Profit Share % (97 / 179 days)
June 30, 2014 March 31, 2017 May 11, 2017 June 23, 2017	350,000,000 110,000,000 100,000,000 115,000,000	USD TL TL TL	5 Years 179 Days 97 Days 179 Days	6,25	5,64 3,19 5,89

<sup>(1)</sup> Represented in full amount

## a. Information on banks and other financial institutions:

	Curren	rent Period Pri		or Period	
	TL	FC	TL	FC	
Loans from CBRT					
Loans from domestic banks and institutions	342.528	1.517.503	181,593	1.511,415	
Loans from foreign banks, institutions and funds	153.359	3.046.781	•	2.731.187	
Total	495.887	4.564.284	181.593	4,242,602	

#### b. Maturity analysis of funds borrowed:

		Period		Period
	TL_	FC	TL	FC
Short-Term Medium and Long-Term	495.887	1.451.115 3.113.169	181.593	996.686 3.245.916
Total	495.887	4.564.284	181.593	4.242.602

## c. Additional disclosures on concentration areas of Bank's liabilities:

The Bank does not have concentration on customer or sector group providing funds.

4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None (December 31, 2016: None).



(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- 5. Lease payables:
- a. Information on financial lease transactions:
- a.1. Information on financial lease agreements:

The Bank has no obligation from finance lease operations as of balance sheet date.

- a.2. Explanations on the changes in agreements and new obligations originating from these changes:

  None.
- a.3. Explanations on the obligations originating from financial leases:

None.

#### b. Explanations on operational leases:

The Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year 1 to 4 years Over 4 years	45.157 125.127 101.575	44.067 118.697 104.791
Total	271.859	267.555

#### 6. Information on hedging derivative financial liabilities:

None (December 31, 2016: None).

#### 7. Information on provisions:

#### a. Information on general provisions:

	Current Period	Prior Period
General provision for	134.602	136.263
I. Group loans and receivables (Total)	103.480	107.707
Participation Accounts' Share	58.473	
Bank's Share	45.007	64.059
Others	43.007	43.648
Additional provision for loans and receivables with extended		**************************************
maturities for loans and receivables in Group I	6.654	3.821
Participation Accounts' Share	3.262	2.295
Bank's Share	3.392	1.526
Others	V	1.020
II. Group loans and receivables (Total)	21.527	17.086
Participation Accounts' Share	13.010	11.248
Bank's Share	8.517	5.838
Others	0.317	5.636
Additional provision for loans and receivables with extended	*	%-
maturities for loans and receivables in Group II	5.880	3,104
Participation Accounts' Share	2.572	1,422
Bank's Share	3.308	1.682
Others	0.000	1.002
Non-cash loans	9,595	11.470
Others	+140 A	11.410

AKİS BAĞIMSIZ DENETİM VE SERBEST MÜHRESEBECİ MALI MÜŞAVİRLIR A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## li. Explanations and notes related to liabilities (continued):

### Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of June 30, 2017, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 33.137 (December 31, 2016: TL 1.449) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

## c. Information on specific provisions for non-cash loans that are not indemnified:

As of June 30, 2017, the Bank has provided specific provisions amounting to TL 45.915 (December 31, 2016; TL 37.036) for non-cash loans that are not indemnified.

#### ç. Other provisions:

## ç.1. Information on general reserves for possible losses:

	Current Period	Prior Period
General Reserves for Possible Losses(')	14	14
Total	14	14

<sup>(1)</sup> The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

## ç.2. Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing		
accounts	606	15.884
Provision for unindemnified letter of guarantees	30,124	27.822
Payment commitments for cheques	15.791	9.214
Provision for promotions related with credit cards and promotion of		0.214
banking services	161	172
General reserves for possible losses	14	14
Financial assets at fair value through profit and loss	173	9
Other	3.356	1.217
Total	50 225	5 <u>4</u> 326

<sup>(1)</sup> Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".



(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

#### d. Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 40.320 (December 31, 2016; TL 35.925), vacation pay liability amounting to TL 10.415 (December 31, 2016; TL 7.335) totaling to TL 50.735 (December 31, 2016; TL 43.260). Provisions for performance premium has not been allocated in the current period (December 31, 2016; None). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%) Estimated increase rate of salary ceiling (%)	11,60 7,50	11,60 7,50

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance Provisions made in the period Actuarial (gain)/loss Paid during the period	35.925 6.778 (2.383)	30.235 8.288 2.833 (5.431)
Balance at the end of the period	40.320	35.925

#### 8. Information on taxes payable:

### a. Explanations on current tax liability:

#### a.1. Explanations on Tax Provisions:

As of June 30, 2017, the Bank's corporate tax payable is TL 6.673 (December 31, 2016; TL 7.091) after offsetting prepaid corporate tax.

#### a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	6.673	7 004
Banking insurance transaction tax	16.994	7.091 16.364
Taxation on securities income	13.837	11.162
Value added tax payable Taxation on real estate income	652	1.274
Foreign exchange transaction tax	904	754
Other	6.211	8.052
Total	A5 271	44.697

#### a.3. Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	3.547	3,101
Social security premiums-employer	3.825	3.344
Bank pension fund premium-employees Bank pension fund premium-employer	-	w
Pension fund membership fees and provisions-employees	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee Unemployment insurance-employer	251	219
Other	502	438
Total		
) OIG	8.125	7.102

AKİS BAĞIMSIZ DENETİM VE SERBEST **MUĞ**AŞEBECİ MALİ MÜŞAVİRLİR A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- 9. Liabilities for assets held for sale and discontinued operations:

None (December 31, 2016: None).

10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current I	Period	Prior	Period
	TL.	FC	TL	FC
Loans from Domestic Banks	_	_		
Loans from other institutions	•	-	-	-
Loans from Foreign Banks				-
Loans from other Foreign Institutions	-	1.511.792	-	1.510.937
Total		1.511.792		1 510 037

The Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity ABT Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of five years with 10 years total maturity' was determined as 7,75%.

The Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Bank has repurchased the sukuk issued in the amount of USD 24.000,000 and this amount is offset in available for sale assets and subordinated loans.

- 11. Information on shareholders' equity:
- a. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock Preferred stock	900.000	900.000

 Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Bank has taken a resolution on transition to registered capital system. The application dated December 27, 2016 for the extension of the Registered Capital Ceiling to the Capital Markets Board was approved on January 10, 2017 and the registered capital ceiling was determined as TL 2,500,000 to be valid until December 31, 2021.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	000.000	2.500.000

c. Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

There is no capital increase in the current period.

ç. Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

d. Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- e. Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

f. Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

g. Information on marketable securities valuation reserve:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures		_	-	<b></b>
Valuation difference <sup>(1)</sup>	(6.921)	908	210	(8.766)
Foreign exchange difference	-		· <u></u>	` -
Total	(6,921)	908	210	(8.766)

<sup>(1)</sup> The amount represents the net balance after deferred tax calculation.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- III. Explanations and notes related to off-balance sheet:
- Explanations on off balance sheet:
- a. Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits Payment commitments for cheques Asset purchase and sale commitments Loan granting commitments Tax and funds liabilities arising from export commitments Commitments for promotions related with credit cards and banking activities Other Irrevocable commitments	502.908 496.304 185.990 143.829 3.343 458 88.212	475.270 588.983 13.399 111.042 3.029 963 38.475
Total	1,421,044	1.231.161

- b. Type and amount of possible losses and commitments arising from off-balance sheet items:
- b.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Letters of guarantees Bank loans Letters of credit Other guaranties and sureties	7.129.367 14.513 803.005 95.492	7.809.811 20.711 752.679 117.992
Total		
	8.042.377	8.701.193

b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees Long standing letters of guarantees Temporary letters of guarantees Advance letters of guarantees Letters of guarantees given to customs Letters of guarantees given for obtaining cash loans Sureties and similar transactions	7.129.367 4.575.456 211.972 173.956 225.270 1.942.713 95.492	7.809.811 4.845.313 240.046 257.462 229.514 2.237.476 117.992
Total	7.224.859	7.927.803



(Thousand of Turkish Lira (TL) unless otherwise stated)

### III. Explanations and notes related to off-balance sheet (continued):

#### c. Within the Non-cash Loans

#### c.1. Total amount of non-cash loans:

Current Period	Prior Period
1.942.713	2.237.476
434.037	369.164
1.508.676	1.868.312
6.099.664	6.463,717
6.640.077	8.701.193
	1.942.713 434.037 1.508.676

#### c.2. Sectoral risk concentration of non-cash loans:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## c.3. Information on the non-cash loans classified in Group I and Group II:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 2. Explanations on derivative transactions:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 3. Explanations on contingent assets and liabilities:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 4. Explanations on services rendered on behalf of third parties:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income:

## 1. Information on profit share income:

## a. Information on profit share income received from loans:

Current Po	Current Period		Prior Period	
TL	FC	TL	FC	
228.067	12.561	231.712	11.264	
, . , ,	115.256	644.788	79.656	
10.075	_	4.628	-	
1.005.821	127.817	881.128	90.920	
	228.067 767.075 10.679	TL FC  228.067 12.561 767.075 115.256 10.679	TL FC TL  228.067 12.561 231.712 767.075 115.256 644.788 10.679 - 4.628	

<sup>(1)</sup> Includes fees and commission income on cash loans.

## b. Information on profit share income received from banks:

	Current Pr	riod	Prior Peri	rior Period	
***************************************	TL	FC	TL	FC	
CBRT Domestic Banks	2.109	11.097	4.632	6,073	
Foreign Banks	-	913	-	31	
Head Offices and Branches Abroad	•	441	-	-	
Total	2.109	12.010	4.632	6 10 <i>4</i>	

## c. Information on profit share income received from marketable securities:

N	Current Period		Prior Period		
	TL	FC	TL	FC	
From financial assets held for trading From financial assets at fair value through profit or loss	-	-	-	w	
From financial assets available-for-sale From held-to-maturity investments	54.767 35.054	13.973	36,779 34,439	3.518	
Total	89.821	13.973	71.218	3.518	

## ç. Information on profit share income received from associates and subsidiaries:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit shares income received from associates and subsidiaries	736	2.170	•	849
Total	736	2.170	<u> </u>	849

(Thousand of Turkish Lira (TL) unless otherwise stated)

- IV. Explanations and notes related to the statement of income (continued):
- 2. Explanations on profit share expenses:
- a. Information on profit share expense paid to funds borrowed:

	Curre	Current Period		
	TL.	FC	TL	FC
Banks CBRT	3.241	30.160	-	24.253
Domestic banks	-	3.767	-	1.345
Foreign banks Head offices and branches abroad	3.241	26.393		22.908
Other institutions	6.313	116.808	2.474	89.602
Total	9.554	146.968	2.474	113.855

b. Profit share expense paid to associates and subsidiaries:

	Current	Period	Prior Period		
	TL	FC	TL	FC	
Profit share paid to Investments in Associates and Subsidiaries	6.295	42.167	2.474	31,533	
Total	6.295	42.167	2.474	31.533	

c. Profit share expenses paid to marketable securities issued:

None (June 30, 2016: None).

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

## ç. Distribution of profit share expense on funds collected based on maturity of funds collected:

Current Period	Profit sharing accounts							
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year	Accumulated profit sharing account	Tota
TL.								
Funds collected from banks through								
current and profit sharing accounts	-	18	_	•	-	_	_	18
Real persons' non-trading profit						•	-	10
sharing accounts	86.785	183.463	5.534	-	2.678	22.699	169	301.328
Public sector profit sharing accounts  Commercial sector profit sharing	1	**	-		~	a	-	
accontage accide brong attained	17,396	70.909	3.618		caa			
Other institutions profit sharing	11/2000	70.505	3.010	•	590	1.528	•	94.24
accounts	2.898	10.884	588	_	46	310	_	14.726
No. of the second secon							-	14.123
Total	107.080	265.274	9.940		3.314	24,537	169	410.314
FC								
Banks	2.516	4.203	996	*	24	40		
Real persons' non-trading profit	2.070	4.2.00	ಜರಳ	•	62	18	-	7.795
sharing accounts	10.564	23.739	1.375	-	549	5.627	_	ge ne.
Public sector profit sharing accounts	•		,,,,,,	-	U+0	J.021	-	41,954
Commercial sector profit sharing							_	•
accounts	2.853	7.762	1.026	•	456	117		12.214
Other institutions profit sharing accounts								
accounts Preclous metals deposits	394	3,157		•	10	1,561	•	5.122
Fredous metars deposits	345	1.833	45	*	15	67	-	2.305
Total	16,672	40.594	3,442	<u> </u>	1.192	7.390	_	69.390
			· · · · · · · · · · · · · · · · · · ·	····	·		······································	53.430
		***************************************						
	123.752	305,968	13.382 Profit	Sharing acc	4.506 counts	31.927	169	479,704
Grand fotal  Prior Period			***************************************	Sharing acc		31.927	Accumulated	479.704
Prior Period	Up to 1	Up to 3	Profit Up to 6	Up to 9		31.927		479.704
Prior Period			Profit		ounts		Assumulated profit	
Prior Period	Up to 1	Up to 3	Profit Up to 6	Up to 9	Counts Up to 1	More than	Accumulated profit sharing	
Prior Period Account name	Up to 1	Up to 3	Profit Up to 6	Up to 9	Counts Up to 1	More than	Accumulated profit sharing	
Prior Period  Account name  L  Unds collected from banks through	Up to 1 month	Up to 3 months	Profit Up to 6	Up to 9	Counts Up to 1	More than 1 year	Accumulated profit sharing	Total
Prior Period  Account name  L  Tunds collected from banks through urrent and profit sharing accounts	Up to 1	Up to 3	Profit Up to 6	Up to 9	Counts Up to 1	More than	Accumulated profit sharing	Total
Prior Period  Account name  L  L  L  L  L  L  L  L  L  L  L  L  L	Up to 1 month	Up to 3 months	Profit Up to 6 months	Up to 9	Up to 1	More than 1 year	Accumulated profit sharing account	Total
Prior Period  L L L L L L L L L L L L L L L L L L	Up to 1 month	Up to 3 months	Profit Up to 6	Up to 9	Counts Up to 1	More than 1 year	Accumulated profit sharing	Total 920 283.430
Prior Period  L L L L L L L L L L L L L L L L L L	Up to 1 month - 45.930 21	Up to 3 months 920 203.582 59	Profit Up to 6 months	Up to 9	Up to 1	More than 1 year	Accumulated profit sharing account	Total 920 283.430
Prior Period  Account name  L  unds collected from banks through urrent and profit sharing accounts leai persons' non-trading profit haring accounts ubits sector profit sharing accounts commercial sector profit sharing accounts	Up to 1 month	Up to 3 months 920 203.582	Profit Up to 6 months	Up to 9	Up to 1	More than 1 year	Accumulated profit sharing account	Tota 920 283.430 80
Prior Period  Account name  L  L  L  L  L  L  L  L  L  L  L  L  L	Up to 1 month 45.930 21 8.553	Up to 3 months 920 203.582 59 71,456	Profit Up to 6 months  3.519	Up to 9	Up to 1 Year 3.939	More than 1 year 26.360	Accumulated profit sharing account	Total
Prior Period  Lecount name  Lunds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit haring accounts obtic sector profit sharing accounts commercial sector profit sharing accounts their institutions profit sharing	Up to 1 month - 45.930 21	Up to 3 months 920 203.582 59	Profit Up to 6 months	Up to 9	Up to 1 year	More than 1 year 26.360	Accumulated profit sharing account	Tota 920 283.430 80
Prior Period  L L L L L L L L L L L L L L L L L L	Up to 1 month 45.930 21 8.553	Up to 3 months  920 203.582 59 71,456 11,183	Profit Up to 6 months  3.519 2.312 594	Up to 9	3.939 646	More than 1 year 26.360 4.411 92	Accumulated profit sharing account	70ta 920 283.430 80 87.378 12.463
Prior Period  Account name  L unds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit haring accounts ubits sector profit sharing accounts commercial sector profit sharing ccounts ther institutions profit sharing ccounts	Up to 1 month  - 45.930 21 8.553 525	Up to 3 months 920 203.582 59 71,456	Profit Up to 6 months  3.519	Up to 9 months	Up to 1 Year 3.939	More than 1 year 26.360	Accumulated profit sharing account	70tal 920 283.430 80 87.378
Prior Period  Account name  L  L  L  L  L  L  L  L  L  L  L  L  L	Up to 1 month  - 45.930 21 8.553 525	Up to 3 months  920 203.582 59 71,456 11,183	Profit Up to 6 months  3.519 2.312 594	Up to 9 months	3.939 646	More than 1 year 26.360 4.411 92	Accumulated profit sharing account	70tal 920 283.430 80 87.378 12.463
Prior Period  L  L  L  L  L  L  L  L  L  L  L  L  L	Up to 1 month  - 45.930 21 8.553 525	Up to 3 months  920 203.582 59 71,456 11,183	Profit Up to 6 months  3.519 2.312 594	Up to 9 months	3.939 646	More than 1 year 26.360 4.411 92	Accumulated profit sharing account	70tal 920 283.430 80 87.378 12.463
Prior Period  Account name  L  Tunds collected from banks through current and profit sharing accounts leal persons' non-trading profit haring accounts lommercial sector profit sharing accounts counts in the institutions profit sharing accounts counts  Otal  C  anks eal persons' non-trading profit	Up to 1 month 45.930 21 8.553 525 55.929	Up to 3 months  920 203.582 59 71,456 11.183 287,300	Profit Up to 6 months  3.519 2.312 594 6.425	Up to 9 months	3.939 646 69 4.654	More than 1 year 26.360 4.411 92	Accumulated profit sharing account	70tal 920 283.430 80 87.378 12.463
Prior Period  Lecount name  Lunds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit sharing accounts ownercial sector profit sharing accounts counts ownercial sector profit sharing accounts other institutions profit sharing accounts  Otal  Counts  Counts  Otal  Counts  Counts  Otal  Counts	Up to 1 month 45.930 21 8.553 525	Up to 3 months 920 203.582 59 71.456 11.183	Profit Up to 6 months  3.519 2.312 594 6.425 632 676	Up to 9 months	3.939 646 69 4.654	More than 1 year 26.360 4.411 92	Accumulated profit sharing account	70tal 920 283.430 80 87.378 12.463
Prior Period  Coount name  L  unds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit haring accounts ownercial sector profit sharing accounts their institutions profit sharing accounts  counts  C  anks eat persons' non-trading profit laring accounts taring accounts	Up to 1 month 45.930 21 8.553 525 55.929	Up to 3 months  920 203.582 59 71,456 11.183 287,300	Profit Up to 6 months  3.519 2.312 594 6.425	Up to 9 months	3.939 646 69 4.654	More than 1 year 26.360 4.411 92 30.863	Accumulated profit sharing account	701a 920 283.430 80 87.378 12.463 384.271
Prior Period  Coount name  L unds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit haring accounts ownercial sector profit sharing accounts counts ther institutions profit sharing accounts  Counts  Counts  Canks  Cal and Counts  C	Up to 1 month 45.930 21 8.553 525 55.029	Up to 3 months  920 203.582 59 71.456 11.183 287.300 953 19.663	Profit Up to 6 months  3.519 2.312 594 6.425	Up to 9 months	3.939 646 69 4.654	More than 1 year 26.360 4.411 92 30.863	Accumulated profit sharing account	70ta 920 283.430 80 87.378 12.463 384.271 1.828 31.111
Prior Period  Account name  L  J  J  J  J  J  J  J  J  J  J  J  J	Up to 1 month 45.930 21 8.553 525 55.929	Up to 3 months  920 203.582 59 71,456 11.183 287,300	Profit Up to 6 months  3.519 2.312 594 6.425 632 676	Up to 9 months	3.939 646 69 4.654	More than 1 year 26.360 4.411 92 30.863	Accumulated profit sharing account	701a 920 283.430 80 87.378 12.463 384.271
Prior Period  Lecount name  Lunds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit sharing accounts ownercial sector profit sharing accounts counts of the institutions profit sharing accounts of the institutions profit sharing accounts of the institutions profit sharing accounts learning accounts sharing accounts ownercial sector profit sharing accounts ownercial sector profit sharing accounts ownercial sector profit sharing accounts ownercial sector profit sharing accounts there institutions profit sharing there institutions profit sharing there institutions profit sharing	Up to 1 month 45.930 21 8.553 525 55.029 166 4.810	Up to 3 months  920 203.582 59 71.456 11.183 287.300 953 19.663 6.796	Profit Up to 6 months  3.519 2.312 594 6.425 632 676 150	Up to 9 months	3.939 646 69 4.654 77 1.294	More than 1 year 26.360 4.411 92 30.863 4.668	Accumulated profit sharing account	70tal 920 283.430 80 87.378 12.463 364.271 1.828 31.111 -
Prior Period  Account name  L  L  L  L  L  L  L  L  L  L  L  L  L	Up to 1 month  45.930 21  8.553  525  55.929  166  4.810  1.045  209	Up to 3 months  920 203.582 59 71.456 11.183 287.300 953 19.663 6.796 3.605	Profit Up to 6 months  3.519 2.312 594 6.425 632 676 150 30	Up to 9 months	3.939 646 69 4.654 77 1.294 458 64	More than 1 year 26.360 4.411 92 30.863 4.668 83 629	Accumulated profit sharing account	283,430 80 87,378 12,463 364,271 1,828 31,111 8,530 4,537
Prior Period  Account name  L  Unds collected from banks through urrent and profit sharing accounts leal persons' non-trading profit haring accounts ublic sector profit sharing accounts commercial sector profit sharing accounts other institutions profit sharing accounts  OC  anks eal persons' non-trading profit haring accounts ublic sector profit sharing accounts onther institutions profit sharing accounts ther institutions profit sharing accounts ther institutions profit sharing accounts ther institutions profit sharing accounts account	Up to 1 month 45.930 21 8.553 525 55.029 166 4.810	Up to 3 months  920 203.582 59 71.456 11.183 287.300 953 19.663 6.796	Profit Up to 6 months  3.519 2.312 594 6.425 632 676 150	Up to 9 months	3.939 646 69 4.654 77 1.294	More than 1 year 26.360 4.411 92 30.863 4.668	Accumulated profit sharing account	70tal 920 283.430 80 87.378 12.463 364.271 1.828 31.111 -
Prior Period  Account name  T.  Funds collected from banks through urrent and profit sharing accounts lead persons' non-trading profit haring accounts loommercial sector profit sharing accounts counts in the sector profit sharing accounts in the sector profit sharing accounts of the sector profit sharing accounts in the sector profit sharing accounts leading accounts are sector profit sharing accounts obtained accounts on the sharing accounts on the sharing accounts on the sharing accounts on the sharing accounts on the sharing accounts on the sector profit sharing accounts on the sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts on the sector profit sharing accounts of the sector profit sharing accoun	Up to 1 month  45.930 21  8.553  525  55.929  166  4.810  1.045  209	Up to 3 months  920 203.582 59 71.456 11.183 287.300 953 19.663 6.796 3.605	Profit Up to 6 months  3.519 2.312 594 6.425 632 676 150 30	Up to 9 months	3.939 646 69 4.654 77 1.294 458 64	More than 1 year  26.360  4.411  92  30.863  4.668  83  629 60	Accumulated profit sharing account	70tal 920 283.430 80 87.378 12.463 384.271 1.828 31.111 8.530 4.537 1.628
Prior Period  Account name  L  Junds collected from banks through urrent and profit sharing accounts leai persons' non-trading profit haring accounts ubits sector profit sharing accounts commercial sector profit sharing accounts otal  C  anks eal persons' non-trading profit haring accounts ubits sector profit sharing accounts otal  counts eal persons' non-trading profit haring accounts ubits sector profit sharing accounts ther institutions profit sharing accounts ther institutions profit sharing accounts cou	Up to 1 month 45.930 21 8.553 525 55.029 166 4.810 1.045 209 313	Up to 3 months  920 203.582 59 71,456 11.183 287.300 953 19.663 6.796 3.605 1.170	Profit Up to 6 months  3.519 2.312 594 6.425 632 676 - 150 30 40	Up to 9 months	3.939 646 69 4.654 77 1.294 456 84 45	More than 1 year 26.360 4.411 92 30.863 4.668 83 629	Accumulated profit sharing account	70tal 920 283.430 80 87.378 12.463 384.271 1.828 31.111 8.530 4.537

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

#### 3. Information on dividend income:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 4. Explanations on trading income/loss (net):

	Current Period	Prior Period
Income	3.489.442	2.710.741
Income from capital market transactions	34.425	56
Income from derivative financial instruments	8.197	16.107
Foreign exchange income	3.446.820	2.694.578
Loss (-)	3.471.657	2.679.305
Loss on capital market transactions	33	
Loss on derivative financial instruments	21.621	49.547
Foreign exchange losses	3.450.003	2.629.758
Trading Income/Loss (net)	17.785	31.436

#### 5. Explanations related to other operating income:

	Current Period	Prior Period
Reversal of prior year provisions	45.101	29.058
Income from sale of assets	13.888	26.950
Reimbursement for communication expenses	2.608	2.164
Reimbursement of vacation pay expenses	-	-
Cheque book charges	608	612
Other Income	1.602	6.227
Total	63.807	65.011

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

## 6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	0.17 A	
Loans and receivables in III. Group	217,974	103.662
Loans and receivables in IV. Group	16.341	32.217
Loans and receivables in IV. Group	98.783	39.913
Coulted and receivables in v. Group	96.501	26.652
Doubtful commission, fee and other receivables	6.349	4.880
General provision expenses	7.270	19.970
Provision expenses for possible losses	-	19.510
Impairment losses on marketable securities	390	-
Financial assets at fair value through profit and loss	- + •	201
Financial assets available for sale	188	100
impairment losses on associates, subsidiaries, joint ventures	202	101
and held to maturity investments		
Associates	•	-
Subsidiaries	-	-
	_	
Joint ventures		_
Held to maturity investments	_	•
Other <sup>(*)</sup>	8.879	20,347
Total	234.513	144.180

TL 87.343 (June 30, 2016: TL 43.343) of the total specific provisions provided for loan and other receivables amounting to TL 217.974 (June 30, 2016: TL 103.662) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 3.151 (June 30, 2016; TL 2.495) participation accounts portion of general loan loss provision provided for loans and other receivables of the total general loan loss provisions amounts to TL 7.270 (June 30, 2016; TL 19.970).

## (\*) Details of the "other" amount is as follows:

	Current Period	Prior Period
Specific provisions for non-cash loans that are not indemnified Provisions allocated from profit shares to be distributed to profit sharing	8.879	6.325
accounts	*	14.022
Total	8.879	20.347

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

## 7. Information on other operating expenses:

	Current Period	Prior Perioc
Personnel expenses	218.556	<b>もわじ つへよ</b>
Provision for retirement pay liability	4.395	196.361
Deficit provision for pension fund	4.390	2.400
Impairment expenses of tangible assets	•	-
Depreciation expenses of tangible assets	19.251	19.772
Impairment expenses of intangible assets	10,201	15,112
Impairment expense of goodwill		_
Amortization expenses of intangible assets	11.552	11.752
Impairment provision for investments accounted for under equity method	11.002	11,106
Impairment expenses of assets to be disposed	33	1.968
Depreciation expenses of assets to be disposed	2.506	622
Impairment expenses of assets held for sale and assets of discontinued operations		55
Other business expenses	84.086	
Operating lease expenses	33.007	83,886 29,466
Maintenance expenses	5.983	29.400 6.789
Advertisement expenses	10.742	12.213
Other expenses(7)	34.354	12.213 35.418
Loss on sale of assets	93	498
Other(")	58.022	58. <b>1</b> 44
Total	398,494	375.458
Other expenses under "other business expenses" are provided as below.	Current Period	Prior Period
		1 1101 1 61100
Communication Expenses Constions	6.336	5,352
	4.060	8.063
Cleaning expenses	6.060	6.172
leating, lighting and water expenses	4.252	3.404
Representation and Hosting expenses (ehicle expenses	1.994	2.304
enicia expenses awsuit and court expenses	2.203	1.715
awsun and count expenses Other	1,347	2.621
viiei	8.102	5.787
	0.102	ນ./ຄ/
otal	34.354	35.418
	· · · · · · · · · · · · · · · · · · ·	·
	· · · · · · · · · · · · · · · · · · ·	·
Details of other balance are provided as below:	34.354  Current Period	35.418 Prior Period
Details of other balance are provided as below:  aving Deposit Insurance Fund axes, Duties, Charges and Funds	34.354  Current Period  19.354	35.418 Prior Period 17.937
Details of other balance are provided as below:  aving Deposit Insurance Fund axes, Duties, Charges and Funds expertise and Information Expenses	34.354 Current Period 19.354 15.144	35.418 Prior Period 17.937 13.373
Details of other balance are provided as below:  aving Deposit Insurance Fund axes, Duties, Charges and Funds expertise and Information Expenses udit and Consultancy Fees	34.354 Current Period 19.354 15.144 5.887	35.418 Prior Period 17.937 13.373 6.849
Otal  Details of other balance are provided as below:  aving Deposit Insurance Fund axes, Duties, Charges and Funds expertise and Information Expenses udit and Consultancy Fees acation Pay Provision Expense	34.354 Current Period 19.354 15.144 5.887 7.352	35.418  Prior Period  17.937 13.373 6.849 3.326
Details of other balance are provided as below:  aving Deposit Insurance Fund axes, Duties, Charges and Funds expertise and Information Expenses udit and Consultancy Fees	34.354 Current Period 19.354 15.144 5.887	35.418 Prior Period 17.937 13.373 6.849

AKİS BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRDİK A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

#### 8. Explanations on income/loss from continued operations before taxes:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

Current Period	Prior Period
160 447	252 486
	1 <b>6</b> 1.1 <b>7</b> 6
32.429	32.235
2.581	15,170
(19,575)	(7.011)
• •	40.394
	(7.768)
30.850	32.626
	162.147 32.429

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

## Explanations on net income/loss from continued and discontinued operations:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### 11. Explanations on net income/ loss:

a. The nature and amount of certain income and expense Items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b. The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None.

AKİS BAĞIMSIZ DENETİM VE SERBEST MÜHĞSEBECİ MALİ MÜŞAVİŞİİK A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

# 12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS fees and commissions	16.261	18.825
Clearing room fees and commissions	9.673	8.968
Commissions on money orders	7.213	4.981
Appraisal fees	5.727	5.205
insurance and brokerage commissions	5.598	
Other	9.645	4.994 6.913
Total	54.117	49.886
Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed fees and commissions		
Credit cards fees and commissions	13.991	14.099
Member firm-POS fees and commissions	4.336	3.859
	7.966	5.937
Fees and commissions for Swift, EFT and money orders	2.498	1,781
Other	4.744	3.794
Total	33.535	29.470

## V. Explanations and notes related to the statement of changes in shareholders' equity:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## VI. Explanations and disclosures related to the statement of cash flows:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousand of Turkish Lira (TL) unless otherwise stated)

## VII. Explanations related to the risk group of the Bank:

 Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

#### a. Current period:

Risk Group of the Bank <sup>(*)</sup>	Investn associates,s and joint (business pa	ubsidiaries ventures	sharehold	d indirect ders of the ank	Other real o persons incl the risk g	uded in
WHINTO-00-10-10-10-10-10-10-10-10-10-10-10-10-	Cash	Non-cash	Cash	Non-cash	Cash No	
Loans and other receivables Balance at the beginning of the period Balance at the end of the period Profit share and commission income received	- 2.906		35.550 24.282 <b>744</b>		714 96 13	28

#### b. Prior period:

Risk Group of the Bank <sup>(*)</sup>	investn associates,s and joint (business pa	ubsidiaries ventures	shareholders of the person		persons is	r real or legal ns included in risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash	
Loans and other receivables							
Balance at the beginning of period	<del></del>		47,906	65.512	41	28	
Balance at end of period  Profit share and commission income	-	-	35.550	24.249	714	28	
received	849		1.108	172	40	•	

Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

## c.1. Information on current and profit sharing accounts of the Bank's risk group:

Risk Group of the Bank <sup>(*)</sup>	Investm associates,s and joint v (business pa	ubsidiaries entures	sharehold	d indirect lers of the ink	Other real persons inc	luded in
	Current	Prior	Current	Prior	Current	Prior
	Period	Period	Period	Period	Period	Period
Current and profit sharing accounts Balance at the beginning of period Balance at the end of period Profit share expense	10.496	7.810	470.674	268.530	5.476	3.134
	3.004	10.496	621.862	470.674	5.717	5.476
	370	247	5.581	3.689	47	83

<sup>17)</sup> As of June 30, 2017 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 198.520.181 and EUR 93.982.311 (December 31, 2016: USD 79.171.095 and EURO 127.196.602). The profit share expense relating to such borrowings for the period between January 1, 2017 – June 30, 2017 is TL 4.082 (June 30, 2016: TL 5.442). The Bank has issued Sukuk in the amounts of USD 350.000.000 and TL 325.000.000 through "Bereket Varlik Kiralama A.Ş." which exists in the risk group of the Bank. The total expense for the related issues is TL 48.165 as of June 30, 2017 (June 30, 2016: TL 34.007).



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VII. Explanations related to the risk group of the Bank (continued):

#### c.2. Information on forward and option agreements and other similar agreements with related parties:

The Bank does not have forward and option agreements with the risk group of the Bank.

For the six-month-period ended June 30, 2017; the Bank has paid TL 5.051 (June 30, 2016; TL 10.370) to top management.

## VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### IX. Explanations related to subsequent events:

None.

#### **SECTION SIX**

I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:

None.

#### **SECTION SEVEN**

Limited review report

#### I. Explanations on limited review report:

The Bank's unconsolidated financial statements as of and for the period ended June 30, 2017 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the limited review report dated July 28, 2017 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION EIGHT**

Information on Interim Report

#### a. General Information

## 1. Summary Information about Albaraka Türk Katılım Bankası A.Ş:

Albaraka Türk Participation Bank, the first and the leading financial institution in interest free banking field in Turkey, has completed its establishment in 1984 and entered into service as of the beginning of the year of 1985. Albaraka Türk is continuing its activities subject to the Banking Law No. 5411. In the partnership structure of Albaraka Banking Group (ABG), one of the leading groups of Middle East, Islamic Development Bank (IDB) and Albaraka Türk, established under the leadership of a domestic industrial group serving to Turkish economy for more than a half century, share of the foreign partners is 66%, share of the domestic partners is 9.05% and publicly held share is 24.95%. Partnership structure of Albaraka Türk is the guarantee of the respect and trust we bear.

Albaraka Türk, collecting funds through current accounts and participation accounts and gaining the funds it contributes to the economy of the country by products as individual financing, corporate finance, financial leasing and profit-loss partnership on the basis of a project, is entitled to offer a variety of finance and banking services by interest free banking application.

Albaraka Türk has always aimed to achieve sustainable growth with the strategy of "adding value to your values" for all its stakeholders with its "reliable", "understandable", "responsible" and "transparent" approach to all its customers, including individual, corporate and SME segments in order to offer services and improve customer experience in all-inclusive participation banking system. With its competent and dynamic human resources and interest-free banking infrastructure, Albaraka Türk is a leader in its products and services without compromising on its quality and value.

Albaraka Türk, started with the vision of being the best regional bank in offering financial products and services in Gulf, Middle East and North Africa geographies where its main partner ABG is carrying out business, is rendering fast, qualified and safe foreign trade (import, export and foreign exchange) services to its customers in 80 countries from Singapore to England, South Africa to Morocco, Australia to Kazakhstan, by the wide correspondent net it has established with 1000 banks. Albaraka Türk, is an international Participation Bank adopted the mission of adding value to its customers, partners, employees and Turkey.

### 2. Capital and Shareholders' Structure:

Albaraka Türk's paid-up capital is TL 900.000 as of June 30, 2017, the registered capital ceiling is TL 2.500.000.

	Share amount (TL)	Ratio (%)
Foreign Shareholders		
Albaraka Banking Group	593.953	66,00
Islamic Development Bank	486.523	54,06
Alharthy Family	70.574	7.84
Others	31.106	3,46
Local Shareholders	5.750	0.64
Publicly Listed	81.464	9.05
	224.583	24,95
Total		
	900.000	100,00

(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

## The amendments in the articles of association during period of January 1, 2017- June 30, 2017 3,

The Ordinary General Assembly Meeting of the Bank for the 2016 accounting period was held on March 23, 2017, on Thursday, at 10:00 a.m., at the address of Saray Mahallesi, Dr. Adnan Büyükdeniz Caddesi No:6 Umraniye, Istanbul and it is resolved that The Article 7 of the Articles of Association of the Bank be amended.

The old and the amended new article in the Articles of Incorporation are listed below.

<u></u>	
OLD TEXT	NEW TEXT
Bank's Capital Article 7:	Bank's Capital Article 7:
(1) The Bank has accepted the registered capital system pursuant to the provisions of the Capital Market Law, and switched to the registered capital system with the permission of the Capital Markets Board dated 06/03/2013 and numbered 7/259.	(1) The Bank has accepted the registered capital system pursuant to the provisions of the Capital Market Law, and switched to the registered capital system with the permission of the Capital Markets Board dated 06/03/2013 and numbered 7/259.
(2) The upper limit of the registered capital of the Bank is Ti	(2) The same Park of the case

- Till of the registered capital of the Bank is TL 2.500.000.000 TL (two billion and five hundred million Turkish Liras), divided into 2.500.000.000 registered nominative shares with a value of TL 1 Turkish Lira each.
- (3) The permission given by the Capital Markets Board in relation to the upper limit of the registered capital shall be in effect for a 5-year period between 2013 and 2017. Even if the upper limit of the registered capital is not reached until the end of 2017, in order to make a decision by the Board of Directors to increase the share capital after 2017, it is obligatory to obtain authorization for a new time period not to exceed 5 years from the General Assembly for the previously permitted or a newly determined upper limit of the registered capital, after having been received the permission of Capital Markets Board. In case of failure in obtaining the said authorization, the Bank shall be deemed to be logged off from the registered capital system.
- (4) The Bank's issued share capital is 900,000,000 TL, and this amount has been fully paid in cash being free of collusion.
- (5) The shares representing the Bank's Capital shall be traced on the basis of the records within the framework of the principles of dematerialization.

- (2) The upper limit of the registered capital of the Bank is TL 2.500,000,000 TL (two billion and five hundred million Turkish Liras), divided into 2.500,000,000 registered nominative shares with a value of TL 1 Turkish Lira each.
- (3) The permission given by the Capital Markets Board in relation to the upper limit of the registered capital shall be in effect for a 5-year period between 2017 and 2021. Even if the upper limit of the registered capital is not reached until the end of 2021, in order to make a decision by the Board of Directors to increase the share capital after 2021, it is obligatory to obtain authorization for a new time period not to exceed 5 years from the General Assembly for the previously permitted or a newly determined upper limit of the registered capital, after having been received the permission of Capital Markets Board. In case of failure in obtaining the said authorization, the Bank shall be deemed to be logged off from the registered capital system.
- (4) The Bank's issued share capital is 900.000.000 TL, and this amount has been fully paid in cash being free of collusion.
- (5) The shares representing the Bank's Capital shall be traced on the basis of the records within the framework of the principles of dematerialization.

You may access the Information Document, the Profit Distribution Statement, the Meeting Minutes and the Resolutions of the Ordinary General Assembly Meeting of the Bank for the 2016 accounting period that was held on March 23, 2017 from Albaraka Türk website Investor Relations section at the link below:

https://www.albaraka.com.tr/en/general-assembly-information-document.aspx



(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

# 4. Branch and Personnel Information:

As of June 30, 2017, total number of branches of the Bank is 213 and the total number of personnel is 3.816. Albaraka Türk carries out its activities with 212 domestic branches extended throughout the country and 1 branch abroad in Erbit.

# 5. Board of Directors Chairman and Members:

Name and surname	Administrative Function	Educational Degree	Start Date	Banking Experience
Adnan Ahmed Yusuf ABDULMALEK Yalçın ÖNER Osman AKYÜZ İbrahim Fayez Humaid ALSHAMSI Hamad Abdulla A. EQAB Fahad Abdullah A. ALRAJHI Hood Hashem Ahmed HASHEM Prof.Dr.Kemal Varol Muhammad Zarrug M. RAJAB Dr. Bekir PAKDEMIRL	Administrative Function  Chairman of BOD Vice Chairman of BOD Member of BOD Member of BOD Member of BOD Member of BOD Member of BOD Independent Member of BOD Member of BOD Member of BOD Member of BOD Member of BOD	Master Master Bachelor Bachelor Bachelor Bachelor Master Doctorate Bachelor	2005 1985 1996 2005 2008 2008 2011 2013 2016	44 45 32 46 23 29 16 8 31
Dr. Khaled Abdulla Mohamed ATEEQ Mustafa BÜYÜKABACI Melikşah UTKU	Member of BOD Member of BOD Member of BOD and CEO	Doctorate Doctorate Master Master	2016 2017 2017 2016	25 13

# 6. Top Management:

Name and Surname	Administrative Function	Educational Degree	Start Date	Banking Experience
Meliksah UTKU	Member of BOD and CEO	**	***************************************	
Turgut SIMITCIOĞLU		Master	2016	13
<del>-</del>	Senior Assistant General Manager (Deputy)	Master	2017	27
Mehmet Ali VERÇİN	Senior Assistant General	Bachelor	2017	24
**	Manager (Deputy)			
Temel HAZIROĞLU	Assistant General Manager	Master	2003	31
Ali TUĞLU	Assistant General Manager	Master	2014	9
Nihat BOZ	Assistant General Manager	Bachelor	2009	30
Süleyman ÇELİK	Assistant General Manager	Bachelor	2017	28
Nevzat BAYRAKTAR	Assistant General Manager	Bachelor	2017	21
Fatih BOZ	Assistant General Manager	Master	2017	19
Hasan ALTUNDAĞ	Assistant General Manager	Bachelor	2017	30
Deniz AKSU	Assistant General Manager	Bachelor	2017	21
Malek Khodr TEMSAH	Assistant General Manager	Master	2017	14
Cenk DEMÍRÖZ	Assistant General Manager	Master	2017	17

AKIS BAĞIMSIZ DENETİM VE SERBEST MÜLKISEBECİ MALI MÜŞÂVRESK A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

# 7. Managers of Departments within Internal Systems(\*)

Name and	Professional	Duration of Services at	Length of Services		Field of
Surname	Experience (Years)	Albaraka Türk (Years)	in His Area (Years)	Education	Responsibility
					Internal Systems
Volkan EVCIL	25 years 6 months	23 years 6 months	14 years 6 months	Bachelor	Senior Manager
Ahmet UYSAL	12 years 2 months	12 years 2 months	10 years	Master	Inspection
Umut ÇAKMAK Ahmet Faruk	12 years 6 months	12 years 6 months	12 years 6 months	Bachelor	Risk Management
DEĞIRMENCİ	9 years 6 months	9 years 6 months	9 years 6 months	Bachelor	Internal Control Regulation and
Hakan KURBETCI	25 years 6 months	21 years 6 months	4 years 9 months	Bachelor	Compliance



(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

# Committee Information After Distribution of Roles Among BOD: 8.

# AUDIT COMMITTEE

Chairman:

Mustafa BÜYÜKABACI

Member:

Hood Hashem Ahmed HASHEM

Observer:

Hamad Abdulla A.EQAB, Ibrahim Fayez Humaid ALSHAMSI, Khaled Abdulla Mohamed ATEEQ

# CREDIT COMMITTEE:

Chairman:

Adnan Ahmed Yusuf ABDULMALEK

Member:

Osman AKYÜZ Kemal VAROL

Member: Member:

Melikşah UTKU

Reserve Member: Yalçın ÖNER, Bekir PAKDEMİRLİ

# **CORPORATE GOVERNANCE COMMITTEE:**

Chairman:

Muhammad Zarrug M. RAJAB

Member: Member: Ibrahim Fayez Humaid ALSHAMSI Mustafa KARAMEHMETOĞLU

Observer:

Khaled Abdulla Mohamed ATEEQ

# REMUNERATION COMMITTEE:

Chairman:

Adnan Ahmed Yusuf ABDULMALEK

Member: Member:

Osman AKYÜZ Melikşah UTKU

# SUSTAINABILITY AND SOCIAL RESPONSIBILITY COMMITTEE:

Chairman:

Bekir PAKDEMIRLI

Member:

Ibrahim Fayez Humaid ALSHAMSI

Member:

Mustafa BÜYÜKABACI

# EXECUTIVE COMMITTEE:

Chairman:

Adnan Ahmed Yusuf ABDULMALEK

Vice Chairman: Yalçın ÖNER

Member:

Osman AKYÜZ

Member: Member:

Hamad Abdulla Ali EQAB Melikşah UTKU

> BAĞIMSIZ DENETİM VE SERBEST ALBASEBECI MALI MUSAVIRBIK A.S.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

# II. Bank's Financial Information and Evaluations:

# 1. Main Financial Figures:

ASSETS	Current Period	Prior Period
Charles and Shirts and the same		
Cash and Balances with The Central Bank	5.008.632	4.999,052
Banks	2.097.796	2.158.177
Financial Assets- Available For Sale (Net)	1.649.006	1.382.690
Loans and Receivables	22.111.191	21.843.075
Financial Leasing Receivables	765.179	878.979
Others	2.584.777	1.588.765
TOTAL ASSETS	34.216.581	32.850.738
LIABILITIES	Current Period	Prior Period
Funds Collected	23,770,802	23.155,134
Funds Borrowed	5.060.171	4.424.195
Subordinated Loans	1.511.792	1.510.937
Shareholders' Equity	2.376.890	2.279.593
Others	1,496,926	1.480.879
	1.450.520	1.400.038
TOTAL LIABILITIES	34.216.581	32.850.738
INCOME AND EXPENSE ITEMS		
STOCKE AND EXICIOUS STATES	Current Period	Prior Period
Profit Share Income	1.287.781	1.094.209
Profit Share Expense	648.136	580.137
Net Profit Share Income/Expenses	639.645	514.072
Net Fees and Commissions Income/Expenses	73.917	70.295
Trading Income/Loss (Net)	17.785	31.436
Other Operating Income	63.807	65.011
Total Operating Income	795.154	680.814
Provision For Loan Losses and Other Receivables (-)	234.513	144.180
Other Operating Expenses (-)	398.494	375.458
Net Operating Income/ (Losses)	162.147	161.176
Tax Provision For Discontinued Operations (-+)	30.850	32.626
NET PROFIT/LOSSES	131.297	dee eer
Earnings Per Share (Full TL)		128.550
The second secon	0,146	0,143



(Thousand of Turkish Lira (TL) unless otherwise stated)

Information on Interim Report (continued):

# 2. Message from the Chairman of the Board of Directors:

Our Precious Stakeholders,

The positive expectations for the continuation of global economic activity still remains. The International Money Fund (IMF), World Bank and OECD have revised their global growth forecasts to upward direction for 2017.

The Federal Reserve (FED) has increased their interest rates in June, hiking by 25 basis points to 1-1.25% band in line with expectations and has given some details regarding their balance sheet normalization program. Recovery in the Euro zone continues throughout the region. The European Central Bank (ECB) has not changed its policy rate and asset purchase schedule in line with expectations at its June meeting. On the other hand, the UK elections and the terrorist incidents in the country have increased the uncertainties regarding the Brexit process. The Bank of Japan (BOJ) did not make any changes in its monetary policy in parallel with the market forecast in June. The Chinese economy, which has started with positive trends to 2017, has increased the expectations that its economy will perform better than expected by the first half of 2017.

In Turkey, The Turkish economy has grown by 5% in the first quarter of 2017. The decline in uncertainties following the referendum is among the factors supporting the growth in the strong increase in consumption expenditures. Nevertheless, the unemployment rate continues to decline with its recent announcement of 10.5% unemployment rate in April due to the recovery in economic activity. Foreign trade deficit continues to expand; and foreign trade deficit has increased by 43.3% to USD 7.3 billion in the last announced May data. The current account deficit continues its course with above expectations. The rise in non-monetary gold imports was influential on the current account deficit, which has expanded to USD 5.2 billion in May. Budget expenditures have increased compared to the previous year according to June data and in the first half of the year 2017, the budget had a deficit of TL 25.2 billion. The CPI (Consumer Price Index), which was in an upward trend, has continued to decline in June after May, reaching 10.9% on an annual basis.

The maintenance of the tight monetary policy of the Central Bank of Turkey has a positive impact on the exchange rates and on the risk premium indicators. While the Credit Guarantee Fund stimulus and the increase in the credit supply effects the increase in the credit volume of the banks; other macro precautionary measures such as tax reductions and KOSGEB support to SMEs continue to support the economic activity in our country.

Albaraka Turk, which is the flagship of Albaraka Banking Group (ABG), continues its stable growth strategy and investments for a stronger Turkey and for a stronger banking sector by closely monitoring global and regional developments. With the knowledge and responsibility of being Turkey's first and foremost Participation Bank, it has reached TL 34.216.581 of asset size as of June 30, 2017 and it will continue to respond to the financial needs of its customers as it has been doing for 32 years with its management team becoming more professional every day, and with its employees and stakeholders. Just as it was yesterday, our Bank, Albaraka Turk, will continue to take firm steps today as well as tomorrow, while adding value to all of its stakeholders in line with its vision of "Becoming the World's Best Participation Bank". I would therefore like to thank all of our colleagues, our customers, shareholders and all other stakeholders for their contributions.

Respectfully Yours,

Adnan Ahmed Yusuf ABDULMALEK Chairman of the Board of Directors



(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

# 3. Message from the CEO

Our Precious Stakeholders,

Albaraka Turk, which has brought Participation Banking to our country, has continued to increase its contribution to the Turkish economy and real sector for 32 years and I am honored to present Albaraka Turk Participation Bank's financial results and the projects that has completed within the first half of 2017.

According to our financial results, the total assets of our bank have reached TL 34.216.581. Our total loan portfolio including financial leasing has reached TL 22.876.370. Funds collected through profit and loss participation accounts and private current accounts has increased by 2.7% as compared to the previous period to reach TL 23.770.802. About 47.88% of these funds are composed of foreign currency funds. Our equity size has increased by 4.2% as compared to our previous period and has reached TL 2.376.890. Our capital adequacy ratio is 16.93%.

As of June 30, 2017, our Bank's net profit was TL 131.297. Our quarterly profit is up by 46% as compared to the same period of last year to reach TL 95.504.

Our Bank continues to work without slowing down in order to diversify its fund resources and continues to Issue domestic lease certificates. In the first half of 2017, TL 325.000 TL worth of total lease certificate issuance was realized, while the total leasing certificate volume has reached TL 675.000. Also at the beginning of the second quarter, a successful Murabaha syndicated loan amounting to USD 213 million with a maturity of 370 days was obtained in April.

In June, in order to raise the position of our Bank in international banking within the global finance community, we joined the International Finance Institute (IIF), which has close to 500 members from 70 different countries, our bank Albaraka Turk will be able to represent participation banking in the discussion platforms, where policy makers are involved in key regulatory bodies such as IIF membership, IAIS, Basel Committee, FSB, IOSCO, IASB and key organizations such as G-20 and IMF.

As Albaraka Turk, we closely follow the rapid development of entrepreneurship ecosystem in our country and we act with the vision of establishing and supporting successful enterprises. In line with this vision, our Bank launched a first in June and opened the world's first Participation Banking Startup Acceleration Center called the Albaraka Garage. Albaraka Garage will serve as an Entrepreneur Acceleration Center, where the entrepreneurs with financial technology based business ideas and projects are supported by incubation and acceleration facilities in Albaraka Turk. Beside the Albaraka Garage program, we have launched an inhouse entrepreneurship program; we are leading the way in creating new business opportunities by ensuring that innovative business and enterprise ideas coming from our employees can be tested with the least resources and in the shortest possible time considering the needs of our company and our industry with our program that we have executed. Within the scope of the program, we started to support 11 projects selected from 137 projects of 101 domestic entrepreneurs.

We aim to create a creative ecosystem for our employees with innovative ideas and Innovative projects that have emerged in the Social Responsibility Project Competition that we have launched within the company, which gives great importance to human and employee values since the day it was established in line with the objective of "Becoming the World's Best Participation Bank". In this context, we have started to work on the realization of the projects by having 3 project owner awards as a result of our first competition with a total of 93 applications from different fields.

With our activities, which continues to improve in each area, we have completed our work with care and devotion in the first half of 2017, as it has been for 32 years. As Albaraka Turk, we will continue to work with our existing stakeholders as well as our 213 branches and 3816 employees in order to expand participation banking and support the country's economy in our country and in the world. I would like to express my deepest gratitude to all of the stakeholders who have contributed and supported the realization of Albaraka Turk's goals.

Respectfully Yours,

Melikşah UTKU Board Member and CEO



(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

# 4. Activities in the Second Quarter of 2017:

- In the second quarter of 2017, our total assets have actualized as TL 34.216.581.
- In the second quarter of 2017, the funds our Bank has collected through "Special Current Accounts" and "Participation to Profit and Loss Accounts" has been TL 23.770.802 as of June 30, 2017. Approximately 47.88% of these funds are constituted of foreign currency funds.
- Participation accounts in the second quarter of 2017 has been TL 17.983.809. Our Bank's Fund Collecting Activities are carried out through our 213 branches, our bank's branches throughout the country and correspondent banks abroad.

****	Current	Current Period		Prior Period		Change (%)	
TL and USD Equivalent	TL Equivalent	USD Equivalent	TL Equivalent	USD Equivalent	TL.	USD	
TL Funds	12.389.894	3.527.874	12.557.143	3.577.534	(1,33)	(1,39)	
Current Accounts	2.381.942	678.229	2.666,540	759.698	(10.67)	(10,72)	
Participation Accounts	10.007,952	2.849.645	9.890.603	2.817.836	1,19	1,13	
FC Funds	11.380.908	3.240.578	10.597.991	3.019.370	7,39	7.33	
Current Accounts	3.405.051	969.548	2.764.410	787,581	23,17	23,10	
Participation Accounts	7.975.857	2.271.030	7.833.581	2.231.789	1,82	1,76	
TOTAL	23.770,802	6.768.452	23.155.134	6.596.904	2,66	2,60	

uges laterary	Current P	eriod	Prior F	'eriod	Change	(%)
TL and USD Equivalent	TL Equivalent	USD Equivalent	TL Equivalent	USD Equivalent	TL	USD
Credits <sup>(1)</sup> Non-performing Loans Provisions	22.229.903 1.424.898 (778.431)	6.329,699 405,723 (221,649)	22.194.605 1.105.954 (578.505)	6.323.249 315.087 (164.816)	0,16 28,84 34,56	0,10 28,77 34,48
TOTAL	22.876.370	6.513.773	22.722.054	6.473.520	0,68	0,62

<sup>(\*)</sup> Financial Leasing Receivables included.

The currency used in the preparation of the tables are as follows;

Dalance Sheet Period	USD/TL
As of June 30, 2017 As of December 31, 2016	3,512 3,510

# Evaluation on Financial Status, Profitability and Solvency:

- Our Operating Income has been TL 795.154, increasing by 16.79% compared to the same period of the previous year.
- Net Fee and Commission Revenues have been TL 73.917, increasing by 5.15%, our Net Profit Share has been TL 639.645, increasing by 24,43%.
- Personnel expenses has been TL 218.556, increasing by 11.30% and Depreciation Expenses have been TL 33.309, decreasing by 3.62% compared to the same period of the previous year.
- Our net profit has been TL 131.297, raising by 2.14% for the first 3 months of the year. Our quarterly
  profit increased by 46% to TL 95,504 compared to the same period of last year.
- As of June 30, 2017, our capital adequacy ratio is actualized as 16.93%.

Investor Relations presentation regarding our unconsolidated financial results for the first half of 2017 can be found at "Investor Relations" section in "https://www.albaraka.com.tr/en/default.aspx".



(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

# 6. Announcements regarding important developments during January 1, 2017 - June 30, 2017 period:

 Our Bank has made new appointments under the organizational changes of the year 2017. Senior Assistant General Manager (Deputy) Responsible from Business Lines and Senior Assistant General Manager (Deputy) Responsible from Support positions are established between General Manager and Assistant General Managers positions. Appointments of positions are as follows:

Assistant General Manager Responsible for Business Branches (GM Deputy) - Turgut SiMITCIOĞLU

Assistant General Manager Responsible for Support (GM Deputy) - Mehmet Ali VERÇİN

Assistant General Manager Responsible for Legal - Nihat BOZ

Assistant General Manager Responsible for Credits - Cenk DEMIRÖZ

Assistant General Manager Responsible for Credit Risk - Deniz AKSU

Assistant General Manager Responsible for Finance - Temel HAZIROĞLU

Assistant General Manager Responsible for Sales - Nevzat BAYRAKTAR

Assistant General Manager Responsible for Marketing - Hasan ALTUNDAĞ

Assistant General Manager Responsible for Treasury and Financial Institutions - Malek Khodr TEMSAH

Assistant General Manager Responsible for Operations - Fatih BOZ

Assistant General Manager Responsible for Human Values and Administrative Affairs - Süleyman ÇELİK

Assistant General Manager Responsible for Information Technologies - Ali TUĞLU

- In our Bank's public disclosure dated January 9, 2017, we disclosed that Tax Inspection Board, Istanbul Large Taxpayers Groups prepared a tax audit report for the review of KKDF (Resource Utilization Support Fund) for retail consumer financing customers for the year of 2011. A total of TL 41 accrual slip were issued with KKDF cut and penalty.
- In our Bank's public disclosure dated January 24, 2017, we disclosed that we have completed our studies on ensuring that our Tier 2 subordinated loan, which is in the murabaha sukuk format amounting to USD 200 million with a total maturity of 10 years with a principal repayment of 5 years and a coupon profit rate of 7,75% provided in 2013, can be considered as contribution capital within the scope of the relevant legislation in order to comply with Basel III requirements.
- In our Bank's public disclosure dated January 27, 2017, we disclosed that International Credit Rating Company Standard & Poors has revised the rating of Albaraka Sukuk Ltd. and Sukuk as a contribution capital issued by Albaraka Sukuk Limited on November 30, 2015 as CCC+. Also, Standard & Poors has placed its 'B-' issue rating on the tier 2 sukuk trust certificates issued by ABT Sukuk Ltd. on Credit watch with negative implications.
- In our Bank's public disclosure dated February 17, 2017, we disclosed that our Acting General Manager Melikşah UTKU has been appointed as General Manager by resolution of the Board of Directors dated February 17, 2017 and numbered 1603.
- Within our Bank Repurchase Program accepted Ordinary General Assembly held March 25, 2015, total
  TL 6.115 nominal value shares were bought by our Bank between January 18, 2016 and March 22,
  2017. With this transaction, our Bank's share of capital in Albaraka Türk Katılım Bankası A.Ş.'s Capital
  reached to 0.68% as of March 22, 2017.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

As announced in Public Disclosure Platform on February 17, 2017, our Bank's Ordinary General Meeting of Shareholders of was held on March 23, 2017 with the following agenda:

# AGENDA:

- 1. Inauguration; formation of Presiding Council.
- Authorizing the Presiding Council to sign the general assembly minutes of meeting.
- 3. Reading and discussing the Annual Report of the BoD about the fiscal year 2016.
- 4. Reading and discussing Auditor reports.
- 5. Reading, discussing and approving the Financial Statements.
- 6. Acquitting the Members of the BoD.
- 7. Acquitting the Auditor.
- 8. Discussing the BoD proposal about the utilization and distribution of the annual profit and dividends (ratios of sharing).
- Discussing the fiscal rights and benefits of the Board members like salary & wages, perdiems, bonus & premiums and alike.
- 10. Electing new members for the BoD, as the offices of our current directors will expire; and determining their new terms of office.
- 11. Electing the Auditor.
- 12. Discussing and resolving the Board of Directors' proposal to amend Article-7 entitled "Bank's Capital" of our Bank's Articles of Incorporation.
- 13. Permitting members of the BoD with respect to articles 395 and 396 of Turkish Commercial Code.
- 14. Presenting information to General Assembly about operations effected in scope of the Repurchase Program for bank's own shares in 2016,
- 15. Providing the General Assembly with details of our Bank's donations in 2016.
- 16. Wishes and requests.
- Our Article 7 titled "Bank's Capital" of Article of Incorporation was amended by general meeting with the permission of the BRSA, CMB and the Ministry of Customs and Trade regarding the extension of the registered capital ceiling permit period.
- You may find Information Document, Profit Distribution Table, Minutes and Resolutions regarding Ordinary General Meeting of Shareholders which was held on March 23, 2017 from Albaraka Türk website Investor Relations section from following link:

https://www.albaraka.com.tr/en/general-assembly-information-document.aspx

- At the General Assembly Meeting held on March 23, 2017, it was decided that the number of the members of the board of directors should be determined as 13, including the General Manager, which is the natural member of the board of directors. Also, it has been decided that the term of office of the elected board members shall be 3 years and that the other 12 members of the board of directors other than the General Manager who is the natural member of the board of directors shall be the following:
  - Mr. ADNAN AHMED YUSUF ABDULMALEK, Mr. YALÇIN ÖNER, Mr. OSMAN AKYÜZ, Mr. IBRAHIM FAYEZ HUMAID ALSHAMSI, Mr. HAMAD ABDULLA ALI EQAB, Mr. FAHAD ABDULLAH A. ALRAJHI, Mr. HOOD HASHEM AHMED HASHEM, Mr. MUSTAFA BÜYÜKABACI, Mr. KHALED ABDULLA MOHAMED ATEEQ, Mr. BEKİR PAKDEMİRLİ, Mr. KEMAL VAROL, Mr. MUHAMMAD ZARRUG M. RAJAB. From these members;

Mr. KEMAL VAROL and Mr. MUHAMMAD ZARRUG M. RAJAB was elected as an independent board member.

At the General Assembly meeting held on March 23, 2017, Article 8 of the agenda for the use and distribution of Profit Shares was discussed and a gross total of TL 43.521 profit distribution become approved by the voting consortium as of April 10, 2017.

BAĞIMSIZ DENETİM VE SERBEST MÜLLÜĞEBECİ MALİ MÜŞAVİRBİK A.Ş.

94

(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

In accordance with the resolution of the Board of Directors dated March 30, 2017; Board members and the General Manager, who were elected to the Board of Directors for three years at the Ordinary General Meeting of Shareholders held on March 23, 2017, distributions of the duties of the Board of Directors among themselves as follows:

Chairman of the Board of Directors- Adnan Ahmed Yusuf ABDULMALEK, Vice Chairman of the Board of Directors - Yalçın ÖNER

Credit Committee Chairman - Adnan Ahmed Yusuf ABDULMALEK, Members - Osman AKYÜZ

Kemal VAROL, Melikşah UTKU, Reserve Members - Yalçın ÖNER, Bekir PAKDEMIRLİ

Audit Committee Chairman - Mustafa BÜYÜKABACI, Member - Hood Hashem Ahmed HASHEM

Observers - Hamad Abdulla Ali EQAB, Ibrahim Fayez Humald ALSHAMSI, Khaled Abdulla Mohamed ATEEQ

Corporate Governance Committee Chairman - Muhammed Zarrug M. RAJAB, Members - Ibrahim Fayez Humaid ALSHAMSI, Mustafa KARAMEHMETOĞLU, Observer - Khaled Abdulla Mohamed ATEEQ

Remuneration Committee Chairman - Adnan Ahmed Yusuf ABDULMALEK, Members - Osman AKYÜZ, Melikşah UTKU

Social Responsibility Committee Chairman - Bekir PAKDEMIRLI, Members - Ibrahim Fayez Humaid ALSHAMSI, Mustafa BÜYÜKABACI

Executive Committee Chairman - Adnan Ahmed Yusuf ABDULMALEK, Vice Chairman - Yalçın ÖNER, Members - Osman AKYÜZ, Hamad Abdulla Ali EQAB, Melikşah UTKU

- On March 31, 2017, a successful Sukuk Certificate (Sukuk) was issued by Albaraka Türk which is resource institution and fund user with a maturity of 179 days with a funding source of TL 110.000.
- In our Bank's public disclosure dated April 7, 2017, we disclosed that International Rating Agency Standard & Poor's determined the rating of the sukuk transaction issued by ABT Sukuk Ltd. as "CCC +".
- In our Bank's public disclosure dated April 19, 2017, we disclosed that our Bank has provided 213 million USD Murabaha Syndicated Loan with the participation of 12 banks from 8 countries. The cost of the murabaha syndicated loan, which was provided as 370 days maturity, was realized as Libor + 125 bps.
- At the Board of Directors' meeting held on 28 April 2017, it has been decided to change the name of the Committee on Social Responsibility to "Sustainability and Social Responsibility Committee".
- At the Board of Directors' meeting held on 28 April 2017, it has been decided to authorize the General Directorate in connection with the opening of the branch titled "Albaraka Türk Katılım Bankası A.Ş. Bağdat Şubesi" in Bagdat, Iraq to carry out all kinds of required works both at Turkey and Iraq. On May 9, 2017, the Banking Regulation and Supervision Agency was applied for permission to open branch.
- On May 11, 2017, a successful Sukuk Certificate (Sukuk) was issued by Albaraka Türk which is resource institution and fund user with a maturity of 97 days with a funding source of TL 100,000.
- JCR Eurasia Rating has affirmed the credit ratings of Albaraka Türk Katılım Bankası A.Ş., evaluating within high investable category, as the Long Term International Foreign and Local Currency ratings have been affirmed as "BBB-" with a 'Stable' outlook in its report dated May 15, 2017. Other notes and details of the ratings are given in the table below:

Long Term International Foreign Currency : BBB- / (Stable Outlook)

Long Term International Local Currency : BBB-/ (Stable Outlook)

Long Term National Local Rating : AA (Trk) / (Negative Outlook)

Short Term International Foreign Currency: A-3 / (Stable Outlook) Short Term International Local Currency : A-3 / (Stable Outlook)

Short Term National Local Rating : A-1+ (Trk) / (Negative Outlook)

Sponsor Support: 3

Stand Alone: AB

On June 23, 2017, a successful Sukuk Certificate (Sukuk) was issued by Albaraka Türk which is resource institution and fund user with a maturity of 179 days with a funding source of TL 115,000.

BAĞIMSIZ DENETİM VE SERBEST MÜSASEBECİ MALI MÜSAVİRLİK A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

JCR Eurasia Rating has revised our Bank's compliance with CMB Corporate Governance Principles a
score of 8,81 along with a Positive outlook in its report dated July 11, 2017. The Company's compliance
levels in each of the four main sections are submitted below.

Overall: 8,81 (Positive) Shareholders: 8,83

Public Disclosure and Transparency: 9,04

Stakeholders: 8,90 Board of Directors: 8,58

By virtue of the fact that the Bank's compliance with the corporate governance principles notes are above [(7) Threshold Score], Albaraka Türk is entitled to continue to be included in the BIST Corporate Governance Index.

Important developments during January 1, 2017 - June 30, 2017 period were announced and the
disclosures were uploaded to the Public Disclosure Platform. All the announcements are shared at
Albaraka Türk web site Investor Relations section.

https://www.albaraka.com.tr/ozel-durum-aciklamalari.aspx



# Albaraka Türk Katılım Bankası Anonim Şirketi

Unconsolidated financial statements and related disclosures at December 31, 2016 together with independent auditors' report (Convenience translation of the independent auditors' report and financial statements originally issued in Turkish – see section three Note XXIII)

February 20, 2017

This report contains "independent auditor's Report" comprising 2 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 100 pages.



Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No:29 Beykoz 34805 İstanbul Tel +90 (216) 681 90 00 Fax +90 (216) 681 90 90 www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish to English (See Note XXIII in Section Three)

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED FINANCIAL INFORMATION

To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş.;

# Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2016 and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

# Management's Responsibility for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

# Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the unconsolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

# Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Albaraka Türk Katılım Bankası A.Ş. as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

# Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January 31 December 2016 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

# Other Matter

The unconsolidated financial statements of the Company as at and for year ended 31 December 2015 was audited by another auditor who expressed an unmodified opinion on those statements on 22 February 2016, respectively.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member firm of KPMG International Cooperative

Alper Gü**veh**ç Partner, SMMM

l'iven

20 February 2017 istanbul, Turkey

# Additional paragraph for convenience translation to English:

The accounting principles summarized in Note XXIII Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.



# UNCONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

Bank's headquarter address

: Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6

34768 Ümraniye / İstanbul

Bank's phone number and facsimile

: 00 90 216 666 01 01 - 00 90 216 666 16 00

Bank's website

: www.albarakaturk.com.tr

Electronic mail contact info

: albarakaturk@albarakaturk.com.tr

The unconsolidated year ended financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency Regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been independently audited and presented as attached.

February 20, 20/

Varian Almand Vasur ABDULMALEK

Chairman of the Board of Directors

Temel HAZIKÖĞLÜ Assistanlı Qıneral Manager

Hamad Abdulla A. EQAB

Chairman of the Audit Committee

✓ Mitat AKTAŞ

Member of the Audit Committee

Meliksah UTKU

Acting General Manager

Yunus AHLATCI

Finapcial Reporting Manager

Hood Hashem Ahmed HASHEM Member of the Audit Committee

Muhammad Zarrug M. RAJAB

Member of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title

: Bora ŞİMŞEK / Financial Reporting / Vice Manager

Telephone

: 00 90 216 666 05 59

Facsimile

: 00 90 216 666 16 11

ianie o	n contents	Page
Section		
	al information	
I.	History of the Bank including its incorporation date, initial legal status and amendments to legal	1
II.	status Shareholding structure, shareholders having direct or indirect, joint or individual	'
***	control over the management of the Bank and disclosures on related changes in the	
	current year, if any	1
III.	Explanation on the chairman and members of board of directors, members of audit	
	committee, general manager and assistant general managers, their areas of	2
IV.	responsibility and their shares in the Bank, if any Information on the Bank's qualified shareholders	2
V.	Summary on the Bank's service activities and field of operations	3
VΙ.	Differences between the Communiqué on Preparation of Consolidated Financial Statements of	
	Banks and Turkish Accounting Standards with respect to consolidation and short explanation about	
	the institutions subject to full or proportional consolidation and institutions which are deducted from	_
VIII	equity or not included in these three methods	3
VII.	The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the Bank and Its subsidiaries	3
	bi rapailes between the bank and his subsidiaries	~
Section	n two	
	nconsolidated financial statements	
I.	Balance sheet (Statement of financial position)	5
11. 111.	Statement of off-balance sheet Statement of income	7 8
IV.	Statement of income and expense items accounted under shareholders' equity	9
V.	Statement of changes in shareholders' equity	10
VI.	Statement of cash flows	12
VII.	Statement of profit distribution	13
Section	n thusa	
	n tirree nting policies	
1.	Explanations on basis of presentation	14
ÏI.	Explanations on strategy of using financial instruments and foreign currency transactions	15
III.	Explanations on forward, option contracts and derivative instruments	16
ĮV.	Explanations on profit share income and expenses	16
V.	Explanations on fees, commission income and expenses	16 17
VI. VII.	Explanations on financial assets Explanations on impairment of financial assets	18
VIII.	Explanations on offsetting of financial instruments	18
IX.	Explanations on sale and repurchase agreements and lending of securities	18
X.	Explanations on assets held for sale and discontinued operations and liabilities related to these	
	assets	19
XI.	Explanations on goodwill and other intangible assets	19
XII. XIII.	Explanations on tangible assets Explanations on leasing transactions	20 21
XIV.	Explanations on provisions and contingent liabilities	21
XV.	Explanations on liabilities regarding employee rights	21
XVI.	Explanations on taxation	22
XVII.	Additional explanations on borrowings	23
XVIII.	Explanations on issued share certificates	23
XIX. XX.	Explanations on acceptances and availed drafts Explanations on government grants	23 23
XXI.	Explanations on segment reporting	23
XXII.	Explanations on other matters	23
XXIII.	Additional paragraph for convenience translation	24
Section	n four	
	ation on financial structure and risk management	
l.	Explanations on the capital adequacy standard ratio	25
II. m	Explanations on credit risk	32
III. IV.	Explanations on risks including countercyclical capital buffer calculation  Explanations on currency risk	38 38
V.	Explanations on correctly risk  Explanations on position risk of equity securities in banking book	40
	· · · · · · · · · · · · · · · · · · ·	

VI,	Explanations on liquidity risk	40
VII.	Explanations on leverage ratio	44
VIII.	Explanations on presentation of financial assets and liabilities at fair values	45
IX.	Explanations regarding the activities carried out on behalf and account of other persons	46
Х.	Explanations on risk management	47
XI.	Explanations on business segments	62
Section	on five	
Expla	inations and notes on the unconsolidated financial statements	
1.	Explanations and notes related to assets	63
II.	Explanations and notes related to liabilities	78
III.	Explanations and notes related to off-balance sheet commitments	87
IV.	Explanations and notes related to the statement of income	90
V.	Explanations and notes related to the statements of changes in shareholders' equity	97
VI.	Explanations and notes related to the statement of cash flows	98
VII	Explanations related to the risk group of the Bank	99
VIII.	Explanations related to domestic, foreign, off-shore branches or investments and foreign	
	representative offices	100
IX.	Explanations related to subsequent events	100
	on six	
	explanations	
l.	Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to	
	interpretation and require clarification	100
	on seven	
	endent Auditors' Report	
1	Explanations on independent auditors' report	100
Ħ.	Other notes and explanations prepared by the independent auditor	100

(Thousand of Turkish Lira (TL) unless otherwise stated)

# **SECTION ONE**

### **GENERAL INFORMATION**

I. History of the Bank including its incorporation date, initial legal status and amendments to legal status:

Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks 'published in the Official Gazette dated November 1, 2006 numbered 26333 and the Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Bank's head office is located in Istanbul and is operating through 212 (December 31, 2015: 212) local branches and 1 (December 31, 2015: 1) foreign branch and with 3.796 (December 31, 2015: 3.736) staff as of December 31, 2016.

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, if any:

As of December 31, 2016, 54,06% (December 31, 2015: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 24,84% (December 31, 2015: 24,80%) of the shares are publicly traded and quoted at Borsa Istanbul.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Bank, if any:

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
Chairman of the Board of Directors (BOD)	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	0000,0 <sup>(2)</sup>
Members of BOD	Yalçın ÖNER	Vice Chairman of BOD	Master	
	Ibrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	0,0000
	Osman AKYÜZ	Executive Member of BOD	Bachelor	
	Bekir PAKDEMİRLİ	Member of BOD	Master	
	Mitat AKTAŞ	Member of BOD	Master	(*) 0,0000
	Hamad Abdulla A. EQAB	Member of BOD	Bachelor	(1) 0,0000
	Fahad Abdullah A, ALRAJHI	Member of BOD	Bachelor	© 0,0000
	Hood Hashem Ahmed HASHEM	Member of BOD	Master	0,0000
	Muhammad Zarrug M. RAJAB	Member of BOD	Bachelor	-
	Prof. Dr. Kemal VÄROL	Independent Member of BOD	Doctorate	_
	Dr .Fahrettin YAHŞI	Executive Member of BOD	Doctorate	-
Acting General Manager	Melikşah UTKU	Member of BOD / Acting General Manager	Master	•
Assistant General	Turgut SIMITCIOĞLU	Assistant General Manager Responsible	Master	-
Managers	Mehmet Ali VERÇİN	for Business Branches (GM Deputy) Assistant General Manager Responsible	Bachelor	*
		for Support (GM Deputy)		
	Nihat BOZ	Assistant General Manager Responsible for Legal (GM Deputy)	Bachelor	-
	Cenk DEMIRÖZ <sup>(**)</sup>	Assistant General Manager Responsible for Credits	Master	*
	Deniz AKSU <sup>(**)</sup>	Assistant General Manager Responsible for Risk Monitoring	Bachelor	-
	Temel HAZIROĞLU	Assistant General Manager Responsible for Finance and Strategy	Master	<sup>(1)</sup> 0,0342
	Nevzat BAYRAKTAR <sup>(**)</sup>	Assistant General Manager Responsible for Sales	Bachelor	-
	Hasan ALTUNDAĞ <sup>(**)</sup>	Assistant General Manager Responsible for Marketing	Bachelor	**
	Malek Khodr TEMSAH(**)	Assistant General Manager Responsible for Treasury and Financial Institutions	Master	*
	Fatin BOZ(**)	Assistant General Manager Responsible for Central Operations	Master	~
	Süleyman ÇELİK <sup>(**)</sup>	Assistant General Manager Responsible for Human Values and Administrative Affairs	Bachelor	-
	Ali TUĞLU	Assistant General Manager Responsible for Information Technologies	Master	-
Audit Committee	Hamad Abdulia A, EQAB	Chairman of Audit Committee	Bachelor	0,0000
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	© 0,0000
	Mitat AKTAŞ	Member of Audit Committee	Master	0,0000
	Muhammad Zarrug M. RAJAB	Member of Audit Committee	Bachelor	

<sup>(\*)</sup> The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Bank's share capital (December 31, 2015; 0,0342%).

# IV. Information on the Bank's qualified shareholders:

The Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below.

Name / commercial name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486,523	54,06%	486.523	*

<sup>(\*\*)</sup> Related assignments have been written in the board meeting dated December 25,2016 numbered 1596. Assistant General Managers Bülent Taban and Mahmut Esta Emek have already resigned as of December 31,2016.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# V. Summary on the Bank's service activities and field of operations:

The Bank operates in accordance with the principles of interest-free banking as a participation bank. The Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under five different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included) and one year and more than one year (with monthly, quarterly, semiannual and annual profit share payment).

The Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Bank operates as an insurance agency on behalf of Işık Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik ve Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services.

Moreover, the Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:

The Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiralama A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş. the subsidiaries of the Bank, through equity method and full consolidation method, respectively. Moreover, ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the bank and its subsidiaries:

There is no immediate transfer of equity between the Bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

# Section Two

# The unconsolidated financial statements

- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet
- III. Statement of income
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows
- VII. Statement of profit distribution

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF DECEMBER 31, 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

	4 0 A P T T	Notes	CUI	Audited RRENT PERK	00	F	Audited PRIOR PERI	OD
	ASSETS	(Section		ember 31, 20			cember 31.	
		Five-I)	TL	FC	Total	TL TL	FC	Total
E.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	940.247	4,058.805	4.999.052	894.204	4.010.594	4.904.798
fi.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	1.022	65.074	66.095	1,427	20.856	22.283
2.1	Trading Financial Assets	'"'	1.022	65.074	66.096	1.427	20.856	22.283
2.1.1	Public Sector Debt Securities	ļ	-	-	-	-	-	
2.1.2	Equity Securities		954		954	790		790
2.1.3 2.1.4	Derivative Financial Assets Held for Trading Other Marketable Securities		55 13	65,013 61	65.068 74	637	20.822	20.822 671
2.2	Financial Assets at Fair Value Through Profit and Loss				'-	00,	37	V' -
2.2.1	Public Sector Debt Securities			-	_	-	_	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans Other Marketalehia Penyritian		-	-	-	-	-	-
4.4.4 (ii.	Other Marketable Securities BANKS	(3)	656.410	1.501.787	2.158.177	599.970	1.882.644	2.482.614
IV.	MONEY MARKET PLACEMENTS	(*)	-		-	555.510	1,502,344	2,402.014
V.	FINANCIAL ASSETS-AVAILABLE FOR SALE (net)	(4)	996.067	386.623	1.382.690	755.337	296.229	1.051.566
5.1	Equity Securities		15	6.335	6.350	15	12,850	12.865
5.2	Public Sector Debt Securities		986.482		1.285.338	737.783	149.374	887.157
5.3 VI.	Other Marketable Securities LOANS AND RECEIVABLES	(5)	9,570 17,448,650	81.432 4.394.425	91.002	17.539 15.362.083	134.005 3.205.882	151.544 18.657.965
6.1	Loans and Receivables	, ",	16.921.201	4.394.425	21.315.626		3.205.054	18.370.399
6.1.1	Loans to Risk Group of The Bank		6.937	29.327	36.264	9.424	38.523	47.947
6.1.2	Public Sector Debt Securities							
6.1.3 6.2	Other Non-performing loans		16.914.264 1.104.785	4,365.098 1,169	21,279,362 1,105,954	15,155,921 467,256	3.166.531 1.157	18.322.452 468.413
6.3	Specific Provisions (-)		577,336	1,169	578,505	280,518	329	280.847
VII.	INVESTMENTS HELD TO MATURITY (net)	(6)	668,682		668.582	762.890	-	762.890
VIII.	INVESTMENTS IN ASSOCIATES (net)	(7)	4,719		4.719	4.719		4.719
8.1	Accounted for under Equity Method							
8.2 8.2.1	Unconsolidated Associates Financial Associates		4.719 4.719	•	4,719 4,719	4,719 4,719	-	4.719 4.719
	Non-Financial Associates		4.719	_	4,719	4.719		4.719
IX.	SUBSIDIARIES (net)	(8)	5.400		5.400	5.250		5.250
9.1	Unconsolidated Financial Subsidiaries		5,400	-	5.400	5.250	-	5.250
9.2	Unconsolidated Non-Financial Subsidiaries	400	20.000	-		4=	-	45 500
X. 10.1	JOINT VENTURES (net) Accounted for under Equity Method	(9)	20.000		20.000	15.500	]	15.500
10.2	Unconsolidated	•	20.000	_	20,000	15.500	_	15.500
	Financial Joint Ventures		20.000	-	20.000	15.500	~	15.500
	Non-Financial Joint Ventures			-			~	
XI. 11.1	LEASE RECEIVABLES (net) Finance Lease Receivables	(10)	878.979	-	878.979	947,427	· ·	947,427
11.2	Operational Lease Receivables	l	996.206		996,206	1.090.063		1.090.063
	Other		-	_		_	_	_
11.4	Unearned Income (-)		117.227	-	117.227	142.636	-	142.636
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING							
12.1	PURPOSES Fair Value Hedge	(11)	-	•	•	•	•	•
	Cash Flow Hedge		,			-	:	]
	Hedge of Net Investment Risks in Foreign Operations			-	-			-
XIII.	TANGIBLE ASSETS (net)	(12)	516.340	791	517.131	499.803	1.336	501.139
XIV.	INTANGIBLE ASSETS (net)	(13)	36.157	305	35,462	43.796	476	44.272
14.1 14.2	Goodwill		35,157	305	35,462	43.796	476	44.272
	INVESTMENT PROPERTY (net)	(14)	33,137	3u5	304.50	40.195	410	44.2/2
	TAX ASSET	(15)	25.100		25.100	20.495	<b>j</b> .	20.495
	Current Tax Asset		5.004	٠	5.004	5.324	-	5.324
	Deferred Tax Asset		20.096	-	20.096	15.171	-	15,171
	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)	(16)	91.884	433	92.317	22.574	245	22.819
	Assets Held for Sale	(+w)	91.884	433	92.317	22.574	245	22.619
17.2	Assets of Discontinued Operations		-					
	OTHER ASSETS	(17)	141.900	12.058	153.968	216.018	2.244	218.262
	TOTAL ASSETS		22.430.457	10.420.281	32.850.738	20.141.493	9.420.506	29.561.999

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF DECEMBER 31, 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

	LIABILITIES	Notes	ÇU	Audited RRENT PERI	OD	Р	Audited RIOR PERIC	D
	LIADILITIES	(Section		cember 31, 20			cember 31, 2	
·····	**************************************	Five-II)	TL	FC	Total	TL	FC	Total
L 1.1 1.2	FUNDS COLLECTED Funds from Risk Group of The Bank Other	(1)	12.557.143 18.908 12.538.235	10.597.991 467.738 10.130.253	23,155.134 486.646 22.668,488	11.336.176 126.867 11.209.309	9.010.002 152.607 8.857.395	20.346.178 279.474 20.066.704
tt. 111、	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING FUNDS BORROWED	(2) (3)	88 181.593	4.242.602	88 4.424.195	-	4,1D4.68B	4.104.688
IV. V.	BORROWINGS FROM MONEY MARKETS SECURITIES ISSUED (net)	'''	492.784	-	492.784	770.969	*	770.959
VI.	MISCELLANEOUS PAYABLES	1	634.215	68.144	702.359	633.312	53.074	686,386
VIII.	OTHER LIABILITIES LEASE PAYABLES	(4) (5)	1 :	!		-	:	
8.1	Finance Lease Payables	1.57	:	1 :	-	]	[	] [
8.2 8.3	Operational Lease Payables Other		-	-				
8.4 IX.	Deferred Finance Lease Expenses ( - ) DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)		-	-	*		
9.1	Fair Value Hedge	(4)	] -	] -	-	] :		
9.2	Cash Flow Hedge		٠ -	-	-	-	-	_
9.3 X.	Net Foreign Investment Hedge PROVISIONS	(7)	191,485	42.364	233.849	216.049	35.810	251.859
10.1 10.2	General Provisions Restructuring Reserves	"	110.416	25.847	136.263	140.016	30.869	170.885
10.3	Reserve for Employee Benefits		43,260	]	43.260	53.033		53.033
10.4	Insurance Technical Reserves (net)		-	_	· -			-
10.5 XI.	Other Provisions TAX LIABILITY	(8)	37.809 48.484	16.517 3.315	54,326 <b>51,799</b>	23.000	4.941	27.941
11,1	Current Tax Liability	10)	48.484	3.315	51.799	\$5.695 55.695	2.763 2.763	58.458 58.458
11.2	Deferred Tax Liability			1 0.213	-	-		-
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)	(9)		_	_	-		
12.1 12.2	Assets Held for Sale		-	-	-	-	٠.	-
XIII.	Assets of Discontinued Operations SUBORDINATED LOANS	(10)		1.510.937	1.510.937	]	1,239.657	1,239,557
XIV.	SHAREHOLDERS' EQUITY	(11)	2.288.369	(8.766)	2.279.593	2.097.426	6.488	2.103.914
14.1	Paid-In Capital		900.000	, · · ·	900,000	900,000	-	900.000
14.2	Capital Reserves		220.642	(8.766)	211.876	194,422	6.488	200.910
14.2.2	Share Premium Share Cancellation Profits					Ţ,		
	Marketable Securities Valuation Reserve		210	(8.766)	(8.556)	4.203	6.488	10.691
	Revaluation Reserve on Tangible Assets		211.642		211.642	189.092	~	189.092
14.2.5 14.2.6			~	-		*	*	,
14.2.7	Bonus Shares From Associates, Subsidiaries and		•	-	•	•	_	_
	Jointly Controlled Entities			_	•			-
14.2.8	Hedging Funds (Effective Portion)	<b>]</b>	*	•	-	-	-	
14.2.9	Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations							
14,2.10	Other Capital Reserves		8,790		8.790	1.127		1,127
14.3	Profit Reserves		946,157		946,157	696.531		696.531
	Legal Reserves		101.765	-	101.765	84.774	-	84,774
14.3.2	Status Reserves Extraordinary Reserves		844.392	-	844,392	611.757	-	611.757
			250,440		044.032	011./5/	-	011.63/
14.4	Profit or Loss		221.560	-	221.560	306,473		306.473
	Prior Years Profit / (Loss)		3.951	-	3.951	3.610	-	3.610
14.4.2 14.5	Current Year Profit / (Loss) Minority Shares		217.609	-	217.609	302.863	-	302.863
14,0	minimu's carenes		-	1	-	•	~	-
	TOTAL LIABILITIES	***************************************	16,394,151	16.456.587	32.850.738	15.109.617	14.452.382	29.561.999

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF OFF-BALANCE SHEET   Commitments   Commitmen			Marin	ļ	Audited		<u> </u>	Audited	
Phys-left    Phy		STATEMENT OF OFF-BALANCE SHEET					_ n		
Commitments of Commitments   Commitments			Five-Iff)	1	T	<del></del>	<del>†</del>	~~~~	Total
Commitments for Pernombinents   Commitment	•		34.		<u> </u>			<u> </u>	
1.1.   Letters of Guarantees Subject to Staff Pender Law   3.992.017   3.817.794   7.809.811   4.296.478   3.466.210   7.790.2   1.10   Causantees Subject to Staff Pender Law   5.911   875.341   881.232   4.88   816.444   616.8			(1)						
1.1.1   Guarantees Subject to State Tendar Law   380 805   3.3 0.37   413.842   259.046   2.3 3.3 2   22.8   1.1.2   Guarantees Cliven for Foreign Trade Operations   5.911 875.341   881.522   436 81.444   81.6   63.4 7.77   4.008.96   2.62.03.34   6.53.6   6.30.			ļ						
1.1.2   Guarantees Given for Foreign Trade Operations			1						
1.13   Other Letters of Guarantee   3.605 301   2,999 416   6,514,777   4,009,996   2,620,834   6,830,632   2,001   2,001   2,071			Į.						282.878
1.2 Bank Loans			Į.						816.880
1.2.1   Import Letter of Acceptances   -   20.711   20.711   -   28.324   28.3   28.				3.605.301			4.009.996		6,630,530
1.2.   Other Bank Acceptances			ļ	٠.			-		28.324
1.3.   Letter of Credits   2.073   750.666   752.679   - 639.592   639.53     3.2.   Other Letter of Credits   2.073   750.666   752.679   - 639.592   639.592     3.3.   Other Certain Govern as Guarantee   2.073   750.666   752.679   - 639.592   639.592     3.3.   Other Certain Bank of Turkey   - 630.666   752.679   - 639.592   639.592     3.3.   Other Guarantees   150   101.422   101.572   11.877   245.719   247.5     3.3.   Other Guarantees   150   101.422   101.572   11.877   245.719   247.5     3.3.   Other Guarantees   150   101.422   101.572   11.877   245.719   247.5     4.3.   Irrecoable Commitments   1221.782   3.379   1231.161   121.8669   110.806   1.324.4     4.0.   Start Capital Commitments   1221.782   3.379   13.399   76.568   110.806   187.3     5.1.   Lean Granting Commitments   111.042   111.892   - 118.80   110.806   187.3     5.2.   Other Guarantees   110.422   111.042   111.892   - 118.80   110.806   187.3     5.3.   Commitments for Credit Gard Expenditure Limits   110.42   111.892   - 118.80   110.806   187.3     5.3.   Commitments for Credit Gard Expenditure Limits   110.42   111.892   - 118.80   110.806   187.3     5.3.   Commitments for Credit Gard Expenditure Limits   110.42   111.892   - 118.80   110.806   187.3     5.3.   Commitments for Credit Card Expenditure Limits   147.270   187.2					20.711	20.711		28.324	28.324
13.1   Documentary Letter of Credits   2.073   759.806   752.879   639.592							-		
1.3.2. Other Letter of Credits   2.073   750.606   752.679   - 639.592   639.592   639.592   639.592   639.592   639.592   639.592   639.592   639.592   639.592   639.592   639.592   639.593   639.592   6			1	2.073	750,606	752.679	-	639,592	639.592
1.4. Prefinancing Glyen as Guarantee							-		
1.5.   Endorsements to the Central Bank of Turkey			1	2.073	750.606	752.679	-	639.592	639.592
1.5.1   Endorsements to the Central Bank of Turkey			1	-	-	-	-	1 -	1 .
1.5.2   Other Endorsements				-	-	-	-		•
1.5. Other Guarantees			1	-	-	-	-		-
1.7. Obher Coflaterals				-	-	-	-	-	1 -
COMMITTMENTS									247,596
1.221.762   9.379   12.31.61   1.218.869   110.806   1.329.4   1.221.762   9.379   1.3399   76.526   110.806   1.329.4   1.3399   76.526   110.806   1.329.4   1.329									18.257
2.1.1	H.		(1)						1.329.475
2.1.2   Share Capital Commitment to Associates and Subsidiaries									1.329.475
Subsidiaries 2.1.1. Loan Graning Commitments 2.1.4. Securities Underwriting Commitments 2.1.5. Commitments for Reserve Deposit Requirements 2.1.6. Payment Commitment for Cheques 2.1.7. Tax And Fund Liabilities from Export Commitments 3 0.29 2 0.35 2 2.05 2.1. Tax And Fund Liabilities from Export Commitments 3 0.29 2 0.35 2 2.05 2.1. Tax And Fund Liabilities from Export Commitments 3 0.29 2 0.35 2 2.05 2.1. Tax And Fund Liabilities from Export Commitments 3 0.29 3 0.29 2 0.35 2 2.05 2.1. Tax And Fund Liabilities from Export Commitments 3 0.29 3 0.29 2 0.35 2 2.05 2.1. Securities 2.1. Commitments for Credit Card Expenditure Limits 3 0.29 3 0.29 2 0.35 2 2.05 2.1. Securities 3 0.29 3 0.29 3 0.59 5 0.50 3 0.29 3 0.29 3 0.29 3 0.29 3 0.29 5 0.50 5 0.08				4.020	9.379	13.399	76.526	110.806	187.332
111.042	2.1.2.				1	ļ	1	1	1
2.1.4. Scurrities Underwriting Commitments 2.1.5. Commitments for Reserve Deposit Requirements 3 0.29 2.1.6. Cand For Find Commitment for Cheques 3 0.29 2.1.7. Tax And Fund Liabilities from Export Commitments 3 0.29 2.1.5. Commitments for Credit Card Expenditure Limits 2.1.6. Commitments for Credit Card Expenditure Limits 2.1.6. Commitments for Credit Card Expenditure Limits 2.1.6. Commitments for Credit Card Expenditure Limits 2.1.6. Commitments for Credit Card Expenditure Limits 2.1.7. Tax And Fund Liabilities from Export Commitments 2.1.8. Commitments for Credit Card Expenditure Limits 2.1.8. Commitments for Marketable Securities 3.8.475. 203 3				-	-	ļ -	-	-	-
2.1.5   Commitments for Reserve Deposit Requirements	2.1.3.			111.042	-	111.042	116.862	j -	116.862
2.1.6   Payment Commitment for Cheques   588.983   \$ 88.983   \$ 500.882   \$ 2.02	2.1.4.			-	-	-	-	-	-
2.1.7   Tax And Fund Liabilities from Export Commitments   3.029   475.270   521.582				-		-	-	-	-
2.1.1. Commitments for Credit Card Expenditure Limits (2.1.1.1 Revascible Securities (2.1.1.1 Payables for Short Sale Commitments of Marketable Securities (2.1.1.1 Payables for Short Sale Commitments of Marketable Securities (2.1.1.1 Payables for Short Sale Commitments of Marketable Securities (2.1.1.2 Cother Invevocable Commitments (2.1.1.2 Cother Invevocable Commitments (2.1.1.2.1.1 Payables for Short Sale Commitments (2.1.1.2.2.2.2.2.2.2.1.1.2.2.2.2.2.2.2.2		Payment Commitment for Cheques		588.983		588.963	500.882	_	500.682
2.1.10   Commitments for Promotions Related with Credit Cards and Banking Activities   963   599   5   5   5   5   5   5   5   5	2.1.7.	Tax And Fund Liabilities from Export Commitments	1	3.029		3.029	2.035	_	2.035
Cards and Banking Activities 2.1.10 Receivables From Short Sale Commitments of Marketable Securities 2.1.11 Payables for Short Sale Commitments of Marketable Securities 2.1.2 Other Inverceable Commitments 2.2.1 Revocable Commitments 2.2.2 Revocable Commitments 2.2.3 Revocable Commitments 2.2.4 Revocable Commitments 2.2.5 Other Revocable Commitments 3.8.475 2.2.7 Revocable Commitments 2.2.8 Revocable Commitments 2.2.9 Other Revocable Commitments 3.8.475 2.2.0 The Revocable Commitments 3.8.475 2.2.1 Revocable Commitments 3.8.475 2.2.1 Revocable Commitments 3.8.475 3.8.476 3.8.475 3.8.475 3.8.475 3.8.475 3.8.475 3.8.475 3.8.475 3.8.476 3.8.475 3.8.477.005 4.17.005	2,1,8.	Commitments for Credit Card Expenditure Limits	1	475,270	-	475.270	521,562	-	521.562
2.1.16   Payables for Short Sale Commitments of Marketable Securities	2.1.9,	Commitments for Promotions Related with Credit	1						
Marketable Securities 2.1.1 Payables for Short Sale Commitments Securities 2.1.2 Other Inverocable Commitments 2.2.2 Revocable Commitments 2.2.2 Other Revocable Commitments 2.2.2 Other Revocable Commitments 2.2.2 Other Revocable Commitments 2.2.2 Other Revocable Commitments 2.2.1 Revocable Commitments 2.2.2 Other Revocable Commitments 2.2.2 Other Revocable Commitments 2.2.3 Derivative Financial Instruments for Hedging 2.2.4 A.156		Cards and Banking Activities	1	963	-	963	599		599
Payables for Short Sale Commitments of Marketable Securities   Secur	2.1.10	Receivables From Short Sale Commitments of	ì		1				
Securities 1.12 Other irrevocable Commitments 2.2.1 Revocable Commitments 2.2.2 Revocable Commitments 2.2.2 Other Revocable Commitments 38.475		Marketable Securities	ļ		-		_		
Securities 1.12 Other irrevocable Commitments 2.2.1 Revocable Commitments 2.2.2 Revocable Commitments 2.2.2 Other Revocable Commitments 38.475	2.1.11	Payables for Short Sale Commitments of Marketable				!			1
Revocable Commitments				_		] _			
Revocable Commitments	2.1.12	Other Irrevocable Commitments		38.475	-	38,475	203		203
2.2.2. Other Revocable Commitments   Canal C	2.2.	Revocable Commitments				-		-	
2.2.2. Other Revocable Commitments	2.2.1.	Revocable Loan Granting Commitments			_	j -		_	
DERIVATIVE FINANCIAL INSTRUMENTS   1.014.796   1.018.952   - 417.005   417	2.2.2.					_		_	_
Derivative Financial Instruments for Hedging Purposes	#1,	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	4.156	1.014.796	1.018.952	-	417.005	417.005
Purposes 3.1.1 Fair Value Hedge 3.1.2 Cash Flow Hedge 3.1.3 Hedge of Net Investment in Foreign Operations 3.1 Hedge of Net Investment in Foreign Operations 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.2 Held for Trading Transactions 3.3 Other Forward Foreign Currency Transactions-Bul 3.2 Clystopy AND PLEDGED ITEMS (IV+V+VI) 46.841.565 3. CUSTODY AND PLEDGED ITEMS (IV+V+VI) 46.841.565 3. CUSTODY AND PLEDGED ITEMS (IV+V+VI) 46.841.565 3. Cheques Received for Collection 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.064 477.065 417.0 477.064 474.986 474.386 47.385.888 3.8.764.719 5.8.66.824 3.8.764.719 5.8.66.824 3.8.764.719 5.8.66.824 3.8.764.719 5.8.66.824 3.8.764.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.719 5.8.66.824 3.8.674.	3.1.	Derivative Financial Instruments for Hedging	1 ''				i		
3.1.1. Fair Value Hedge 3.1.3. Hedge of Net Investment in Foreign Operations 3.2. Held for Trading Transactions 3.2.1 Forward Foreign Currency Buy/Seil Transactions 3.2.1 Forward Foreign Currency Transactions-Buy 3.2.1.1 Forward Foreign Currency Transactions-Buy 3.2.1.2 Forward Foreign Currency Transactions-Buy 3.2.1.2 Forward Foreign Currency Transactions-Buy 3.2.2. Other Forward Buy/Seil Transactions-Seil 3.2.2. Other Forward Buy/Seil Transactions-Seil 3.3. Clust Forward Buy/Seil Transactions-Seil 3.4.156 3.5. Currency Buy/Seil Transactions-Seil 3.6. Currency Transactions-Seil 3.7. Cheques Received for Collection 3.8. Cheques Received for Collection 3.9. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Received for Collection 3.0. Cheques Rece			l	_	-	-			-
3.1.2. Cash Flow Hedge Hedge of Net Investment in Foreign Operations 1.3. Held for Trading Transactions 1.3.1.1 Forward Foreign Currency Buy/Sell Transactions 1.3.2.1.1 Forward Foreign Currency Transactions-Buy 1.3.2.1.1 Forward Foreign Currency Transactions-Buy 1.3.2.1.1 Forward Foreign Currency Transactions-Buy 1.3.2.1.1 Forward Foreign Currency Transactions-Sell 1.3. Cher Sell Transactions 1.3. Cher Sell Transactions 1.3. Custody And PLEDGED ITEMS (IV+V+VI) 1.3. Custody And PLEDGED ITEMS (IV+V+VI) 1.4. Assets Under Management 1.5. Cher Assets Under Management 1.6. Commercial Notes Received for Collection 1.6. Assets Received for Collection 1.6. Assets Received for Collection 1.6. Assets Received for Public Offering 1.7. Other Items Under Custody 1.8. Custodians 1.9. Cher Items Under Custody 1.9. Cher Items Under Custody 1.9. Cher Items Under Custody 1.0. Cher I	3.1.1.			-		١.	-	_	
3.1.3.   Hedge of Net Investment in Foreign Operations   Held for Trading Transactions   4.156   1.014.796   1.018.952   417.005   417.005   417.005   32.1.1   Forward Foreign Currency Buy/Sell Transactions   4.156   1.014.796   1.018.952   417.005   417			i	-					
A		Hedge of Net Investment in Foreign Operations				l .			
S.2.1   Forward Foreign Currency Buy/Sell Transactions   4.156   1.014.796   1.018.952   - 417.005   219.00   229.00		Held for Trading Transactions		4 156	1 014 796	1.018.952	l .	417.005	417.005
3.2.1.1 Forward Foreign Currency Transactions-Buy 3.2.1.2 Forward Foreign Currency Transactions-Sell 3.2.2. Other Foreign Currency Transactions 3.3. Other 3.3. Other 3.4. CUSTODY AND PLEDGED ITEMS (IV+V+VI) 46.841.565 7.544.333 1.363.315 1.598.038 1.363.316 1.324.350 1.325.33 1.363.316 1.324.350 1.325.33 1.3674 1.324.350 1.325.33 1.3674 1.324.350 1.325.33 1.325							_		417,005
2.078							! .		219.089
Commercial Notes Received for Collection   Commercial Notes Received for R									197,916
3.3. Other 3. CUSTODY AND PLEDGED ITEMS (IV+V+VI) 46.841.565 1.598.038 1.363.315 2.961.353 1.671.504 932.158 2.603.66 1.598.038 1.363.315 2.961.353 1.671.504 932.158 2.603.66 2.603.603.66 2.603.603.66 2.603.603.66 2.603.603 2.603.603 2.603.603 2.603.603 2.603.603 2.603.603 2.603.603 2.603.603 2.603.603 2.603.603 2.603.603 2.603.603 2.	3.2.2.		1				-		
Accepted Notes Received for Collection   103   103   1097.797   1097.797   1097.796   1097.797   1097.796   1097.797	3.3.		1	-		-	_	1	]
V.     ITEMS HELD IN CUSTODY     1.598.038     1.363.315     2.961.363     1.671.504     932.158     2.603.66       1.2.     Investment Securities Held in Custody     72     72     72     72     72     72       1.3.     Cheques Received for Collection     1.214.349     110.011     1.324.360     1.135.253     140.774     1.276.00       1.5.     Other Assets Received for Collection     351.020     31.674     382.694     509.767     23.015     532.70       1.6.     Assets Received for Public Offering     103     -     103     103     -     103       1.6.     Assets Received for Custody     2.534     153.793     156.327     999     280.573     281.57       1.6.     Other Items Under Custody     2.534     153.793     1.097.797     25.310     487.796     513.16       1.6.     Less Custodians     2.9960     1.067.837     1.097.797     25.310     487.796     513.16       1.6.     Marketable Securities     2.553.972     1.690.418     4.244.390     2.526.159     1.266.731     1.959.23       1.6.     Outher Nettles Williams     1.873.977     956.778     2.830.755     1.671.688     750.681     2.422.36       1.5.     Organities     37.530.439 <td< td=""><td>3.</td><td></td><td></td><td>46.841.565</td><td>7,544.333</td><td>54,385.898</td><td>38,754,719</td><td>5.866.824</td><td>44.621.543</td></td<>	3.			46.841.565	7,544.333	54,385.898	38,754,719	5.866.824	44.621.543
Assets Under Management   72	v.								2.603.662
1.2.2.   Investment Securities Held in Custody	1,1.		l	-					1
1.214.349 110.011 1.324.360 1.135.253 140.774 23.015 532.77	1.2.			72	_	72	72		72
351,020   31,674   382,694   509,767   23,015   532,77     5.5   Other Assets Received for Collection   103   - 103   103   - 103   103     6.   Assets Received for Public Offering   2,534   153,793   156,327   999   280,573   281,57     7.   Other Items Under Custody   2,534   153,793   1,097,797   25,310   487,796   513,16     8.   Custodians   29,960   1,067,837   1,097,797   25,310   487,796   487,796   45,243,527   6,181,018   51,424,648   37,083,216   4,934,666   42,017,81     8.   Custodians   2,553,972   1,690,418   4,244,390   2,526,159   1,690,418   4,244,390   2,526,159   1,690,418   4,244,390   2,526,159   1,668,731   1,668,731   1,668,731   1,671,688   750,681   2,422,36     8.   Cummodity   1,873,977   956,778   2,830,755   1,671,688   750,681   2,422,36     9.   Custodians   2,533,972   1,690,418   4,244,390   1,684,2623   1,526,555   1,671,688   1,266,731   1,659,431   1,668,064   39,198,503   1,671,688   2,422,36     9.   Custodians   2,533,972   1,671,688   1,668,064   3,085,975   1,671,688   1,641,691   1,668,064   3,085,975   1,671,688   1,641,691   1,668,064   1,641,691	1.3.				110,011			140 774	1,276,027
1.5. Other Assets Received for Collection 1.6. Assets Received for Public Offering 1.7. Other Items Under Custody 1.8. Custodians 1.9. PLEDGED ITEMS 1.067.837 1.097.797 1.099.418 1.090.418 1.108.3.793 1.097.797 1.099.418 1.090.418 1.090.418 1.090			1						532.782
Assets Received for Public Offering					-1.37 [				103
1.7. Other items Under Custody 1.8. Custodians 2.9960 1.067.837 1.097.797 25.310 487.796 45.243.527 2.9960 1.067.837 1.097.797 25.310 487.796 45.310 487.796 45.243.527 6.181.018 51.424.645 4.244.390 2.526.159 1.601.768 1.601.791 180.826 1.642.623 1.792.505 166.731 750.681 1.651.64. Warranty 1.5. Properties 2.5. Other Pledged Items 2.5. Other Pl				1		103	,03	I .	''"
1.067.837   1.097.797   25.310   487.796   42.017.81   45.243.527   6.181.018   4.24.390   2.526.159   1.690.418   4.24.390   2.526.159   1.690.418   4.24.390   1.642.623   1.792.505   166.731   1.959.23   1.671.688   750.681   2.422.36   1.668.064   2.630.755   1.671.688   750.681   2.422.36   1.668.064   1.668.06				2.534	153,793	156 327	<b>0</b> 40	280 573	281,572
## ## ## ## ## ## ## ## ## ## ## ## ##			1						513,106
5.1. Marketable Securities 6.2. Guarantee Notes 6.3. Commodity 6.4. Warranty 6.5. Properties 6.6. Other Pledged Items 7. Pledged Items-Depository 7. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES 7. Marketable Securities 7. 1.690.418 7.2553.972 1.690.418 7.269.429 7.269.429 7.269.418 7.269.418 7.269.418 7.269.418 7.269.418 7.269.418 7.269.418 7.269.418 7.269.418 7.269.418 7.269.418 7.269.429 7.269.418 7.269.418 7.269.429 7	<i>I</i> .		1						42.617.881
1.461.797 180.826 1.642.623 1.792.505 166.731 1.959.23 1.642.623 1.792.505 1.671.688 750.681 1.873.977 956.778 2.830.755 1.671.688 750.681 2.422.36			1						3.786,335
1.873.977 956.778 2.830.755 1.671.688 750.681 2.422.36 1.671.688 750.681 2.422.36 1.681.591 39.198.503 29.631.293 1.227.662 30.858.99 1.671. Pledged Items Depository ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES 1.873.977 956.778 2.830.755 1.661.681 750.681 2.422.36 1.681.591 3.252.927 1.372.083 1.526.355 2.898.45 2.830.755 1.671.688 750.681 2.422.36 30.858.99			1						1.959,236
i.6. Warranty i.5. Properties 37.530.439 1.668.064 39.198.503 29.631.293 1.227.662 30.858.95 i.6. Other Pledged Items 1.7. Pledged Items-Depository I. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES 252.006 3.341 255.347 89.487 3.061 92.54			1						2.422,369
1.5. Properties 37.530.439 1.668.064 39.198.503 29.631.293 1.227.662 30.858.95 2.698.43 3.252.927 1.372.083 1.526.355 2.898.43 3.252.927 3.361 3.252.927 3.061 3.341 255.347 89.487 3.061 92.54 3.252.927 3.061 92.54 3.341 255.347 89.487 3.061 92.54 3.061 92			1	'''''''''	300.770	2.000.700	7.07 1.000	1 30,001	E144,003
1.571.336 1.681.591 3.252,927 1.372.083 1.526.355 2.898.437 7. Pledged Items-Depository 7. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES			1	37 530 430	1888.06	30 102 503	29 631 202	1 227 562	30 856 055
7.7. Pledged Items-Depository ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES  252.006 3.341 255.347 89.487 3.061 92.54			!						
/I. ACCEPTED INDÉPENDENT GUARANTEES AND WARRANTIES			Į						
WARRANTIES			1	232.000	3.341	£30.34/	Q\$.40/	3.001	52.348
								·	Ì
		ALUINING I IEG	1	-	·	-	•	"	•
		TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		52.071.381	13,265,823	65.337.204	44.248.790	10.783.290	55.032.080

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME AS OF DECEMBER 31, 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

	INCOME AND EXPENSE ITEMS	Notes (Section Five-IV)	Audited CURRENT PERIOD January 1-	Audited PRIOR PERIOD January 1-
·-····			December 31, 2016	December 31, 2015
	M. C. M. W. W. A. I. J. M. W. I. J. A. A. A. M.			
1.	PROFIT SHARE INCOME	(1)	2.218.804	1.935.159
1.1	Profit Share on Loans		1.965.135	1.708.889
1.2	Income Received from Reserve Deposits		18.811	10.263
1.3	Income Received from Banks		810	36
1.4	Income Received from Money Market Placements			
1.5	Income Received from Marketable Securities Portfolio		159.663	135.215
1,5.1	Held-For-Trading Financial Assets		! "	•
1.5.2	Financial Assets at Fair Value Through Profit and Loss			
1.5.3	Available-For-Sale Financial Assets		94,487	70,619
1.5.4	Investments Held to Maturity		65.176	64.596
1.6	Finance Lease Income		73,181	79,117
1.7	Other Profit Share Income	***	1.204	1,639
<b>#</b> .	PROFIT SHARE EXPENSE	(2)	1.195.186	1.049.478
2.1	Expense on Profit Sharing Accounts		870.132	829.534
2.2	Profit Share Expense on Funds Borrowed		266.000	163.528
2.3	Profit Share Expense on Money Market Borrowings		55.734	47.081
2.4	Profit Share Expense on Securities Issued			
2.5	Other Profit Share Expense		3.320	9.335
Ħ,	NET PROFIT SHARE INCOME (I – II)		1.023.618	885.681
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		145.935	135.997
4.1	Fees and Commissions Received		208.127	187.627
4.1.1	Non-Cash Loans		104.868	98.046
4.1.2	Other	(12)	103.259	89.581
4.2	Fees and Commissions Paid		62.192	51.630
4.2.1	Non-Cash Loans		334	321
4.2.2	Other	(12)	61.858	51,309
V.	DIVIDEND INCOME	(3)		\$19
VI.	TRADING INCOME/LOSS(net)	(4)	45,139	62.570
6.1	Capital Market Transaction income / (Loss)		200	2.223
6.2.	Profit / (Loss) from Derivative Financial Instruments		102,994	68.093
6.3	Foreign Exchange Income / (Loss)		(\$8.055)	(17.746)
VII.	OTHER OPERATING INCOME	(5)	167.511	113.407
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	, ,	1.372.203	1.188.174
iX,	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	372,167	167.143
X,	OTHER OPERATING EXPENSES (-)	(7)	736,126	654.253
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	, ,	263,920	376.778
XII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER			
XIII.	PROFIT / (LOSS) ON EQUITY METHOD		.	
XIV.	PROFIT / (LOSS) ON NET MONETARY POSITION		. !	
XV.	PROFIT / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES		]	
*	(XI+,+XIV)	(8)	263,920	376,778
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	46.311	73.915
16.1	Provision for Current Taxes	(0)	53.999	78,166
16.2	Provision for Deferred Taxes		(7.688)	(4.251)
XVII.	NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	217,609	302.863
XVIII.	INCOME FROM DISCONTINUED OPERATIONS	(10)	411,003	200,300
18.1	Income from Assets Held For Sale	(10)	•	•
18.2	Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint		· "	-
10.2	Vent.)			
18.3	, , , , , , , , , , , , , , , , , , ,		-	•
XIX.	Income from Other Discontinued Operations		-	•
	LOSS FROM DISCONTINUED OPERATIONS (-)		• ]	-
19.1	Loss from Assets Held for Sale		• 1	•
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		- [	•
19.3	Loss from Other Discontinued Operations		-	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-		İ	
vv.	XIX)		• [	•
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		- [	-
21.1	Provision for Current Taxes		-	•
21.2	Provision for Deferred Taxes		-	•
XXII,	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(11)	217.609	302.863
23.1	Group's Profit/Loss	l	217.609	302.863
23.2	Minority shares (-)	1	-	-
	Earnings Per Share (Full TL)		0,242	0,337

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME&EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

		Audited	Audited
TATE	EMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	CURRENT PERIOD	PRIOR PERIOD
	manufacture and an end relation added the dispersion and the control of the contr	January 1-	January 1.
		December 31, 2016	December 31, 2015
1.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM		
**	AVAILABLE FOR SALE FINANCIAL ASSETS	(24.059)	876
Ħ.	TANGIBLE ASSETS REVALUATION DIFFERENCES	34.580	31.988
ш.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	34.500	21,500
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	7,606	4.368
v.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE	7.000	4,300
•.	PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	_	
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET		
	INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE		
	DIFFERENCES)	-	•
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS	(2.833)	9.772
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(1.538)	(2.494)
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II++IX)	13.756	44.510
XI.	PROFIT/LOSS	217.609	302,863
11.1	Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)		
11.2	Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and presented in		
	Income Statement	*	
11.3	Part of Hedge of Net Investments in Foreign Operations reclassified and presented in Income		
	Statement	*	-
11.4	Other	217.609	302.863
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	231.365	347.373

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

Share   Caincellistics   States   Sta			Notes		Effect of heliation		Share					Current Period	Prior	Marketable	Tangible and intangible	Bonus		Valuation Differences on Assets	
PRIOR PERIOR         PRIOR PERIOR         71.744         3186.350         (2.973)         252.631         7.963         45.779         4.77           Beginning by shared and by the shared b		CHANGES IN SHAREHOLDERS' EQUITY (Audited)	Section Five-V)	Į.	Accounting on Capital	Share Premium	Cancellation Profits				Other Reserves <sup>(7)</sup>	Income /	iver income f(Lass)		Revaluation Reserve	from from investments		For Sale and Disc. op.	Total Equally
Paginthing balance   (v) 900,000   71,744   386,382   (2,973)   252,631   7,965   9,990   151,779   701   701   701   702		PRIOR PERIOD January 1- December 31, 2015																	
Pergiming blance   (V) 900,000   71,744   196,392   22,531   7,965   9,990   183,179   184,000																			
Accessed Resident to Merger	<b></b> i	Beginning balance		900,000	•	•	,	71.744		398,393	(2.973)	252.631	7.963	9.990	153,179	•	•		1.790.927
Marketable Observation   Programmer   Prog		Changes in Period																	
Marketable Securities   Pacific Paci	<b>#</b>	Increase/Decrease Related to Merger		r	. 2	1	,	•	•	t			1	1	1	1	1		•
Cash Flow Hedge   Portion	;;	Marketable Securities Valuation Differences		1		•	•		•	,				704	•	•	٠		761
Capacity   Each   Eac	≥	Hedging Funds (Effective Portion)		,	٠	•	,	,	٠	•	,			,		•	•		•
Hestge Of Steak Intergenent in Creating Operations	4.4	Cash-Flow Hedge		•		•	•	: 1			,		•		•	•	•	ť	•
Transplay   Assets Revealuation Differences	4,2	Hedge Of Net Investment in Foreign Operations							•				•	•	•	•	5	•	•
Interpret   Carage	>	Tanding Accele Reveluence Cafference			1	٠	•	•	•	•			•		1				* * *
Borus Shares Obtained from Associate Stubsidentes   4.368	5	Atanonista Assate Dougleston Differences		•	•		•	•	1		•	•	•	4	28.288	1	1	•	29.598
Foreign Exchange Details and Assets   A 268	: 5	Denny Charles Marking from Accountage Control		٠		1	ı	•	1				•	•	•	•	1	•	•
Foreign Statement of Protein Statement of St	È	DUMAS CARRIES CONTINUED HOTEL ASSOCIATES, SUDSIGNATIVE	S.																
Changes Related to the Description of Assets   Changes Related to the Reclassification of Assets     Changes Related to the Description of Assets     Changes Related to the Reclassification of Assets     Change Related to the Reclassification of Assets     Change In Associate's Equity     Caption of Assets     Change In Associate's Equity     Change In Associate     Change In Associate     Change In Associate     Change In Associate     Change In Associate     Change In Associate     Change In Associate     Change In Associate     Change In Associate     Change In Associate     Change	100	drive consists countries consists of the constant of the const		ı		•	٠	•	•	٠	٠				•	•	•	•	,
Charages Related to the Disposal Of Asserss Charages Related to the Disposal Of Asserss Charages Related to the Disposal Of Asserss The Effect of Charage in Associate's Equity Cash Internal Sources Charage Related to the Disposal Of Charage in Associate's Equity Cash The Effect of Charage in Associate's Equity Cash The Effect of Charage in Associate's Equity Cash The Internal Sources Share Charage in Associate's Equity Charage Related to Charage in Associate's Equity Share Charage in Associate in Ass	<u></u>	Foreign Exchange Cafferences		ı	•	,	•	1	٠		4.358	1		٠	٠	٠	٠	٠	4,368
The Effect of Chad to the Recissification of Assets   Chad to the Recissification of Assets	× ;	Changes Related to the Disposal Of Assets			•	١	•	1	,		1	1	٠	١	١	٠	١	٠	*
The Effect of Change in Associate's Equity Capital fractease Cash Interests Cash Interests Cash Interests Cash Interests Cash Interests Cash Interests Cash Interests	×	Changes Related to the Reclassification of Assets		٠	•	•	·	•			•	4		•		•		•	•
Catch Increase         Catch Increase           Catch Internal Sources         Internal Sources           Internal Sources         3.610         6.315           Share Cancellation Profits         3.610         6.315           Share Cancellation Profits         3.610         6.315           Share Cancellation Profits         6.315         6.315           Period         Chief         6.315           Period         Chief         6.315           Period         Chief         6.315           Profit Statution         (34.209)         7.713.364         7.525.631           Profit Statution         (34.209)         7.713.364         7.226.334           Transfers to Reserves         (25.2.631)         2.22.333         2.22.333           Chief         Chief         6.31.50         84.774         641.767         1.127         302.883         3.510         1.0.581	×	The Effect of Change in Associate's Equity		٠		•		•	,			•	1	1	•		1	•	•
Class Carces         Cast Carces           Share Lace Bretian         213.364           Carces Share Carcellation Profits         3.610           Carcellation	Ξ.	_		,		•	•	٠	•	,	,		•	•	•	•	,	•	,
Internal Sources   Internal So	2	_		•	•	ť	•	•	•	1	٠		•		•	•	•	•	,
Share Issue Premium         Share Issue Premium         Share Issue Premium           Share Issue Premium         3.610         6.315           Final Adjustment to Paid in Capital         3.02 863         3.610           Orliner         13.030         2.13.364         (252.631)           Front Safethuson         (34.200)         2.13.364         (34.200)           Transfers to Reserves         (252.631)         (252.634)         2.226.334           Other         (252.631)         (252.634)         2.226.334           Transfers to Reserves         (252.634)         2.226.334         2.226.334           Other         (252.631)         (252.631)         2.226.334           Chinsten (Hellelletter, *XVI-XVIII)         900.600         84.774         641.767         1.127         302.863         3.510         10.681	77.7			•	٠	•	4	1	•	•	r				٠				,
Share Carcelation Profits   Share Carcelation Profits   Share Carcelation Profits   Share Carcelation Profits   Share Carcelation Profits   Share Carcelation Profits   Share Carcelation Profits Share Carcelation Profits Share Carcelation   Share Carcelation Profits Share Carcelation   Share Carcelation Profits Share Carcelation   Share Carcelation Profits Share Carcelation   Share	ž			•	٠	,	•	٠	,	1	,		٠	•			,		,
Finality Adjustment to Paid-in Capital   Capital Cap	⋛			,	•	٠	•		٠		•	•	•		•	•	•	•	•
Other Character (18.05)         Other Characte	⋛			,		,	,	•	. ,			, ,					. 1		
Period Net Income/Loss) Period Net Income/Period Net I	ž	_		,		,	•	,	•		(988)		2 55 45		8248	•			6 853
Profit Distribution Profit Distribution Dividents Distributed Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers To Reserves Transfers	χ			,				•	•	•	(2007)		5	•	000	•	•	•	200.00
Chiefer   Chie	Ž			1	•	•	•			1 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	•	305.200			•	•	•		204.603
Canada   C				•			•	13,036		213.354	1	(252.631)	(283)		ŧ	•			(34,200)
Appendix National Control Cont		^ -			•	٠		• :	٠		•	1	(34.200)	1	١		١	t	(34,200)
Closing Balance (I-I-III++XVI+XVIII-XVIII) 900,000 84,774 611,757 1.127 302,863 3,510 10,691 189,092	9 6	- `		,		1	•	13.030	•	213,364	•	1	(226,394)	+	1		ı	•	•
908.300 84,774 . 611,757 1.127 302,863 3,610 10,691 189,092	2	1				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			1	٠	,	(252.631)	252.631	1	,	,	1	•	•
		Cipsing Belance [I+[I+[I]++XVI+XVII+XVIII]		900.000	•	•		84,774		811,757	1.127	302,863	3.610	10,691	189,092			,	2.103.914

The accompanying explanations and notes are an integral part of these unconsolidated financial statements.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

l	CHANGES IN SHAREHOLDERS' EQUITY (Audited)	Notes (Section Five-V)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cencellation Profits	Legal Reserves	Status E Reserves	Extraordinary Roservos	Other Reasorves <sup>IT</sup>	Current Period Net facorne / (Loss)	Prior Years Wet Income	Marketable Securities Valuation Reserve	Tangibke and Intangibbe Assets Revaluation Reserve	Bonus Stares from investments	Hadging Reserves	Offerences on Assets Held For Sale and Disc.op.	Totai Eguky
	CURRENT PERIOD January 1. December 31, 2016																	
_	Beginsing balance	3	900.690	•	•	•	84,774	•	611.757	1.127	302.863	3,610	10.691	189.092	•	•	•	2,103,914
=	-																	
<u></u>	increase/Decrease Related to Merger Marketable Caruckies Valuation Differences		1 -	•	•	1	•	٠	•	•	•		, 6,000	r	•	٠	1	, 460 947
ž				, ,		• •		1 1					()47.61)	' '	1 1		, ,	10.5
4.1	_		•	1	•	•	•	4	•	•	t	•		•	•	•	•	•
4.2																		
:			t	•	•	1	r	٠	•	•	•	,	•	F				•
> !			٠	•	•	1	1		•	•	•	•	•	30.542		ŀ	•	30.542
₹ :			1	١	,	•	,	•	١	٠	•	•	•	1	•	•	•	•
ž	Borus Shares Obtained from Associates, Subsidiarias and Involutionarialed																	
	Character and borney controlled		•	•	,						,					1		•
⋚			٠	•	•	. 1	. 1	. 1	: 1	7 606	,		, ,	: 1	. 1	- 1		7.606
చ	Changes Related to the Disposal Of Assets		1	,	•	•	1	•	١		,	•	r	•	•	1	•	•
×	Changes Related to the Reclassification of																	
	4.			1	٠	•		,	•	•	1	1	•	•	•	•		•
Ħ.	,		٠	•	4	1		•	•	•	•	•	•	•		١		•
Ŕ			ı	•	•	1	•	,	•	•	•	,	•	F	•	1	•	•
- C	-		1	•	•	•	1	1	•	1	•	•	٠	•	1	1	•	•
7 7	Charalteria Council		•	٠	٠	•	•	•	•	•	,	•	1	•	•	ŧ	•	•
2				•	1		t		•	•	,	•	•	•		,	1	. !
⋧	_			•	•		ŧ 4	: 1			. ,		. ,		۱ ۱		• •	•
Š	~		١	•	•	1	1.128	1	(7.575)	57	•	3 954	•	(7.982)		•	•	(10,431)
2	Period Net (ncome/(Loss)		•	1	•	•	•	•	,	'	217.609	,	1		•	•	١	217.609
₹	Envis Distribution						45000		240		1000	Č.						(EO ASO)
18.1				•			55.045		240.276	•	(205.205)	(50.400)	• •				•	50 4501
18.2	•		٠	•	•	•	15 863	1	240.740	•	•	(258,073)	•	. 1	•	•	•	•
18.3	~		•	,	,	•	,	•	1	1	(302,863)	302.863		•	•	•	•	٠
	Closing Balance															***************************************		ı
	dozawana water water that		300.000	'	'	•	101./65		844.392	8.780	237.609	3.353	(8:00%)	273.542	1	,	*	4.4(9.033

(1) As per Repurchase Programme accepted at the General Assembly on March 25, 2015 repurchased shares amount to TL 3,005 between January 18, 2016 and 3.dy 22, 2016 is represented under other reserves.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF DECEMBER 31, 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

1.1 1.1.1 1.1.2 1.1.1.3 1.1.1.4 1.1.1.5 1.1.1.5 1.1.1.6 1.1.1.7 1.1.1.9 1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1	CASH FLOWS FROM BANKING OPERATIONS  Operating Profit Before Changes in Operating Assets And Liabilities  Profit Share Income Received Profit Share Expense Paid Dividend Received Fees and Commissions Received Other Income Collections from Previously Written Off Loans Payments to Personnel and Service Suppliers Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Other Assets Net (Increase) Decrease) in Funds Collected From Banks Net Increase (Decrease) in Funds Collected Net Increase (Decrease) in Punds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities  Net Cash Flow From Banking Operations	Notes (Section Five-VI) (V-I-5,h2) (V-VI-3)	January 1- December 31, 2016  1.297.741  1.991.802 (1.171.483)  208.127 75.806 164.013 (416.420) (88.261) 534.157  (1.081.308)  (43.813)  695.562 (3.152.211) 72.688 1.239.937 300.995 141.022	January 1 December 31, 2015  848.528  1.728.917 (1.013.622) 0187.627 107.179 118.799 (354.129) (104.771) 178.518  141.094 (16.672) (698.078) (3.105.308) (155.456) 103.435 3.105.520
1.1 1.1.1 1.1.2 1.1.1.3 1.1.1.4 1.1.1.5 1.1.1.5 1.1.1.6 1.1.1.7 1.1.1.9 1.1.1.1.1.1.1.1.1.1.1.1.1.1.1.1	Operating Profit Before Changes in Operating Assets And Liabilities  Profit Share Income Received Profit Share Expense Paid Dividend Received Fees and Commissions Received Other Income Collections from Previously Written Off Loans Payments to Personnel and Service Suppliers Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	(V-VI-3)	1.991.802 (1.171.483) 208.127 75.806 164.013 (416.420) (88.261) 534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	1.728.917 (1.013.622) 100 187.627 107.179 118.799 (354.129) (104.771) 178.518 141.094 (16.672) (698.078) (3.105.308) (155.456) 103.435
1.1.1 F 1.1.2 F 1.1.2 F 1.1.3 F 1.1.4 F 1.1.3 F 1.1.4 F 1.1.5 F 1.1.4 F 1.1.5 F 1.1.4 F 1.1.5	Profit Share Income Received Profit Share Expense Paid Dividend Received Fees and Commissions Received Other Income Collections from Previously Written Off Loans Payments to Personnel and Service Suppliers Taxes Paid Others  Changes In Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Other Assets Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	(V-VI-3)	1.991.802 (1.171.483) 208.127 75.806 164.013 (416.420) (88.261) 534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	1.728.917 (1.013.622) 100 187.627 107.179 118.799 (354.129) (104.771) 178.518 141.094 (16.672) (698.078) (3.105.308) (155.456) 103.435
1.1.2 F 1.1.3 F 1.1.3 F 1.1.3 F 1.1.3 F 1.1.4	Profit Share Expense Paid Dividend Received Fees and Commissions Received Other Income Collections from Previously Written Off Loans Payments to Personnel and Service Suppliers Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	(V-VI-3)	(1.171.483) 208.127 75.806 164.013 (416.420) (88.261) 534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	(1.013.622) 10 187.627 107.179 118.799 (354.129) (104.771) 178.518 141.094 (16.672) (698.078) (3.105.308) (155.456) 103.435
1.1.3	Dividend Received Fees and Commissions Received Other Income Collections from Previously Written Off Loans Payments to Personnel and Service Suppliers Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	(V-VI-3)	(1.171.483) 208.127 75.806 164.013 (416.420) (88.261) 534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	(1.013.622) 10 187.627 107.179 118.799 (354.129) (104.771) 178.518 141.094 (16.672) (698.078) (3.105.308) (155.456) 103.435
1.1.4 FC CC CC CC CC CC CC CC CC CC CC CC CC	Fees and Commissions Received Other Income Collections from Previously Written Off Loans Payments to Personnel and Service Suppliers Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Other Assets Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	(V-VI-3)	75.806 164.013 (416.420) (88.261) 534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	187.627 107.179 118.799 (354.129) (104.771) 178.518 141.094 (16.672) (698.078) (3.105.308) (155.466) 103.436
1.1.5 C. 1.1.6 C. 1.1.1.7 F. 1.1.1.8 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C. 1.1.1.9 C.	Other Income Collections from Previously Written Off Loans Payments to Personnel and Service Suppliers Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Other Liabilities Net Increase (Decrease) in Other Liabilities	(V-VI-3)	75.806 164.013 (416.420) (88.261) 534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	107.179 118.799 (354.129) (104.771) 178.518 <b>141.094</b> (16.672) (698.078) (3.105.308) (155.456) 103.435
1.1.6 C. 1.1.7 F. 1.1.8 C. 1.1.7 F. 1.1.8 C. 1.1.9 C. 1.2.2 N. 1.2	Collections from Previously Written Off Loans Payments to Personnel and Service Suppliers Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	(V-VI-3)	164.013 (416.420) (88.261) 534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	118.799 (354.129) (104.771) 178.518 <b>141.094</b> (16.672) (698.078) (3.105.308) (155.456) 103.436
1.1.7 F1.1.8 T1.1.1.9 C C II.2.1	Payments to Personnel and Service Suppliers Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	(V-VI-3)	(416.420) (88.261) 534.157 (1.081.308) (43.813) 	(354.129) (104.771) 178.518 <b>141.094</b> (16.672) (698.078) (3.105.308) (155.456) 103.435
1.1.8 T. 1.1.9 C. 1.1.2 C. 1.1.2 C. 1.1.2.1 N. 1.2.2 N. 1.2.2 N. 1.2.2 N. 1.2.2 N. 1.2.2 N. 1.2.2 N. 1.2.2 N. 1.2.2 N. 1.2.3 N. 1	Taxes Paid Others  Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Other Assets Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities		(88.261) 534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	(104.771) 178.518 <b>141.094</b> (16.672) (698.078) (3.105.308) (155.456) 103.436
1.2 1 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.2 N 1.2.3	Changes in Operating Assets And Liabilities  Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities		534.157 (1.081.308) (43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	178.518 141.094 (16.672) (698.078) (3.105.308) (155.456) 103.436
1.2.1 N. 1.2.2 N. 1.2.3 N. 1.2.4 N. 1.2.5 N. 1.2.5 N. 1.2.7 N. 1.2.9 N. 1.2.1 OS S. 1.2.1 OS S. 1.2.1 OS S. 2.2 CS S. 2.4 F. 2.5 CC CC CC S. 2.8 CC CC CC CC CC CC CC CC CC CC CC CC CC	Net (Increase) Decrease in Available For Sale Financial Assets Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities		(43.813) 695.562 (3.152.211) 72.688 1.239.937 300.995	(16.672) - (698.078) (3.105.308) (155.456) 103.435
1.2.2 N 1.2.2 N 1.2.3 N 1.2.5 N 1.2.5 N 1.2.7 N 1.2.9 N N C S S F C C C C C C C C C C C C C C C C	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities		695.562 (3.152.211) 72.688 1.239.937 300.995	(698.078) (3.105.308) (155.456) 103.435
1.2.3	Net (Increase) Decrease in Due From Banks and Other Financial Institutions Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities		(3.152.211) 72.688 1.239.937 300.995	(3.105.308) (155.456) 103.435
1.2.4 N. 1.2.5 N. 1.2.5 N. 1.2.7 N. 1.2.8 N. 1.2.9 N. 1.2.10 N. L. B. U. 2.1 CS 2.2 SS 2.2.4 FS 2.2.5 CC 2.2.7 CC 2.2.8 CC	Net (Increase) Decrease in Loans Net (Increase) Decrease in Other Assets Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	000	(3.152.211) 72.688 1.239.937 300.995	(3.105.308) (155.456) 103.435
1.2.6 N. 1.2.7 N. 1.2.9 N. 1.2.9 N. 1.2.9 N. 1.2.10 N. 1.2.10 N. 1.2.1 S. 2.2 S. 2.3 F. 2.4 F. 2.5 C. 2.6 C. 2.7 C. 2.8 C. 2.7 C. 2.8 C. 2.7 C. 2.8 C	Net Increase (Decrease) in Funds Collected From Banks Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	0.00	72.686 1.239.937 300.995	(155.456) 103.435
1.2.7 N. 1.2.8 N. 1.2.9 N. 1.2.10 N. N. I. S. 1.2.10 N. N. I. S. 2.2 C. S. 2.3 F. Z. 2.4 F. Z. 2.5 C. Z. 2.7 C. Z. 2.8 C. Z. 2.7 C. Z. 2.8 C. Z. 2	Net Increase (Decrease) in Other Funds Collected Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	, ,,,,,,,,	300,995	
1.2.8 N. 1.2.9 N. 1.2.10 N. 1.2.10 N. 1.2.1 CS 2.2 CS 2.3 FF 2.4 FF 2.5 CC 2.6 CC 2.8	Net Increase (Decrease) in Funds Borrowed Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	, ,,,,,,,,		3 105 500
1.2.9 N N N N N N N N N N N N N N N N N N N	Net Increase (Decrease) in Payables Net Increase (Decrease) in Other Liabilities	,,,,,,,,,	141.022	
1.2.10 N 1. N 1. N 2.1 C 2.2 C 2.2 C 2.3 F 2.4 F 2.5 C 2.7 C 2.8 C	Net Increase (Decrease) in Other Liabilities			716.415
B. G. N. N. 2.1 CS S. 2.2 CS S. 2.4 F. 2.5 CS	Net Cash Flow From Banking Operations	(A-A1-3)	(335.488)	191.238
1. N 2.1 C 3.2 C 5.3 F 2.4 F 2.5 C 2.5 C 2.7 C 2.8 C			216.433	989.622
2.1 C 2.2 C 2.3 F 2.3 F 2.4 F 2.5 C 2.5 C 2.7 C 2.8 C	CASH FLOWS FROM INVESTING ACTIVITIES			
2.2 S 2.3 F 2.4 F 2.5 C 2.6 C 2.7 C	Net cash flow from investing activities		(120.840)	(381.782)
2.2 S 2.3 F 2.4 F 2.5 C 2.6 C 2.7 C	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries		(4.650)	(10.000)
2.4 F 2.5 C 2.6 C 2.7 C 2.8 C	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries			(10.000)
2.5 C 2.6 C 2.7 C 2.8 C	Fixed Assets Purchases		(32.484)	(68.547)
2.6 C 2.7 C 2.8 C	Fixed Assets Sales		57.326	43.773
2.7 C	Cash Paid for Purchase of Financial Assets Available for Sale		(1.024.093)	(611.211)
.8 C	Cash Obtained from Sale of Financial Assets Available for Sale  Cash Paid for Purchase of Investment Securities	4,100	723.577	179.188
	Cash Obtained from Sale of Investment Securities	(V-I-6) (V-I-6)	(264.055) 423.539	(391.427) 476.442
i.9 O	Other	(****)	423.338	410.442
c. c	CASH FLOWS FROM FINANCING ACTIVITIES			
II. N	Net Cash Flow From Financing Activities		(769,107)	1.167.349
.1 C	Cash Obtained from Funds Borrowed and Securities Issued		3.005,907	6.263.693
	Cash Used for Repayment of Funds Borrowed and Securities Issued		(3.724.614)	(5.062.344)
	ssued Capital Instruments			` ;
	Dividends Paid		(50.400)	(34.200)
	Payments for Finance Leases Other		-	-
V. Et	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(V-VI-3)	329,943	124.317
. N			(343.571)	1.899.506
/I. C	Vet (Decrease) Increase in Cash and Cash Equivalents	,	3.808.054	1.908.548
'ii. C:	Net (Decrease) Increase in Cash and Cash Equivalents Cash and Cash Equivalents at the Beginning of the Period	(V-VI-i)		

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF DECEMBER 31, 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

	THOUSAND TU	RKISH LIRA
	CURRENT PERIOD	PRIOR PERIOD
STATEMENT OF PROFIT DISTRIBUTION	December 31, 2016	December 31, 2015
I. Distribution of current year income		
1.1. Current year income	263.920	380,388
1.2. Taxes and duties payable (-)	46.311	73.915
1.2.1. Corporate tax (Income tax)	53.999	78.166
1.2.2. Income withholding tax	40.200	, , , ,
1.2.3. Other taxes and legal liabilities (**)	(7.688)	(4.251)
A. Net income for the year (1.1-1.2)	217.609	306.473
1.3. Prior year losses (-)	_	
1.4. First legal reserves (-)		15.323
1.5. Other statutory reserves (-)	6.791	4
B. Distributable net period income [(A-(1.3+1.4+1.5)] (*)	210.818	290.610
1.6. First dividend to shareholders (-)	_	50,400
1.6.1. To owners of ordinary shares	ļ -	50,400
1.6.2. To owners of preferred shares	1 -	-
1.6.3. To owners of preferred shares (Preemptive rights)	-	
1.6.4. To Profit sharing bonds	-	-
1.6.5. To owners of the profit /loss sharing certificates	-	٠ .
1.7. Dividend to personnel (-)	•	^
1.8. Dividend to board of directors (-)	· •	*
1.9. Second dividend to shareholders (-)	-	-
1.9.1, To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights) 1.9.4. To profit sharing bonds	-	•
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. Second legal reserve (-)	·	*
1.11. Status reserves (-)	]	•
1.12. Extraordinary reserves		240.210
1.13. Other reserves		*******
1.14. Special funds	-	_
批 Distribution from reserves		
2.1. Distributed reserves		
2.2. Second legal reserves (-)		540
2.3. Share to shareholders (-)		
2.3.1. To owners of ordinary shares	-	_
2.3.2. To owners of preferred shares	-	-
2.3.3. To owners of preferred shares (Preemptive rights)	·	
2.3.4. To profit sharing bonds	-	
2.3.5. To owners of the profit /loss sharing certificates	-	-
2.4. Share to personnel (-)	*	*
2.5. Share to board of directors (-)	*	•
til. Earnings per share		
3.1. To owners of ordinary shares (***) (Full TL)	0,234	0,323
3.2. To owners of ordinary shares (%)	23,4	32,3
3.3. To owners of preferred shares		· _
3.4. To owners of preferred shares (%)	-	•
IV. Dividend per share		
4.1. To owners of ordinary shares (Full TL)	_	0,056
4.2, To owners of ordinary shares (%)	_ i	5,6
4.3. To owners of preferred shares	_ [	2,0
4.4. To owners of preferred shares (%)	_ <b>_  </b>	_

<sup>(5)</sup> General Assembly of the Bank is the authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of the preparation of these financial statements.

<sup>(\*\*)</sup> Deferred tax income is presented in "other taxes and legal liabilities" line. Deferred tax income is not subject to profit distribution, thus it is classified under extraordinary reserves.

<sup>(&</sup>quot;") Calculated by using the number of share certificates as of year-end.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### **SECTION THREE**

### **ACCOUNTING POLICIES**

- I. Explanations on basis of presentation:
- a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities and revalued real estates carried at fair value.

b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2015. The aforementioned accounting policies and valuation principles are explained in Notes II to XXII below.

TAS/TFRS changes which are effective from January 1, 2016 do not have a significant effect on the Bank's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective, except TFRS 9 financial instruments and TFRS 16 Leases, do not have a significant effect on the Bank's accounting policies, financial position or performance.

New IFRS 16 Leases Standard has been published by IASB on January 13, 2016. IFRS 16 replaces the current dual accounting model presenting the financial leases on balance sheet and not representing operational leases on balance sheet. Instead, a singular accounting model will be represented similar to current financial leasing accounting model based on balance sheet. For lessors, the accounting will remain the same as to the current accounting practices. This change will be effective for the periods after January 1, 2019. Early adoption is allowed for the entities which are already applying "TFRS 15 Revenue from contracts with customers". The Bank evaluates the impacts of the standard on financial position and performance.

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after 31 December 2017) "Financial Instruments" before January 1, 2018.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on basis of presentation(continued):

Since the Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on

Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The preparation of the unconsolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

# c. Restatement of the financial statements according to the current purchasing power of money:

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

# II. Explanations on strategy of using financial instruments and foreign currency transactions:

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency performing loans which were funded from these accounts is evaluated at current foreign exchange rates.

Since the Bank provides full specific provision (except foreign branch) for the Bank's portion of risk of foreign currency non-performing loans and receivables funded from profit sharing accounts and for the risk of foreign currency non-performing loans and receivables funded by equity, such loans and receivables are translated to Turkish Lira at the current exchange rates instead of exchange rates prevailing at the date of transfer of the balances to non-performing portfolio. Such implementation does not have a positive or negative impact on trading income/loss of the Bank.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# III. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Bank, generally consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The Bank's derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

# IV. Explanations on profit share income and expenses:

### Profit share income

Profit share income is accounted in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

# Profit share expense

The Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

# V. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related cash and non-cash loans commissions directly as income.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# VI. Explanations on financial assets:

The Bank categorizes and records its financial assets as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale", "Loans and Receivables" or "Financial Assets Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management taking into consideration the purpose of the investment.

## Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of December 31, 2016, the Bank has not any financial assets classified as financial assets at fair value through profit or loss except for trading financial assets (December 31, 2015: None).

# Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

# Loans and receivables:

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

# Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under "Loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# VII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

# VIII. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in available for sale and subordinated loan accounts.

# IX. Explanations on sale and repurchase agreements and lending of securities:

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available-for-sale" and "held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Bank has not any securities lending transactions.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discounted operations to tangible assets.

A discontinued operation is a part of the Bank's business which has been disposed of or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has not any discontinued operations.

### XI. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights. The Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### XII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2016, the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve in accordance with TAS 16.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate (%)
Buildings	2
Motor vehicles	20 - 25
Furniture, fixture and office equipment	4 – 33
Safe-deposit boxes	2-20
Operational lease improvement costs (Leasehold improvements)	Leasing period - 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### XIII. Explanations on leasing transactions:

Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

Transactions as a lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

### XIV. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

### XV. Explanations on liabilities regarding employee rights:

### Defined benefit plans:

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### XV. Explanations on liabilities regarding employee rights (continued):

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements

There are no foundations, pension funds or similar associations of which the employees are members.

As of December 31, 2016, actuarial loss amounts to TL 9,729 (December 31, 2015; TL 6,896 actuarial loss).

### ii) Defined contribution plans:

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has not any further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

### iii) Short term benefits to employees:

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

### XVI. Explanations on taxation:

### **Current tax:**

The Bank is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are exempt from corporate tax if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax Law.

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### XVI. Explanations on taxation (continued):

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Bank. As of report date, there is no information or written report transmitted to the Bank.

### Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

### Transfer pricing:

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

### XVII. Additional explanations on borrowings:

The Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Bank. The Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka Sukuk Limited.

The Bank has subordinated loan borrowed through sukuk issuance which has convertible nature to the shares.

### XVIII. Explanations on issued share certificates:

None.

### XIX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

### XX. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Bank.

### XXI. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note XI.

### XXII. Explanations on other matters:

None.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### XXIII. Additional paragraph for convenience translation:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### **SECTION FOUR**

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

### I. Explanations on capital adequacy standard ratio:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2016 the Bank's total capital has been calculated as TL 3.064.000, capital adequacy standard ratio is 13,46%. As of December 31, 2015, Bank's total capital amounted to TL 3.157.310, capital adequacy ratio was 15,27% calculated as per former regulations. This ratio is above the minimum ratio required by the legislation.

### a) Information on Capital:

	Current Period	Amounts related to treatment
	December 31, 2016	before 1 January 2014 <sup>(*)</sup>
COMMON EQUITY TIER 1 CAPITAL	2010	2014
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	946.157	
Gains recognized in equity as per TAS	232.165	
Profit	221.560	
Current Period Profit	217.609	
Prior Period Profit	3.951	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled		
partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	2.299.882	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the		
Equity of Banks		
Portion of the current and prior periods' losses which cannot be covered through reserves		
and losses reflected in equity in accordance with TAS	20.289	
Improvement costs for operating leasing	27.695	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	19.895	33.159
Deferred tax assets that rely on future profitability excluding those arising from temporary		
differences (net of related tax liability)	•	
Differences are not recognized at the fair value of assets and liabilities subject to hedge		
of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal		
Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions		
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and		
financial institutions outside the scope of consolidation where the Bank owns 10% or less		
of the issued common share capital exceeding 10% of Common Equity of the Bank	•	
Portion of the total of net long positions of investments made in equity items of banks and		
financial institutions outside the scope of consolidation where the Bank owns 10% or more		
of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity		
Portion of deferred tax assets based on temporary differences exceeding 10% of the		
Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional		
Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items		
of banks and financial institutions outside the scope of consolidation where the Bank owns		
10% or more of the issued common share capital	•	
Excess amount arising from mortgage servicing rights	*	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital		
or Tier II Capital		
Total Deductions From Common Equity Tier 1 Capital	67.879	
Total Common Equity Tier 1 Capital	2.232.003	

## ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

### ı. Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital (continued):

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity and the Related Share Premiums	*
Debt instruments and premiums approved by BRSA	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-
Additional Tier I Capital before Deductions	#*************************************
Deductions from Additional Tier I Capital	ц.
Direct and indirect investments of the Bank in its own Additional Tier I Capital	*
Investments of Bank to Banks that invest in Bank's additional equity and components of	
equity issued by financial institutions with compatible with Article 7.	*
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks	
and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	
Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I	
Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more	
than 10% of the Issued Share Capital Other items to be defined by the RESA	•
Other items to be defined by the BRSA  Transition from the Core Capital to Continue to deduce Components	<u>.</u>
Condust and other intermible accept and related defended components	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph	
of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	40.004
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital	13.264
for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on	
Banks' Own Funds (-)	
Deductions to be made from common equity in the case that adequate Additional Tier I	-
Capital or Tier II Capital is not available (-)	
Total Deductions From Additional Tier I Capital	-
Total Additional Tier   Capital	*
Total Tier   Capital (Tier   Capital=Common Equity4 Additional Tier   Capital)	2 240 720
Total Tier   Capital (Tier   Capital=Common Equity+Additional Tier   Capital)	2.218,739
TIER II CAPITAL	
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA	<b>2.218,739</b> 793.260
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article	
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	793.260
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions	793.260
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital	793.260 60.956
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital	793.260 60.956 854.216
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity  issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital  item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	793.260 60.956 854.216
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity  issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital  item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	793.260 60.956 854.216
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article	793.260 60.956 854.216
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-)  Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity  issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital  item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Capital (The sum of Tier I Capital and Tier II Capital)  Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	793.260 60.956 854.216 - - - 854.216 3.072.955
TIER II CAPITAL  Debt instruments and share issue premiums deemed suitable by the BRSA  Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  Provisions (Article 8 of the Regulation on the Equity of Banks)  Tier II Capital Before Deductions  Deductions From Tier II Capital  Direct and indirect investments of the Bank on its own Tier II Capital (-) Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital  Total Tier II Capital  Total Tier II Capital  Total Tier II Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law  Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article  57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables	793.260 60.956 854.216

(Thousand of Turkish Lira (TL) unless otherwise stated)

### 1. Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital (continued):

provisions.

		*****
In transition from Total Core Capital and Supplementary Capital (the capital) to		
Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of		
Banks Common Equity) in the capital of banking, financial and insurance entities that		
are putside the scope of regulatory consolidation, where the bank does not own more		
than 10% of the issued common share capital of the entity which will not deducted from		
Common Equity Tier 1 capital, Additional Tier 1		
capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article		
capital, fier 2 capital for the purposes of the lifst sub-paragraph of the Provisional Afficie		
2 of the Regulation on Banks' Own Funds	•	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2		
capital of banking, financial and insurance entities that are outside the scope of		
regulatory consolidation, where the bank does not own more than 10% of the issued		
common share capital of the entity which will not deducted from Common Equity Tier 1		
capital, Additional Tier 1 capital, Tier 2 capital for the		
purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on		
Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial		
and insurance entities that are outside the scope of regulatory consolidation, where the		
bank does not own more than 10% of the issued common share capital of the entity,		
pank does not own intre their to a of the issued consider since capital of the early.		
mortgage servicing rights, deferred tax assets arising from temporary differences which		
will not deducted from Common Equity Tier		
1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the		
Regulation on Banks' Own Funds	**	
TOTAL CAPITAL		
Total Capital	3.064.000	
Total risk weighted amounts	22.757.911	
Capital Adequacy Ratios		
	9,81	
Core Capital Adequacy Ratio (%)	9,75	
Tier 1 Capital Adequacy Ratio (%)		
Capital Adequacy Ratio (%)	13,46	
BUFFERS		
Total buffer requirement (%)	0,63	
Capital conservation buffer requirement (%)	0,63	
Bank specific counter-cyclical buffer requirement (%)	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first		
paragraph of the Article 4 of Regulation on		
Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5,31	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated		
banks and financial institutions where the bank owns 10% or less of the issued share		
capital exceeding the 10% threshold of above Tier I capital	*	
Portion of the total of investments in equity items of unconsolidated banks and financial		
institutions where the bank owns 10% or less of the issued share capital exceeding the		
10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences		
Limits related to provisions considered in Tier If calculation	32.927	
Limits related to provisions considered in Tier II calculation		
Limits related to provisions considered in their calculation		
General provisions for standard based receivables (before ten thousand twenty five		
limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the		
standard approach used	60.956	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings		
Based Approach in accordance with the Communiqué on the Calculation		
m and the state of	•	
Excess amount of total provision amount to 0.0% of tisk weighted receivables of Georg	•	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk. Amount of the Internal Ratings Based Approach in accordance with the	•	
risk Amount of the Internal Ratings Based Approach in accordance with the		
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation	-	
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation  Debt instruments subjected to Article 4	-	
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation  Debt instruments subjected to Article 4  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018		
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation  Debt instruments subjected to Article 4  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation  Debt instruments subjected to Article 4  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)  Upper limit for Additional Tier I Capital subjected to temporary Article 4	- -	
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation  Debt instruments subjected to Article 4  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)  Upper limit for Additional Tier I Capital subjected to temporary Article 4  Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	- -	
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation  Debt instruments subjected to Article 4  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)  Upper limit for Additional Tier I Capital subjected to temporary Article 4  Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4  Upper limit for Additional Tier II Capital subjected to temporary Article 4	- - - -	
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation  Debt instruments subjected to Article 4  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)  Upper limit for Additional Tier I Capital subjected to temporary Article 4  Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4  Upper limit for Additional Tier II Capital subjected to temporary Article 4	- - - -	
risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation  Debt instruments subjected to Article 4  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)  Upper limit for Additional Tier I Capital subjected to temporary Article 4  Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4		

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital (continued):

	December 31 2015 <sup>(*)</sup>
Tier I capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	900.000
Share Premium	
Share Cancellation Profits	10
Reserves	696.531
Other Comprehensive Income according to TAS	206.427
Profit	306.473
Current Period Profit	302.863
Prior Period Profit	3.610
General Reserves for Possible Losses	88
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Tier I capital before deductions	
	2.109.519
Deductions from tier I capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	
10 1AS (-)	5.517
Leasehold improvements on Operational Leases (-)	36,383
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	16.742
Net Deferred Tax Asset/Liability (-)	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital(-)	~
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on	
Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	**
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and	
Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from	
Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	•
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	
Total deductions from tier I capital	58.642
Total tier I capital	2.050.877
Additional core capital	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	
Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	
Issued or Obtained before 1.1.2014)	•
Additional core capital before deductions	-
Deductions from additional core capital	•
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
otal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
bove Tier I Capital (-)	-
he Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of	
Inconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share	
Capital (-)	
Whose Standard American Standard Standa	
Other items to be Defined by the BRSA (-)	
Other items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	+
Other items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital Total additional core capital	*

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital (continued):

	Deductions from core capital	
	Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the	***************************************
	Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of	
	Banks (-)	25.113
	Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the	
	Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
	Total core capital	2.025.764
	Tier II capital	
	Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	642,166
	Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	420.300
	Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	
	General Provisions	74.819
	Tier II capital before deductions	1.137.285
	Deductions from tier il capital	
	Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	_
	Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
	Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above	
	Tier ( Capital(-)	_
	The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II	
	Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued	
	Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
	Other items to be Defined by the BRSA (-)	-
	Total deductions from tier il capital	_
	Total tier II capital	1.137.285
	Capital	3.163.049
	Loans Granted against the Articles 50 and 51 of the Banking Law (-)	_
	Net Book Values of Movables and immovables Exceeding the Limit Defined in the Article 57. Clause 1 of the	
	Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than	
	Five Years (-)	2,459
	Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated	
	Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
	Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital	
	Adequacy Ratios of Banks (-)	
	Other items to be Defined by the BRSA (-)	3.280
•	The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	
	Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	
	Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per	
	the Temporary Article 2, Clause 1 of the Regulation (-)	-
	The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	
ı	Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10%	
	Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the	
	Temporary Article 2, Clause 1 of the Regulation (-)	•
	The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial	
	Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets	
•	arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per	
	the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	ч
-	Equity	3.157.310
4	Amounts lower than excesses as per deduction rules	
į	Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	
ł	Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	
1	Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and	
ŀ	inancial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
	Remaining Mortgage Servicing Rights	
	Net Deferred Tax Assets arising from Temporary Differences	18.922

<sup>(\*)</sup> Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date March 31, 2016, the information given in the prior period column has been calculated as per former regulation.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations on capital adequacy standard ratio (continued):
- b) Information on reconciliation of total capital and equity.

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provisions and debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, general provision up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Explanations on capital adequacy standard ratio (continued):

### c) Details on Subordinated Liabilities

Unique Identifier ( CUSIP, ISIN etc.)  Governing Law(s) of the Instrument  Special Consideration in the Calculation of Equity  As of January 1, 2015 consideration to be subject to a 10% reduction application status  Eligible at Unconsolidated / Consolidated   Unconsolidated / Consolidated Instrument Type   Sukuk Wakala    Amount recognized in regulatory capital (as of most recent reporting date)  Par Value of Instrument   TL 793.260    Accounting Classification   Subordinated Loan    Original date of Issuance   November 30, 2015    Perpetual or dated   Dated    Maturity date   November 30, 2025    Issuer call subject to prior supervisory (BRSA) approval   Yes    Optional call date, contingent call dates and redemption amount    Subsequent call dates   Subsequent call dates    Frofit Share / Dividends   Fixed    Profit Share / Dividends   Fixed    Fixed or floating profit share / dividend   Fixed    Profit share rate and any related index   10,50 %    Existence of a dividend stopper   As per BRSA regulations and Communiqués it is payable    Fully discretionary, partially discretionary or mandatory   Subsequent call convertible    Fully discretionary, partially discretionary or mandatory   Subsequent convertible    If convertible, fully or partially   As per BRSA regulations and Communiqués it is convertible    If convertible, conversion rate   As per BRSA a approval it is convertible and the rate may be determined.    If convertible, specify instrument type convertible into    If convertible, specify instrument type convertible into    If convertible, specify instrument type convertible into    If convertible, specify instrument it convertion    If convertible, specify instrument it convertion    If convertible, specify instrument it convertion    If convertible, specify instrument it convertion    If convertible, specify instrument it convertion    If convertible, specify instrument it convertion    If convertible, specify instrument it convertion    If convertible, specify instrument it convertion    If conver	1-27-12	
Special Consideration in the Calculation of Equity	Issuer	Albaraka Sukuk Ltd.
Special Consideration in the Calculation of Equity	Onique Identifier ( CUSIP, ISIN etc.)	XS1301525207
As of January 1, 2015 consideration to be subject to a 10% reduction application status  Eligible at Unconsolidated / Consolidated  Instrument Type Amount recognized in regulatory capital (as of most recent reporting date)  Par Value of Instrument TL 793.260  Par Value of Instrument TL 793.260  Accounting Classification Original date of Issuance Perpetual or dated Maturity date Maturity date November 30, 2015  Perpetual or all date, contingent call dates and redemption amount Total Repayment Date: 30.11.2020  Qptional call date, contingent call dates and redemption amount Total Repayment Date: 30.11.2020  Repayment Period: 8 months Principal Payment: USD 31.250.000, Repayment Period: 8 months Principal Payment: USD 250.000.000  Subsequent call dates  Fixed or floating profit share / dividend Fixed or floating profit share / dividend stopper  Existence of a dividend stopper  Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative  Convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, conversion rate  If convertible, conversion rate  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify instrument type convertible into  If convertible, specify instrument type convertible into  If convertible, specify instrument type convertible into  If convertible, specify instrument type convertible into  If convertible, specify instrument type convertible into  If convertible, specify instrument type convertible into  If convertible, specify instrument type convertible into  If convertible, specify instrument til converts into	Governing Law(s) of the Instrument	English Law
Feduction application status   Eligible at Unconsolidated / Consolidated   Unconsolidated / Consolidated   Unconsolidated / Consolidated   Unconsolidated / Consolidated   Unconsolidated / Consolidated   Instrument Type   Sukuk Wakala	Special Consideration in the Calculation of Equity	
Eligible at Unconsolidated / Consolidated Instrument Type Sukuk Wakala Amount recognized in regulatory capital (as of most recent reporting date) Par Value of Instrument Accounting Classification Original date of Issuance Perpetual or dated Maturity date Issuer call subject to prior supervisory (BRSA) approval Optional call date, contingent call dates and redemption amount  Subsequent call dates Profit Share / Dividends Fixed or floating profit share / dividend Profit share rate and any related index Existence of a dividend stopper  Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative Convertible, conversion rate  If convertible, conversion rate  If convertible, mandatory or optional conversion If convertible, specify instrument type convertible If convertible, specify issuer of instrument it converts into  IT. 793.260 TL. 793.260 Subwakala  TL. 793.260 TL. 793.260  Subvordinated Loan  November 30, 2015 Dated November 30, 2015 Dated November 30, 2025 Yes  Last Payment Date: 30.11.2020 Total Repayment Date: 30.11.2020 Total	As of January 1, 2015 consideration to be subject to a 10%	
Instrument Type Amount recognized in regulatory capital (as of most recent reporting date) Par Value of Instrument Accounting Classification Original date of Issuance Perpetual or dated Maturity date November 30, 2015 Perpetual or dated Maturity date Subordinated Loan November 30, 2015 Perpetual or dated Maturity date Subordinated Loan November 30, 2025 Issuer call subject to prior supervisory (BRSA) approval Optional call date, contingent call dates and redemption amount Subordinate Amount of Pro Share: USD 131,250,000, Repayment Period: 8 months Principal Payment: USD Subsequent call dates Profit Share / Dividends Fixed Profit Share / Dividends Fixed or floating profit share / dividend Profit share rate and any related index Existence of a dividend stopper As per BRSA regulations and Communiqués it is payable Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative Convertible or Non-convertible If convertible, conversion trigger As per BRSA regulations and Communiqués it is convertible fully or partially As per BRSA'a approval it is convertible fully or partially As per BRSA'a approval it is convertible, mandatory or optional conversion If convertible, specify instrument type convertible into If convertible, specify instrument type convertible into If convertible, specify issuer of instrument it converts into		
Amount recognized in regulatory capital (as of most recent reporting date)  Par Value of Instrument  Accounting Classification  Original date of Issuance  Perpetual or dated  Maturity date  Issuer call subject to prior supervisory (BRSA) approval  Optional call date, contingent call dates and redemption amount  Copyright Share / Dividends  Fixed or floating profit share / dividend  Profit share rate and any related index  Existence of a dividend stopper  Pully discretionary, partially discretionary or mandatory  Existence of step up or other incentive to redeem  Noncumulative or cumulative  Convertible, conversion trigger  If convertible, conversion rate  If convertible, mandatory or optional conversion  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into  If convertible, specify issuer of instrument it converts into  If convertible, specify issuer of instrument it converts into  If convertible, specify issuer of instrument it converts into  If convertible, specify issuer of instrument it converts into  If convertible, specify issuer of instrument it converts into		Unconsolidated / Consolidated
reporting date) Par Value of Instrument Accounting Classification Original date of Issuance Perpetual or dated Maturity date Issuer call subject to prior supervisory (BRSA) approval Optional call date, contingent call dates and redemption amount Optional call date, contingent call dates and redemption amount  Subsequent call dates Profit Share / Dividends Fixed or floating profit share / dividend Profit share rate and any related index Fixilly discretionary, partially discretionary or mandatory Existence of a dividend stopper  Fully discretionary, partially discretionary or mandatory Existence of Step up or other incentive to redeem Noncumulative or cumulative Convertible, conversion trigger If convertible, conversion rate  If convertible, mandatory or optional conversion If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into  Subsectionary, pactificate  In the Try3, 260  Subordinated Loan November 30, 2015  Dated November 30, 2015  Last Payment Date: 30, 11, 2020  Total Repayment Period: 6 months Principal Payment: USD 131, 250,000, Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD 250,000,000  Repayment Period: 6 months Principal Payment: USD		Sukuk Wakala
Par Value of Instrument Accounting Classification Accounting Classification Original date of Issuance Perpetual or dated Maturity date Issuer call subject to prior supervisory (BRSA) approval Optional call date, contingent call dates and redemption amount Optional call date, contingent call dates and redemption amount Optional call date, contingent call dates and redemption amount  Subsequent call dates Profit Share / Dividends Fixed or floating profit share / dividend Fixed or floating profit share / dividend Fixed or floating profit share rate and any related index Existence of a dividend stopper As per BRSA regulations and Communiqués it is payable Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative Convertible or Non-convertible If convertible, conversion trigger As per BRSA regulations and Communiqués it is convertible If convertible, conversion rate As per BRSA regulations and Communiqués it is convertible If convertible, conversion rate As per BRSA regulations and Communiqués it is convertible If convertible, conversion rate As per BRSA regulations and Communiqués it is convertible If convertible, fully or partially As per BRSA's approval it is convertible and the rate may be determined. If convertible, specify instrument type convertible into If convertible, specify instrument it converts into	Amount recognized in regulatory capital (as of most recent	
Accounting Classification Original date of Issuance Perpetual or dated Maturity date Issuer call subject to prior supervisory (BRSA) approval Optional call date, contingent call dates and redemption amount Optional call date, contingent call dates and redemption amount  Last Payment Date: 30, 11, 2020 Total Repayment Amount of Pro Share: USD 131, 250,000, Repayment Period: 6 months Principal Payment: USD 250,000,000  Subsequent call dates Profit Share / Dividends Fixed or floating profit share / dividend Profit share rate and any related index Existence of a dividend stopper As per BRSA regulations and Communiqués it is payable Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative Convertible or Non-convertible If convertible, fully or partially If convertible, conversion rate  As per BRSA regulations and Communiqués it is convertible If convertible, fully or partially As per BRSA regulations and Communiqués it is convertible If convertible, fully or partially As per BRSA's approval it is convertible and the rate may be determined.  If convertible, specify instrument type convertible into If convertible, specify instrument type convertible into If convertible, specify issuer of instrument it convertinto		TL 793.260
Original date of Issuance Perpetual or dated Dated Maturity date Issuer call subject to prior supervisory (BRSA) approval Optional call date, contingent call dates and redemption amount Optional call date, contingent call dates and redemption amount  Last Payment Date: 30.11.2020 Total Repayment Amount of Pro Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000  Subsequent call dates Fixed or floating profit share / dividend Fixed or floating profit share / dividend Fixed and any related index Existence of a dividend stopper As per BRSA regulations and Communiqués it is payable Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative Convertible or Non-convertible If convertible, conversion trigger As per BRSA regulations and Communiqués it is convertible If convertible, conversion trigger As per BRSA regulations and Communiqués it is convertible If convertible, fully or partially If convertible, conversion rate As per BRSA'a approval it is convertible fully or partially If convertible, mandatory or optional conversion If convertible, specify instrument type convertible into If convertible, specify issuer of instrument it convertisinto  Subject to BRSA's approval.	***************************************	
Perpetual or dated  Maturity date  Indicated November 30, 2025  Issuer call subject to prior supervisory (BRSA) approval  Optional call date, contingent call dates and redemption amount  Cotal Repayment Date: 30.11.2020  Total Repayment Amount of Pro Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000  Subsequent call dates		Subordinated Loan
Maturity date Issuer call subject to prior supervisory (BRSA) approval Optional call date, contingent call dates and redemption amount Optional call date, contingent call dates and redemption amount Last Payment Date: 30.11.2020 Total Repayment Amount of Pro Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000  Subsequent call dates Fixed or floating profit share / dividend Profit share rate and any related index Existence of a dividend stopper As per BRSA regulations and Communiqués it is payable Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative Convertible or Non-convertible If convertible, conversion trigger As per BRSA's approval it is convertible, fully or partially If convertible, conversion rate As per BRSA's approval it is convertible and the rate may be determined. If convertible, specify instrument type convertible into If convertible, specify instrument type convertible into If convertible, specify instrument it converts into		November 30, 2015
Issuer call subject to prior supervisory (BRSA) approval Yes		Dated
Issuer call subject to prior supervisory (BRSA) approval   Yes		November 30, 2025
Optional call date, contingent call dates and redemption amount  Last Payment Date: 30.11.2020 Total Repayment Amount of Pro Share: USD 131.250.000, Repayment Period: 8 months Principal Payment: USD 250.000.000	Issuer call subject to prior supervisory (BRSA) approval	
Total Repayment Amount of Pro Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000,000  Subsequent call dates  Profit Share / Dividends  Fixed or floating profit share / dividend Fixed  Profit share rate and any related index 10,50 %  Existence of a dividend stopper As per BRSA regulations and Communiqués it is payable Mandatory  Existence of step up or other incentive to redeem -  Noncumulative or cumulative Noncumulative  Convertible or Non-convertible  If convertible, conversion trigger As per BRSA regulations and Communiqués it is convertible fully or partially  If convertible, conversion trate As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion Subject to BRSA's approval.  If convertible, specify instrument type convertible into Share certificate	Optional call date, contingent call dates and redemption amount	Last Payment Date: 30.11.2020
Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000  Subsequent call dates  - Profit Share / Dividends  Fixed or floating profit share / dividend Profit share rate and any related index  Existence of a dividend stopper  Fully discretionary, partially discretionary or mandatory As per BRSA regulations and Communiqués it is payable  Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, fully or partially As per BRSA'a approval it is convertible fully or partially  If convertible, conversion rate  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  Share certificate  If convertible, specify issuer of instrument it converts into	·	Total Repayment Amount of Profit
Subsequent call dates  Profit Share / Dividends  Fixed or floating profit share / dividend  Profit share rate and any related index  Existence of a dividend stopper  Fully discretionary, partially discretionary or mandatory  Existence of step up or other incentive to redeem  Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  If convertible, conversion rate  As per BRSA regulations and Communiqués it is payable  Noncumulative  Convertible or Non-convertible  If convertible, fully or partially  As per BRSA regulations and Communiqués it is convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  As per BRSA'a approval it is convertible fully or partially  If convertible, conversion rate  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  Subject to BRSA's approval.  If convertible, specify instrument type convertible into  Share certificate		Share: USD 131.250,000,
Subsequent call dates  Profit Share / Dividends  Fixed or floating profit share / dividend  Profit share rate and any related index  Existence of a dividend stopper  Fully discretionary, partially discretionary or mandatory  Existence of step up or other incentive to redeem  Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, fully or partially  As per BRSA'a approval it is convertible fully or partially  If convertible, conversion rate  Subject to BRSA's approval.  If convertible, specify instrument type convertible into  Share certificate		Repayment Period: 6 months
Subsequent call dates		
Profit Share / Dividends  Fixed or floating profit share / dividend Profit share rate and any related index Existence of a dividend stopper As per BRSA regulations and Communiqués it is payable Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative Convertible or Non-convertible If convertible, conversion trigger As per BRSA regulations and Communiqués it is convertible If convertible, fully or partially As per BRSA'a approval it is convertible fully or partially If convertible, conversion rate As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion If convertible, specify instrument type convertible into Share certificate  Fixed  Fixed  Fixed  Fixed  Fixed  Fixed  Fixed  Noncumulative  As per BRSA regulations and Communiqués it is convertible fully or partially  As per BRSA'a approval it is convertible fully or partially  Subject to BRSA's approval.  Subject to BRSA's approval.		250.000.000
Fixed or floating profit share / dividend Profit share rate and any related index Existence of a dividend stopper As per BRSA regulations and Communiqués it is payable Fully discretionary, partially discretionary or mandatory Existence of step up or other incentive to redeem Noncumulative or cumulative Noncumulative or communiqués or convertible If convertible, conversion trigger As per BRSA regulations and Communiqués it is convertible If convertible, fully or partially As per BRSA'a approval it is convertible fully or partially If convertible, conversion rate As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion Subject to BRSA's approval. If convertible, specify instrument type convertible into Share certificate If convertible, specify issuer of instrument it converts into	Subsequent call dates	<u> </u>
Profit share rate and any related index  Existence of a dividend stopper  As per BRSA regulations and Communiqués it is payable  Fully discretionary, partially discretionary or mandatory  Existence of step up or other incentive to redeem  Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, fully or partially  As per BRSA'a approval it is convertible fully or partially  If convertible, conversion rate  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  Share certificate  If convertible, specify issuer of instrument it converts into		
Existence of a dividend stopper  As per BRSA regulations and Communiqués it is payable  Fully discretionary, partially discretionary or mandatory  Existence of step up or other incentive to redeem  Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, fully or partially  As per BRSA'a approval it is convertible fully or partially  If convertible, conversion rate  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  Share certificate  If convertible, specify issuer of instrument it converts into	Fixed or floating profit share / dividend	Fixed
Fully discretionary, partially discretionary or mandatory  Existence of step up or other incentive to redeem  Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, fully or partially  As per BRSA'a approval it is convertible fully or partially  If convertible, conversion rate  As per BRSA'a approval it is convertible fully or partially  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  Share certificate  If convertible, specify issuer of instrument it converts into	Profit share rate and any related index	10,50 %
Fully discretionary, partially discretionary or mandatory  Existence of step up or other incentive to redeem  Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, fully or partially  As per BRSA'a approval it is convertible fully or partially  As per BRSA'a approval it is convertible fully or partially  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into	Existence of a dividend stopper	As per BRSA regulations and
Fully discretionary, partially discretionary or mandatory  Existence of step up or other incentive to redeem  Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  As per BRSA regulations and Communiqués it is convertible  If convertible, fully or partially  As per BRSA'a approval it is convertible fully or partially  As per BRSA'a approval it is convertible fully or partially  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into		Communiqués it is payable
Noncumulative or cumulative  Convertible or Non-convertible  If convertible, conversion trigger  If convertible, fully or partially  If convertible, fully or partially  As per BRSA's approval it is convertible fully or partially  As per BRSA's approval it is convertible fully or partially  As per BRSA's approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into	Fully discretionary, partially discretionary or mandatory	Mandatory
Convertible or Non-convertible  If convertible, conversion trigger  If convertible, conversion trigger  If convertible, fully or partially  If convertible, conversion rate  As per BRSA's approval it is convertible fully or partially  As per BRSA's approval it is convertible fully or partially  As per BRSA's approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into	Existence of step up or other incentive to redeem	+
Convertible or Non-convertible		Noncumulative
If convertible, fully or partially  If convertible, fully or partially  As per BRSA'a approval it is convertible fully or partially  If convertible, conversion rate  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into  Communiqués it is convertible approval it is convertible and the rate may be determined.  Subject to BRSA's approval.  Share certificate		
If convertible, fully or partially  As per BRSA'a approval it is convertible fully or partially  If convertible, conversion rate  As per BRSA'a approval it is convertible fully or partially  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into  Communiqués it is convertible approval it is convertible and the rate may be determined.  Subject to BRSA's approval.	If convertible, conversion trigger	As per BRSA regulations and
If convertible, conversion rate  As per BRSA'a approval it is convertible fully or partially  As per BRSA'a approval it is convertible fully or partially  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into  Share certificate		Communiqués it is convertible
If convertible, conversion rate  As per BRSA's approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into  Convertible fully or partially approval it is convertible and the rate may be determined.  Subject to BRSA's approval.  Share certificate	If convertible, fully or partially	
If convertible, conversion rate  As per BRSA'a approval it is convertible and the rate may be determined.  If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  Share certificate  If convertible, specify issuer of instrument it converts into	12	
If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  If convertible, specify issuer of instrument it converts into  determined.  Subject to BRSA's approval.  Share certificate	If convertible, conversion rate	As per BRSA'a approval it is
If convertible, mandatory or optional conversion  If convertible, specify instrument type convertible into  Share certificate  If convertible, specify issuer of instrument it converts into		
If convertible, specify instrument type convertible into  Share certificate  If convertible, specify issuer of instrument it converts into	2.5	
If convertible, specify issuer of instrument it converts into	ti conversion, mandatory or optional conversion	
		Share certificate
		-
Write-down feature		
If write-down, write-down trigger(s)		-
If write-down, full or partial		-
If write down, permanent or temporary	If write down, permanent or temporary	~
If temporary write-down, description of write-up mechanism	If temporary write-down, description of write-up mechanism	
	Position in subordination hierarchy in liquidation (specify instrument	After all creditors and participation
type immediately senior to instrument) fund nwners	type immediately senior to instrument)	fund owners
In compliance with article number 7 and 8 of "Own fund regulation" No.	In compliance with article number 7 and 8 of "Own fund regulation"	
Details of incompliances with article number 7 and 8 of "Own fund	Details of incompliances with article number 7 and 8 of "Own fund	
regulation" No	regulation"	No

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations on credit risk:

(1) Credit risk represents the Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors and are signed by the members of Loan Proposal Committee.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Bank, the Bank cannot grant loans above 15% of its equity to a real person or legal entity (Exception to this decision is subject to the decision of the Board of Directors). Distributing the risk in a balanced manner to the sectors is observed, therefore in their marketing operations the branches strive for reaching various firms existing in different sectors. As a principle, each branch oversee the balanced distribution of the total risk to the sectors and progress of the firms existing in critical sectors.

The credibility of the debtors of loans and other receivables are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Bank's credit limit renewal procedure. The Bank obtains necessary collaterals for loans and other receivables by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

Loans which are past due up to 90 days as of period ends but not impaired are defined as "Past Due Receivables". "General provision" is set aside for these loans in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

Loans which are past due for more than 90 days as of period ends or assessed as impaired based on risk assessment made are defined as "Impaired Loans". "Specific provision" is set aside for these in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations on credit risk (continued):

The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk Categories	Current Period Risk Amount	Average Risk Amount <sup>(**)</sup>
Receivables from central governments or central banks	5.771.975	5.583.731
Receivables from regional or local governments	536	1.865
Receivables from administrative units and non-commercial enterprises	38.092	46.930
Receivables from multilateral development banks	66	
Receivables from international organizations	00	66
Receivables from banks and brokerage houses	0.004.000	
Receivables from corporates	2.394.688	2.030.326
Retail receivables	12.863.360	13,851,495
	5.282.437	4.040.329
Receivables secured by mortgages on property	2.506,399	3.243.056
Past due receivables	340,793	245,400
Receivables defined in high risk category by BRSA	_	_
Securities collateralized by mortgages	_	_
Short-term receivables from banks, brokerage houses and corporates	_	
Investments similar to collective investment funds	•	-
Other receivables	1,428,512	4 204 270
Equity share investments	1.420.012	1.301.379
many view arrestables	-	-
TOTAL <sup>(*)</sup>	30.626,858	30.344.577

<sup>(\*)</sup> Amounts include counterparty credit risk.

- (2) The credit risk undertaken for forwards, options and similar agreements is managed together with the risks arising from market movements.
- (3) The risks of forwards, options and similar agreements are followed regularly and the Bank utilizes risk mitigation methods if needed.
- (4) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and followup principle of the Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments.
  - The Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.
- (5) The Bank has credit lines in different countries within the scope of its banking activity and due inquires (economic, cyclical,etc.) are carried out during the allocation and revision of such credit lines.
  - For the banks where correspondent activity and international commodity transactions are intended to be carried out, credit limits are allocated by the related credit committees taking into account the size of the correspondent bank and the size of Bank itself and concentration of risk is avoided. The Bank does not carry any serious risk in this respect.
- (6) Share of cash receivables of the Bank from its top 100 and top 200 cash loan customers in total cash loans is 41% (December 31, 2015; 38%) and 48% (December 31, 2015; 46%) respectively.
  - Share of non- cash receivables of the Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 44% (December 31, 2015; 45%) and 56% (December 31, 2015; 56%) respectively.
  - Share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan and non-cash loan customers in total of balance sheet and off balance sheet commitments is 36% (December 31, 2015: 33%) and 44% (December 31, 2015: 41%) respectively.
- (7) The Bank's general provision amount for its credit risk is TL 136.263 (December 31, 2015; TL 170.885).

<sup>(\*\*)</sup> Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2016.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# Explanations on credit risk (continued): ≓

# Profile on significant risks in significant regions: 8

- The state of the						Risk C	Risk Categories (1)					
	•	2	67	4	5	9	7	8	6	10	11	Total
Current Period												
Domestic	5.290.150	536	38.092	,	1.913.188	12.334.111	5.264.405	2,486.291	296.839	1	1.360.372	28.983.984
EU Countries	•	١	,	•	138.869	143.118	4.123	2.286	,	•	_	288.397
OECD Countries (*)	,	+	٠	٠	11,394	ı	28	•	•	,	*	11.422
Off-shore banking regions	•	ŧ	•	٠	21.256	44.369	9.755	7,903	43.954	ı	t	127.237
USA Canada	1	١	1	•	85.415	83.885	80	•	•	•	•	169.308
Other countries	•	,	•	99	150.102	257.785	4.118	9,919	1	•	40.670	462.660
Associates, subsidiaries and jointly												700
controlled entities	•	•	•	•	•	1	•	•	•	•	27,469	27.458
Unallocated assets/liabilities ("")	•	•	ì	•	+	1	1	1	•	ı	•	ì
Total	5.290.150	536	38.092	66	2,320,224	12.863.268	5.282.437	2.506.399	340.793		1.428.512	30.070.477
		2	m	4	\$	9	7	00	6	10		Total
Prior Period												
Domestic	5.105.988	13.316	1.481		2.092.510	12.343.531	3.495.258	4.316.649	143,142	128.783	1.551.388	29.192.046
EU Countries	•	•	•	•	194,557	79.585	1.589	5.460	1	i	131	281.322
OECD Countries (**)	1	•	'	*	5.316	•	12	•	•	•	•	5.328
Off-shore banking regions	•	٠	•	٠	11,563	186.013	4.517	11.883	6.052	•	•	220.028
USA Canada	•	,	ŧ	•	77.021	9.450	9	•	+	•	,	86.481
Other countries	•	•	١	62	254, 191	271,020	3.114	14.097	918	•	2.002	545,404
Associates, subsidiaries and jointly											***	50 053
controlled entities	1	•	•	•	•	30.938	1	ŀ	í	•	21.13	CCU.2C
Unallocated assets/liabilities ("")	•	•	•	•	•	•	•	•	•	•	•	Ŧ
***	5.105.988	13.316	1,481	62	2.635.158	12,920,537	3.504.500	4.348.089	150.112	128.783	1.574.636	30.382.662

<sup>(1)</sup> Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.

<sup>(\*\*)</sup> OECD countries other than EU countries, USA and Canada.

<sup>(\*\*\*)</sup> Assets and liabilities are not allocated on a consistent basis

Receivables from cantral governments or central banks
 Receivables from regional in food governmentals
 Receivables from administrative units and non-commercial enterprises
 Receivables from multilateral development banks
 Receivables from multilateral development banks
 Receivables from multilateral development banks
 Receivables from banks and brokerage houses
 Receivables from panks and brokerage houses

<sup>7.</sup> Retail receivables
8. Receivables secured by mortgages on property
9. Past due receivables
10. Receivables defined in high risk category by BRSA
11. Other receivables

# NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 ALBARAKA TÜRK KATILIM BANKASI A.Ş.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# Explanations on credit risk (continued):

<u>....</u>

# Risk Profile according to sectors and counterparties:

Administration of the state of			***************************************		Risk Categories	tories							
Sectors / Counterparties	1	2	m	4	4	Œ	1	a	a	Ç	F		1
- Agriculture	,	٠	٠	•	1	97 R11	48 663	24 024	2003	2 5	107	ָרָרָרָרָרָרָרָרָרָרָרָרָרָרָרָרָרָרָר	iora)
1.1 Faming and stockbreeding							20.0	41.031	3,434	71	101.03	70.998	172,751
1.2 Forestry	•	t	ı	t	•	35.974	23.799	14.039	5.073	œ	49.278	29.615	78.893
1.3 Fisher	•	•	•	•	•	53.984	23.893	6.284	161	4	51,445	32,881	84 328
7		•		•	•	7.853	971	708	•	1	1030	8 500	0 537
2.1 Mining	•	,	321	,	•	6.330,702	1.992,461	743,294	156.736	280	3.165.480	6.058.314	9.223.794
2.2 Production	•	•	1	ŧ	•	402.472	40.390	18,355	1.387	6	64,366	398.247	462 613
2.3 Electricity has water	•	•	321	•	1	5.065,653	1.910.841	694.079	154.552	258	2.949,333	4.876.371	7.825.704
Ũ	•	•	1	•	•	862.577	41.230	30.860	797	<u>t</u>	151.781	783 696	935.477
Sonitroe		•	19.206	•	•	3,252,870	589.296	1.130.457	51.216	338	2 789 220	2 254 183	K 642 192
4.1 Wholerate and metall tends	3,335,369	n	18,448	99	2.272.560	2.672,856	1.071,758	550.999	120.705	374.183	3.468.062	G 948 885	5.44E 0.47
4.2 Hotel food and howeverse conjuga	ŧ	ന	<b>\$</b> 0	•	1.328	1.069.647	590.569	273,894	58.386	144	1.110.903	883 178	1 994 079
4.3 Transportation and telephonomyclopics		•	1	•	*	344.281	36.209	51.920	510	10	19.104	413.826	432 930
4.4 Financial institutions	1 400	•	1	•	•	129.913	70.546	18.810	45.263	35	71 467	193 100	264 567
4.5 Does cetate and remine conjust	3,335,369	•	,	99	2.260.704	609.205	21.345	145,682	5.371	4.720	1 495 623	4 886 83G	5 382 A62
4.6 Self-employment services	•	•	82	•	10.528	310.371	252.483	27.326	6.069	369.076	561.824	414.111	975.935
47 Education sensions	•	ŧ	+	•	•	1	1	•	*	•	•	•	
4.8 Health and social consists	•	•	4.737	1	1	5.270	10.095	10.533	151	29	27.947	2.868	30.845
5 Other	4 044 404	1 6	13.521	*		204.169	90.511	22.834	4.955	169	181,194	154,965	336.159
6 Total	1.934.701	3	117	•	47.664	509.029	1.580,259	50.618	6.902 1	.053.699	4.405.940	807,662	5.213.602
	0.230,150	200	38.092	99	2.320.224	12.863.268	5.282.437	2.506.399	340,793 1.428,512		13.930.455 16.140.022 30.070.477	6,140,022	0.070.477

Receivables from central governments or central banks
Receivables from regional or focal governments alacaklar
Receivables from administrative units and non-commercial enterprises
Receivables from multilateral development banks
Receivables from banks and brokerage houses ÷ 4 4 4 4

<sup>6-</sup> Receivables from corporates
7- Retail receivables
8- Receivables secured by mortgages on property
9- Past due receivables
10- Other receivable

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations on credit risk (continued):

### Distribution of risks with term structure according to remaining maturities:

			+	Time to Mati	arity	
·····			1-3	36	6-12	1 year and
	Risk Categories	1 month	months	months	months	over
1	Receivables from central governments or					
	central banks	-	189.649	-	140.413	955.278
2	Receivables from regional or local governments	-		-	•	•
3	Receivables from administrative units and non-					
	commercial enterprises	51	77	304	18	21.637
4	Receivables from multilateral development					
	banks	-	-	-	-	-
5	Receivables from international organizations	-		•	•	-
6	Receivables from banks and brokerage houses	27.206	18.693	5.938	13.638	16.486
7	Receivables from corporates	261.472	750.383	1.229.560	2.276.552	5.734.769
8	Retail receivables	119.314	333,121	528,779	818.991	2.748.497
9	Receivables secured by mortgages on property	58.117	105.650	189.053	391.514	1.454.294
10	Past due receivables	2.329	6.237	10.359	26,131	150.235
11	Receivables defined in high risk category by					
	BRSA	-	-		-	*
12	Securities collateralized by mortgages	-		-	-	-
13	Short-term receivables from banks, brokerage					
	houses and corporates	-		-	-	-
14	Investments similar to collective investment					
	funds	-	-	μ	-	•
15	Other receivables	3	2	23	170	101
16	Equity share investments	-		<u>.</u>	+	-
17	TOTAL	468.492	1.403.812	1.964.016	3.667.427	11.081.297

(9) While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks" are presented below:

	Risk Weights (*)	%0	%10	%20	%35	%50	%7 <b>5</b>	%100	%150	%200	Deductions from Shareholders' Equity
1	Amount before credit risk mitigation	3.181.219	-	1.276.723	575.917	6.403.342	5.282.437	13.718.189	189.031	-	72.113
2	Amount after credit risk mitigation	3.775.860	~	1.451.626	559.076	6.425.283	5.036.322	13.190.459	188.232	*	72.113

<sup>(1)</sup> Amounts include counterparty credit risk.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations on credit risk (continued):

(10) Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:

For loans which are classified as impaired loans due to delay of collection of principal or profit share 90 days and above, and/or negative risk assessments of credit worthiness of the debtor; "specific provision" is set aside in the accompanying financial statements as of December 31, 2016.

For loans which are classified as past due not impaired loans due to delay of collection of principal or profit share up to 90 days; "general provision" is set aside in the accompanying financial statements as of December 31, 2016.

		Loan	S		***************************************
	Sectors / Counterparties	Impaired Loans	Past Due (*)	Value Adjustments (**)	Provisions
1	Agriculture	00.077			·
1.1		22.077	2.470	24	14.253
1.2	Farming and stockbreeding	20.114	1.030	13	12,568
	Forestry	1.958	1.440	11	1.680
1.3	Fishery	5	-	•	5
2	Manufacturing	540.446	714.193	9.727	283.574
2.1	Mining	5.524	1.286	10	2.853
2.2	Production	526.808	702.399	9.527	273.516
2.3	Electricity, gas, water	8.114	10.508	190	7.205
3	Construction	240.879	377.284	3.254	140.023
4	Services	256.457	202,069	2.571	111.253
4.1	Wholesale and retail trade	141.998	146,494	2.011	67.084
4.2	Hotel, food and beverage services	799	69	1 ا ا ا ا	
4.3	Transportation and	700	US	1	289
	telecommunication	66,850	21,869	247	47.43.
4.4	Financial institutions	15.759	15.680	217	17.474
4.5	Real estate and renting services	5.576		131	4.906
4.6	Self-employment services		1.145	11	3.336
4.7	Education services	18.195	5.349	2	15,471
4.8		276		*	100
4.0 5	Health and social services	7.004	11.463	198	2.593
Ú	Other	46.095	158.745	1.938	29.402
6	Total	1.105.954	1.454.761	17.514	578.505

<sup>(\*)</sup> Only overdue projects of the relevant credits are represented.

### (11) Information related to value adjustments and credit provisions:

The Bank provides specific provisions for loans which are overdue for 90 days or more. The collaterals are being taken into consideration while providing specific provisions in accordance with the Provisioning Communiqué.

The bank provides general loan provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the "Regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provisions to be set aside" communique.

Risk Weight		Provision made during the period	Reversal of Provisions	Other Adjustments (1)	Closing Balance
Specific Provisions     General Provisions	280.847	305.593	(21.522) <sup>(**)</sup>	13.587	578.505
	170.885	17.856	(53.039)	5 <del>6</del> 1	136.263

<sup>(\*)</sup> Determined according to currency differences.

<sup>(\*\*)</sup> The amounts represent general provisions.

<sup>(\*\*)</sup> Related balance includes reversal of provisions regarding write-off's in the amount of TL 76.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# III. Explanations on risks including countercyclical capital buffer calculation: Explanations on receivables from consolidated private sector:

Country where risk is ultimately taken	Private sector loans in banking books	Risk weighted amount calculated within trading book	Total
Turkey	17.097.231	37.306	17.134.537
Iraq	195.410	-	195,410
Georgia	105.153	-	105.153
Marshall Islands	90.111	•	90.111
United States of America	83.887	-	83.887
Malaysia	21,781	<u>.</u>	21.781
Germany	12.403	•	12.403
Malta	12.013	-	12.013
Panama	9.953	-	9,953
Romania	9,248	-	9,248
Other	37.945	12	37.957

### IV. Explanations on currency risk:

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

- a) The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position / shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- The Bank does not have any derivative financial instruments held for hedging purposes.
- c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.
- ç) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

USD	EUR
3.510	3,700
3,510	3,700
3,524	3,682
3,539	3,679
3,517	3,673
3,503	3,663
	3,510 3,510 3,524 3,539

d) The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 3,494 for 1 USD (December 2015: TL 2,883), TL 3,679 for 1 EUR (December 2015: TL 3,145).

The Bank is mainly exposed to EUR and USD currency risks.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### IV. Explanations on currency risk (continued):

### information on currency risk of the Bank:

Current Period	EUR	USD	Other FC(*)	Total
Assets				
Cash (cash in vault, foreign currency, money in transit,				
cheques purchased) and balances with the Central Bank of				
Republic of Turkey	763,158	2,487,762	007 005	
Banks	741.797	434.279	807.885	4.058.805
Financial assets at fair value through profit and loss	£41.79£	65.074	325.691	1.501.767
Money market placements	_	03.074	•	65.074
Available-for-sale financial assets	153	386.470	*	
Loans and financial lease receivables(**)	3,296,564	7.068.317	-	386.623
Subsidiaries, associates and joint ventures	5.4.00.004	7.000,517	589	10.365.470
Held-to-maturity investments	-	•	*	
Derivative financial assets for hedging purposes	*	-	-	•
Tangible assets	•	-		•
Intangible assets	•	-	791	791
Other assets (***)	4 550	~	305	305
Total assets	1.566	7.274	4.217	13.057
	4.803.238	10.449.176	1.139.478	16.391.892
Liabilities				
Current account and funds collected from banks via				
participation accounts	1.531.340	261.907	0.400	4 305 000
Other current and profit sharing accounts	2.316.846	5.843.139	2.433	1.795.680
Money market borrowings	2.510.040	0.043.139	642.326	8.802.311
Funds provided from other financial institutions and	-	-	•	•
subordinated loans	908.554	4 044 005		
Marketable securities issued	800.004	4.844.985	-	5.753.539
Miscellaneous payables	4.396	# 4 700		
Derivative financial liabilities for hedging purposes	4.390	54.768	8.980	68.144
Other liabilities	5,961	40.546	* * * * * * * * * * * * * * * * * * * *	
Total liabilities	4.767.097	10.542	3.329	19.832
	4./0/.03/	11.015.341	657.068	16.439.506
Vet balance sheet position	36,141	(566.165)	482,410	(47.614)
			708,710	(41.014)
Net off balance sheet position	(222)	534.761	(473.712)	60,827
Derivative financial instruments assets(***)	2.886	538.533	1.082	542.501
Derivative financial instruments liabilities(***)	3.108	3.772	474.794	481.674
lon-cash loans (*****)	1.429.354	3.231.964	35.997	4.697.315
Prior Period				***************************************
Total assets	P 400 005			
Total liabilities	3.432.222	10.426.828	630.020	14.489.070
Total advances	3.372.658	10.622,240	420.127	14.415.025
let balance sheet position	59.564	(195.412)	202.004	
	77:777	(100.412)	209.893	74.045
et off balance sheet position	(16.929)	210.880	(191.644)	2.307
Derivative financial instruments assets	8.320	249.140	7.599	265.059
Derivative financial instruments liabilities	25,249	38,260	199,243	
Non-cash loans	1.298.973	3.054.388	35,294	262.752
(7) TI 790 486 (December 24, 2046, TI, 440 404) - FU -	1.200.010	J.UU4.300	30.294	4.388.655

TL 790.486 (December 31, 2015: TL 446.121) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 274.919 (December 31, 2015: TL 39.682) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 599.733 (December 31, 2015: TL 294.008) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

The balance includes foreign currency indexed loans and financial lease receivables of TL 5.971.045 (December 31, 2015; TL 5.068.133).

Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 566 (December 31, 2015; TL 431) is included in other assets.

In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 2.691 (December 31, 2015; TL 45.969) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 6.688 (December 31, 2015; TL 64.837).

Does not have any effect on the net off-balance sheet position.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### V. Explanations on position risk of equity securities in banking book:

The Bank does not have any associate and subsidiary quoted at Borsa Istanbul.

### VI. Explanations on liquidity risk:

Liquidity Risk is managed by Asset and Liability Committee (ALCO) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of Turkish Lira and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Risk Management Contingency Funding Plan" in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators in each stress.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### VI. Explanations on liquidity risk (continued):

### Liquidity Coverage Ratio:

		taken into acc Implemented T		Rate of "Percentage to be taken into account" Implemented Total value"		
<u></u>	Current Period	TL+FC	FC	TL+FC	FC	
	HIGH QUALITY LIQUID ASSETS (HQLA)					
1	HIGH QUALITY LIQUID ASSETS			4.949.478	3.020,407	
	CASH OUTFLOWS		T		2,2,2,7,1,0,	
2	Retail and Small Business Funds Collected	13.162.310	5.041.910	1.153.121	504,191	
3	Stable Funds Collected	3.262.200		163.110	004,101	
4	Less stable Funds Collected	9.900.110	5.041.910	990.011	504.191	
5	Unsecured Funding other than Retail and Small Business			555.5(1	001.101	
_	Customers Deposits	6.612.800	4.020.394	3.653,791	2.243,157	
6	Operational Funds Collected	673.832	671.940	168,458	167.985	
7	Non-Operational Funds Collected	3.557.314	2.158.696	2.092.313	1.453.058	
8	Other Unsecured Funding	2.381.654	1.189.758	1,393,020	622.114	
9	Secured funding	er vå det fjerer i værd		*	Va	
10	Other Cash Outflows	7.633	7.169	7.633	7.169	
11	Liquidity needs related to derivatives and market				1,100	
	valuation changes on derivatives transactions	7.633	7.169	7.633	7.169	
12	Debts related to the structured financial products	-		*		
13	Commitment related to debts to financial markets and					
"	other off balance sheet liabilities	-	_	_	_	
14	Commitments that are unconditionally revocable at any					
١٠.١	time by the Bank and other contractual commitments	-	-			
15	Other irrevocable or conditionally revocable commitments	9.275.450	4.417.720	732.184	385.901	
16	TOTAL CASH OUTFLOWS			5.546.729	3.140.418	
	CASH INFLOWS					
17	Secured Lending Transactions		····	·		
18	Unsecured Lending Transactions	3.558.233	1.767.818	2.858.438	1.666.318	
19	Other contractual cash inflows	7.660	3,172	7.655	3.172	
20	TOTAL CASH INFLOWS	3.565.893	1.770.990	2.866.093	1.669.490	
				Upper fimit		
			Į	amou		
	TOTAL HQLA			4.949.478	3.020.407	
	TOTAL NET CASH OUTFLOWS			2.680.636	1.470.928	
23	Liquidity Coverage Ratio (%)			184,64	205,34	

<sup>(1)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

Liquidity Coverage Ratio (%)	Current Period			
	TL+FC	FC		
Lowest	149.00	140.98		
Week	November 4, 2016	October 14, 2016		
Highest	195,35	233,60		
Week	November 25, 2016	December 2, 2016		
Average (%)	171,54	175,56		

(Thousand of Turkish Lira (TL) unless otherwise stated)

### VI. Explanations on liquidity risk (continued):

### Liquidity Coverage Ratio (continued):

		Rate of "Percentage to be taken into account" not Implemented Total value <sup>(1)</sup>		Rate of "Perce taken into a Implemented T	ccount" otal value <sup>(*)</sup>
	Prior period	TL+FC	FC	TL+FC	FC
	HIGH QUALITY LIQUID ASSETS (HQLA)				······································
1	HIGH QUALITY LIQUID ASSETS			4.646.672	3.219.811
	CASH OUTFLOWS				
2	Retail and Small Business Funds Collected	11.185.760	4.553.060	1.118.576	455.306
3	Stable Funds Collected	-	- 1	-	-
4	Less stable Funds Collected	11.185.760	4.553.060	1.118.576	455.306
ا ـِ ا	Unsecured Funding other than Retail and Small Business				
5	Customers Deposits	5.457.231	2.634.109	2.806.246	1.411.013
6	Operational Funds Collected	138.796	137.828	34.699	34.457
7	Non-Operational Funds Collected	2.740.796	1.270.374	1.467.273	782,629
8	Other Unsecured Funding	2.577.639	1.225.907	1.304.274	593.927
9	Secured funding	Antikana da sa s	444 A 4 1 A 4 A 4 A 4 A 4 A 4 A 4 A 4 A	-	
10	Other Cash Outflows	93.544	64.836	93.544	64.836
11	Liquidity needs related to derivatives and market		-		
' #	valuation changes on derivatives transactions	93.544	64,836	93,544	64.836
12	Debts related to the structured financial products	-	-	-	*
13	Commitment related to debts to financial markets				
13	and other off balance sheet liabilities	-	-	-	*
14	Commitments that are unconditionally revocable at any time	i			
14	by the Bank and other contractual commitments	-	- j		
15	Other irrevocable or conditionally revocable commitments	8.582.626	3.943.011	753.816	370.595
16	TOTAL CASH OUTFLOWS			4.772.182	2.301.750
	CASH INFLOWS				·····
17	Secured Lending Transactions	-	-	-	
18	Unsecured Lending Transactions	3.881.434	2.240.888	2.982.449	1.874.782
19	Other contractual cash inflows	155.463	102.406	155.463	102.406
20	TOTAL CASH INFLOWS	4.036.897	2.343.294	3.137.912	1.977.188
<u> </u>				Upper limit	4 *
				amou	
21	TOTAL HQLA			4.646.672	3.219.811
22	TOTAL NET CASH OUTFLOWS			1.634.270	575.438
23	Liquidity Coverage Ratio (%)			284,33	559,54

<sup>(1)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2015 are as follows.

Liquidity Coverage Ratio (%)		Prior period
	TL+FC	FC
Lowest	276,20	314,95
Week	November 11, 2015	October 6, 2015
Highest	387,85	570,73
Week	December 18, 2015	November 30, 2015
Average (%)	327,59	460 <sub>,</sub> 32

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Vi. Explanations on liquidity risk (continued):

### Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated	Tota
Assets								
Cash (cash in vault, foreign								
currency, money in transit,								
cheques purchased) and								
balances with the Central Bank								
of Republic of Turkey	1.921,342	3.077.710	_					
Banks	1.425.270	674.526	58.381	*	-	•	-	4.999.052
Financial Assets at Fair Value		0.4.0ED	30.301	•	-	-	-	2,158.177
Through Profit and Loss	954	65.142						
Money Market Placements	20-1	00.172	•	•		-	-	66.096
Available-For-Sale Financial	-	•	•	-	*	-	*	
Assets	6,350	2.270	200 005					
Loans <sup>(*)</sup>	0.550		263,665	135.860	938.824	35.721	*	1.382.690
Held-To-Maturity Investments	-	1.556,951	1.303.246	6.724.557	10.938.277	1.437.821	761,202	22.722.054
Other Assets	•	•	201.558	207.629	259.395	-		668.582
Other Assets	-	*	9	2,328	2,663		849.087	854.087
Total Assets	3.353.916	5,376,599	1.826.859	7.070.374	12.139.159	1.473,542	1.610,289	32.860.738
Liabilities								
Current account and funds								
collected from banks via								
participation accounts	077 00s	07. aan						
	677,801	871.266	172.316	76.633	•	•	-	1.798.016
Other current and profit sharing accounts								
	4.753.149	13,106,511	2.172.039	1.297.897	27.522	-	_	21.357.118
Funds provided from other								4.1.007.110
financial institutions and								
subordinated loans	*	352,410	591.117	2,073,671	1,422,474	1.495.260		5.935.132
Money Market Borrowings		492.784	_	-	W	1.400.200		492.784
Marketable securities issued	-		_				-	43E.104
Miscellaneous payables	-	176,329	45,226	12.243			468,561	702 250
Other liabilities	-	36.167	3.411	12.2.15	-	•		702.359
			•		-	-	2.525.751	2,565,329
Total Liabilities	5.430.960	15.035.467	2.984.109	3.460.644	1.449.996	1.495.260	2.994,312	32.850.738
Net Liquidity Gap	(2.077.034)	(9.658.868)	(1.157.250)	3.609.730	10.689,163	(21.718)	(4 444 444	
		~~~	1,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	0.000.100	10.005,105	(21./16)	(1.384.023)	*
Net Off-balance sheet					······································	······································		
Position			64.824					64.824
Financial Derivative Assets	_	945	538.765	2,178	_			541.888
Financial Derivative Liabilities		945	473.941	2.178		-	•	
Non-cash Loans	B.216.684	7.177	64.783	172.892	221.384	18.273		477.064 8.701.193
Note a superior							***************************************	3.101.130
orior period								
Total Assets	3.834.227	5.332.964	2.533,007	6.987.596	8.520.891	1,177,188	1,176,126	29.561,999
Total Liabilities	4.261.191	12.761.275	3.785.861	2.085.824	2.572.262	1.226.880	2.868.706	29.561,999
Vet Liquidity Gap	1400 0041		····	·				20.001,000
vet Erquidity Gap	(426.964)	(7.428.311)	(1.252.854)	4.901.772	5. <del>9</del> 48.629	(49.692)	(1.692.580)	-
let Off-balance sheet	·····	······································					······	·
osition	-	-		21.173	_			24.4
Financial Derivative Assets	÷	#		219.089	***************************************	······	-	21.173
Financial Derivative		_	•	2.13.003	-	•	•	219.089
Liabilities	-		_	197.916				197,916
ion-cash Loans	4.533.680	596.383	935.430			*	-	13/3/2

Continuous desired to the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control

Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here.

<sup>(\*\*\*)</sup> The unallocated other liabilities column consists of equity, provisions and (if any) deferred tax liabilities.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### VII. Explanations on leverage ratio:

As of December 31, 2016, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 5,27% (December 31, 2015: 5,03%). Leverage ratio is required to remain minimum 3% as per Communiqué on Measurement and Evaluation for Leverage Ratios of Banks. The reason for the difference in leverage ratio between current and previous period is the average increase ratio of core capital is more than the average increase ratio of total risk amount.

		Current Period	Prior Period
		December 31, 2016 <sup>(*)</sup>	December 31, 2015 <sup>(*)</sup>
	Balance sheet assets		
1	Balance sheet assets (excluding derivative financial assets and		
	credit derivatives, including collaterals)	31.308.239	28,936,499
2	(Assets deducted from Core capital)	(62.304)	(79.053)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	31.245.935	28.857.446
············	Derivatives financial assets and credit derivatives		
4	Cost of replenishment for derivative financial assets and credit		
	derivatives	45.286	20.043
5	Potential credit risk amount of derivative financial assets and credit	0.005	4.040
	derivatives	9.860	4.913
6	Total risk amount of derivative financial assets and credit	55.146	24,956
	derivatives (sum of lines 4 and 5)	55.140	24,500
	Financing transactions secured by marketable security or		
	commodity  Risk amount of financing transactions secured by marketable		
7	security or commodity (excluding Balance sheet)	218.594	139,204
В	Risk amount arising from intermediary transactions		_
9	Total risk amount of financing transactions secured by marketable		
9	security or commodity (sum of lines 7 and 8)	218.594	139.204
*********	Off-balance sheet transactions		***************************************
10	Gross notional amount of off-balance sheet transactions	9.809.355	9.880.604
11	(Correction amount due to multiplication with credit conversion	0.000.000	
<b>\$</b> 1	rates)		_
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	9.809.355	9.880.604
	Capital and total risk		
13	Core Capital	2.176.537	1.955.492
14		41.329,030	38,902,210
	Leverage ratio		
15		5,27	5,03
	Levelage recording		

<sup>(\*)</sup> The arithmetic average of the last 3 months in the related periods.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### VIII. Explanations on presentation of financial assets and liabilities at fair value:

### a. Information on fair value of financial assets and liabilities:

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated profit share accruals of corresponding financial assets or liabilities.

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of held-to-maturity investments are determined based on market prices.

The fair value of loans and receivables are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

The fair values of funds collected from financial institutions are determined by calculating the discounted cash flows using the current market profit share rates.

	Carryin	g value	Fair value	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
			2010	2013
Financial Assets				
Money market placements		-	_	_
Banks	2.158.177	2.482.614	2.158.177	2,482,614
Financial assets at fair value through profit		m. 10E,01-7	2.100,177	2.402.014
and loss	66,096	22,283	66.096	22.283
Financial assets available for sale	1.382.690	1.051.566	1.382.690	1.051.566
Held to maturity investments	668.582	762.890	683,944	771.264
Loans and financial lease receivables	22.722.054	19.505.392	21.821.559	19.198.865
Financial Liabilities		(0.005,002	11.021.000	10.120.000
Funds collected from banks via current				
accounts and profit sharing accounts	1,798,016	526,489	1.798.016	526,489
Other current and profit sharing accounts	21.357.118	19.819.689	21.357.118	19.819.689
Funds provided from other financial		101010.000	2,1,007.110	13.013.003
institutions	5,935,132	5.344,245	5.028.727	4,904,160
Marketable securities issued	2.300.102	U.U-1-1,2-10	U.VEU.121	4,304,100
Miscellaneous payables	702,359	686.386	702.359	686.386

### a. Information on fair value measurement recognized in the financial statements:

TFRS 7 "Financial Instruments: Turkish Financial Reporting Standard Related to Explanations" sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish a basis for fair value measurement. Aforesaid fair value hierarchy is determined as follows:

- a. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I);
- b. Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in Level 1 (Level II):
- c. Data not based on observable data regarding assets and liabilities (Level III).

(Thousand of Turkish Lira (TL) unless otherwise stated)

### VIII. Explanations on presentation of financial assets and liabilities at fair value (continued):

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles are given in the table below:

Current period (**)	Level I	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	954	65.142		66.096
Public sector debt securities	-	*	-	-
Equity securities	954	•	-	954
Derivative financial assets held for trading	-	65.068	-	65.068
Other	-	74	•	74
Financial assets- available for sale	1.380.099	*	-	1,380,099
Equity securities (*)	3.759		-	3.759
Public sector debt securities	1.285.338	••	٠	1.285.338
Other marketable securities	91.002	*		91.002
Financial liabilities				
Derivative financial liabilities held for trading	-	88	-	88
Derivative financial liabilities for hedging purposes	-	-	-	-
Prior period	Level I	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	790	21.493		22.283
Public sector debt securities	*	-	-	-
Equity securities	790	-		790
Derivative financial assets held for trading	-	20.822	-	20.822
Other		671		671
Financial assets- available for sale	1.038.701	*	10.743	1.049.444
Equity securities (*)	-	-	10.743	10.743
Public sector debt securities	887.157		-	887.157
Other marketable securities	151.544	-	-	151.544
Financial liabilities	-	-	•	•
Derivative financial liabilities held for trading	-	-	*	
Derivative financial liabilities for hedging purposes	-	-		_

<sup>(\*)</sup> Represent the amount of Visa accounted in Available For Sale

Apart from financial assets and financial liabilities, as of December 31, 2016 and 2015, the Bank carries the real estates at fair value under tangible assets. Level III section is used in determining the related fair values.

### IX. Explanations regarding the activities carried out on behalf and account of other persons:

The Bank does not perform purchases, sales and custody services on behalf of its customers. The Bank has not any fiduciary transactions.

<sup>(\*\*)</sup> In the current period, there is no classification between level I and level II.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables which have to be prepared within the scope of Internal rating-based (IRB) approach have not been presented.

### a. Risk management strategy and weighted amounts:

### a.1. Risk Management Strategy:

The aim of the Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

The Board of Directors has a responsibility of establishing and providing compatible, adequate and effective system on internal control, risk management and internal auditing as anticipated by the Banking Law for the purpose of monitoring and controlling risks emerging from operations.

The Board of Directors is responsible for establishing risk management policies and strategies. These policies are revised and evaluated periodically according to prevailing market conditions.

The general manager is responsible from ensuring that departments of the bank operate in accordance with the specified policies and strategies about risk management as determined by the Board of Directors.

The Board of Directors of the Bank takes an important part in the processes of risk management by following policies and strategies on consolidated and unconsolidated basis, setting up limit systems and procedures in the Bank.

The related limits are monitored, reported and maintained within the set limits by the units under the internal systems and the related departments in the bank. Risk Management Department, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting of risks.

Ultimate goal of the bank's risk management system is to allocate capital in accordance with risks that functional activities have (economical capital), to maximize return on capital adjusted according to risk and to increase added value created.

In Asset and Liability Committee, asset-liability structure is managed via evaluating fund collection activities in line with risk management policies and domestic and foreign conditions regarding the bank's fund lending.

The risks that the Bank is exposed to or may be exposed to in the future are determined and the definition of these risks is made. Defined risks are measured and prioritized as far as possible. It is provided that all important risks are in the risk appetite considering the potential impact of the risks and the strategy arising from the bank's strategies to risk profile. The bank's strategies are integrated with risk profile and risk appetite. If it is expected that the risk profile is going to change in the future, this change is assessed with the degree of capital impact. While a risk profile is being developed, the risk profile is analyzed based on the risk type, the sector and/or the geographic location.

The bank's risk tolerance is the most comprehensive calculated risk amount which may be accepted in accordance with the determined mission and vision. In other words, before deciding on the necessity of taking measures, it is the bank's readiness to exposure of any risk amount. In this respect, the risk tolerance, in connection with the variety of services offered by the bank, is the level of risk it identifies as acceptable.

The bank's risk appetite means the amount of risk that can be accepted by the bank in order to reach the strategic targets, and it includes an acceptable variability around the targets as well.

The common feature of the bank's risk appetite and risk tolerance is to drive the lines regarding risk acceptance. However, risk tolerance is more comprehensive.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations on Risk Management (continued):

### a.1. Risk Management Strategy (continued):

By means of "Albaraka Turk Participation Bank's Credit Strategy and Risk Appetite Policy" approved by the board of directors, risk levels can be taken to implement risk strategies and to achieve the objectives of the Banks were identified. Quantitative and qualitative factors, which are determined within the framework of risk profile of the bank in accordance with the bank's risk appetite and risk tolerance, and triggering functions, were described in detail.

Considering the bank's financial position, activity profile and the growth expectations of the future, the amount of capital needed for the strategic targets to be met have been calculated by the basis of static and dynamic stress tests and scenario analyses.

Considering the factors that may affect the bank operates market today and in the future, stress tests and scenario analysis studies on the financial structure of the bank have been assessed together with the other financial indicators; in this context, a coordination based on harmony was created between prepared capital plans and processes of the bank.

Aiming to ensure capital allocation compatible with the risks of its functional operations and increase the capital yield set according to these risks to the maximum level, Albaraka Türk evaluates risks by classifying them as market risks, liquidity risk, credit risk, operational risk, strategic risk and credibility risk.

### Market Risk

Bank's general market risk signifies the probability of possible losses that may arise from usual market movements of the financial instruments which are exposed to profit rate risk and position risk of equity securities rather than specific risk.

Market risk primarily is composed of the probability of possible losses that might occur as a result of movements in market prices, for currency risk, commodity risk, profit rate risk and position risk of equity securities arising from the bank's on-balance sheet and off-balance sheet positions. Within the coverage of market risk, Albaraka Türk calculates the foreign currency position risk and the security risk, as well as specific risks associated with market risk, by using the Standard approach and reports to it the authorities accordingly on a regular basis. Additionally, for test-purpose, foreign currency position risk of our Bank is measured by internal models. With backtesting applications, deviations between actual values and daily VaR values, predicted by internal models, are observed in order to control accuracy and performance of these models. Potential strength of portfolio against to unexpected risks is measured with stress tests including stress scenarios.

Whether the market risk of our Bank is in conformity with legal regulations and the determined limits is constantly monitored. Our foreign currency risk is discussed and evaluated at every Assets/Liabilities Committee meeting and our foreign currency strategy is based on holding this risk constant by holding to square foreign currency position (i.e. no short or long positions are taken).

### Liquidity risk

The Bank's liquidity risk, consists of funding related liquidity risk and market-related liquidity risk.

The liquidity risk is the situation whereby, as a result of any imbalances in the cash flows, there is a potential for not being able to meet the Participation Funds which have matured or other due liabilities in a timely manner due to shortage of liquid funds.

Market liquidity risk is an expression of the likelihood of the bank's suffering a loss because the bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility.

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis.

In order to manage liquidity risk, the Bank monitors the cash flows on a daily basis and takes preventive and improving measures taken so that commitments are met duly in time. The Liquidity risk is also evaluated by ALCO on a weekly basis.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations on Risk Management (continued):

### a.1. Risk Management Strategy (continued):

The Bank applies a policy whereby liquid assets are kept in sufficient volumes and qualities in consideration of the minimum liquidity ratios determined by the related regulations and the liquidity experiences of the past in order to meet any liquidity requirement that could arise with unexpected volatilities in the markets.

### Credit risk

Credit risk is defined as the probability of losses to the Bank due to customers failing to partially or completely pay their commitments to the Bank in a timely manner, in violation of the provisions of their credit contracts. This risk also contains any losses in the market value of the customers due to any deterioration in the financial position of the customer. The definition of credit risk is includes not just the portfolios within the balance sheet, but also those kept off balance sheet.

The authority to approve credits belongs to the Board of Directors at our Bank. The Board of Directors determines the policies concerning the utilization, approval, risk management of the credits and other related management principles. It then ensures the implementation and supervision of these policies, taking required measures when necessary. The Board of Directors has transferred some of its authority in approving credit lines to the Credit Committee and General Management within the framework of the procedures and principles determined by the legal provisions. The General Management uses that authority to utilize credits by means of the credit departments and Bank branches. At our Bank, credit allocations are realized within those limits that are determined on the basis of each debtor and group of debtors. It is systematically not possible for customers to exceed the predetermined and approved limit Close attention is paid to prevent any sector concentration that might impair the health of the credit portfolio.

Utmost care is given to the prevention of risks concentrating on a small number of customers. Credit risks are constantly monitored and reported by the internal systems units and risk management bodies. Credit risks are ensured to be in conformity to credit risk management policies and implementation methods.

### Operational risk

Operational risk is a risk of loss caused by insufficient or unsuccessful internal processes, by persons and systems or external events, wherein the legal risks and compliance risks are included while the strategic (making wrong decisions at the wrong time) and reputational risk are excluded.

Operational risk is a type of risk present in all activities of the Bank. It could arise from errors of the staff or the system, from such transactions as may have been made based on insufficient or incorrect legal information or documents, due to impediments in the flow of information between the divisions in the organizational structure of the Bank, due to uncertainties in the definition of limits of authorities or from structural and/or operational changes, natural disasters, terror and frauds.

The Bank classifies operational risks into five groups according to their sources: staff risks, technological risks, organizational risks, legal and compliance risks and external risks.

The Bank also takes required measures to maintain operational risks at acceptable levels.

### Other risks

The other risks that the Bank could encounter include strategic and reputational risk, counterparty credit risk, country risk, and concentration risk.

For the management of strategic risk, the Bank keeps a close watch on the domestic and international situation, on technological, financial, and social developments, on the legal and regulatory frameworks, and on the banking industry as a whole in order to make rational decisions and to change them as circumstances warrant.

The Bank regards reputational risk as anything that might lead to the Bank's suffering a loss on account of adverse developments such as a reduction in the confidence that is had in it or any impairment in its good standing due to unfavorable opinions that existing or potential customers, shareholders, competitors, regulatory agencies, or other outside or associated parties may have about it or due to any breach of existing laws and regulations.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations on Risk Management (continued):

### a.1. Risk Management Strategy (continued):

For the risk of reputation to be avoided and/or controlled by the Bank's Risk Management System, a proactive communication mechanism that gives the customer priority is established any time a condition that could detriment the Bank's reputation or image is detected.

Preparations are made for the worst-case scenarios in advance. In the evaluation of the reputation risk, the relationship, level and impact of operational risks to the reputation risk are also taken into account.

Counterparty credit risk is an expression of the likelihood that the counterparty in any transaction that imposes an obligation on two parties will default on the obligation before the final payment in the transaction's cash flow sequence. The Bank manages its counterparty credit risk exposure as required by laws and regulations, taking best practices into consideration, and compatibly with the volume, nature, and complexity of its operations.

Country risk is an expression of the likelihood that the bank will suffer a loss because debtors in another country fail to fulfill or avoid fulfilling their obligations owing to uncertainties in the economic, social, and/or political conditions of that country. The Bank enters into business relationships with foreign financial institutions and/or the agencies of foreign countries taking legal and regulatory restrictions, market conditions, and customer satisfaction into consideration and on the basis of feasibility studies that take the country's economic conditions into account.

Concentration risk is defined as the likelihood that a single risk or several risks that have some attribute in common may, if realized, cause losses that are capable of endangering the bank itself or its ability to carry out its essential activities. Policies aimed at managing concentration risk are formulated so as to deal with particular aspects of it such as sectoral concentration, collateral concentration, market risk concentration, types of loss concentration, and creditor concentration.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations on Risk Management (continued):

### a.2. Information on risk weighted amounts:

		Risk Weighte	ed Amount	Minimum capital requirement
***************************************		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)		111011101104	Outletter Ellou
	(CCR)	20.911.373	19.138.134	1.672.910
2	Standardised approach (SA)	20.911.373	19.138.134	1,672,910
3	Internal rating-based (IRB) approach			1.012.010
4	Counterparty credit risk	37.318	11.507	2.985
5	Standardised approach for counterparty credit	01,010	11.001	2.800
	risk (SA-CCR)	37.318	11.507	2.985
6	Internal model method (IMM)	-	,	20.000
7	Basic risk weight approach to internal models			
	equity position in the banking account		_	-
8	Investments made in collective investment			
_	companies - look-through approach	-	_	
9	Investments made in collective investment			
40	companies - mandate-based approach	-	-	-
10	Investments made in collective investment			
11	companies – 1250% weighted risk approach Settlement risk	-	-	•
12		-	-	-
13	Securitization positions in banking accounts	-	•	-
14	IRB ratings-based approach (RBA)	-	•	· -
15	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach			
16	(SSFA) Market risk	-	-	-
17		88.758	91.424	7.101
18	Standardised approach (SA)	88.758	91.424	7.101
19	Internal model approaches (IMM)	-	-	-
	Operational Risk	1.720.462	1.434.941	137.637
20	Basic Indicator Approach	1.720.462	1.434,941	137.637
21	Standard Approach	-	~	-
22	Advanced measurement approach	-	**	-
23	The amount of the discount threshold under the			
24	equity (subject to a 250% risk weight)	-	-	-
24 25	Floor adjustment	**	w	-
Cl 	Total (1+4+7+8+9+10+11+12+16+19+23+24)	22.757.911	20.676.006	1.820.633

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

### b. Relationships Between Financial Statements and Risk Amounts:

# b.1. Differences and Matching Between Accounting-related Consolidation and Legal Consolidation:

	Carrrying value					
	reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market riski <sup>(*)</sup>	Not subject to capital requirements or deducted from capital
Assets						
Cash and balances with the						
central bank	4.999.052	4.999.052	05.000	٠	1.028	-
Trading financial assets	66.096	-	65.068	-	1.020	-
Financial assets at fair value					_	
through profit and loss	2 450 477	2.158.177	-	_	_	
Banks	2.158.177	2.100.177	-	_	-	
Money market placements	-	•	•	_		
Financial assets-available	1,382,690	1.382.690		w.	-	
for sale (net) Loans and receivables	21,843.075	21,839,933	-		_	3.142
Factoring receivables	£ (,040.010	-	_		*	*
investments held to maturity	-					
(net)	668.582	668.582		-	•	
Investments in associates	QQQ,QQ <b>a</b>					
(net)	4.719	4.719		-	-	-
Subsidiaries (net)	5.400	5.400	-	-	-	•
Joint ventures (net)	20.000	20.000		-	-	
Lease receivables	878.979	878.979	-	-	•	•
Derivative financial assets	******					
for hedging purposes		<b>+</b>	-	-	-	
Tangible assets (net)	517.131	489,435	•	-	•	27.696
Intangible assets (net)	35.462	*		-	-	35,462
Investment property (net)	-	₩	-	-	-	-
Tax asset	25.100	25.100	*	•	-	-
Assets held for sale and						
assets of discontinued						
operations (net)	92.317	92.317	-	-	-	* * * * *
Other assets	153,958	148.145		*	4 000	5.813
Total assets	32.850.738	32.712.529	65.068	•	1.028	72.113
Liabilities						
Funds collected	23.155.134	23.155.134	•	-	-	•
Derivative financial liabilities			no			
held for trading	88	4 404 405	88	N	-	_
Funds borrowed	4,424.195	4,424,195	-	•	-	_
Borrowings from money	400 704	492.784				
markets	492.784	492.704	*		-	•
Securities issued	-	-	-	-	-	-
Funds	702.359	702,359	_		_	_
Miscellaneous payables Other liabilities	702.338	702,000	-		-	-
	-	-		-	_	
Factoring debts	_	-		_		*
Lease payables Derivative financial liabilities	_					
for hedging purposes			_	-	-	-
Provisions	233.849	233,849	-	*	-	-
Tax liability	51.799	51.799	•	*	-	-
Liabilities for assets held for						
sale and assets						
of discontinued operations						
(net)	-	-	-	•	-	-
Subordinated loans	1.510.937	1.510.937	-	-	-	-
Shareholders' equity	2.279.593	2.279.593				
Total liabilities	32.850.738	32.850.650	88	~	-	*.

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

# b.2. Main reasons of the differences between the risk amounts and Carrrying Value in accordance with Turkish Accounting Standards (TAS):

		Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1	Carrrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting	20.858 708				
2	Standard (as in template B1) Carrrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting	32,850,738	32.712.529	-	65.068	1.028
3	Standard (as in template B1)	-	-	-	(88)	-
J	Total net amount within the	22 650 720	00 740 F00			
4	scope of legal consolidation Off balance sheet amounts	32.850.738	32.712.529	-	65.156	1.028
5	Repo and similar	10.951.306	5.622.397	-	70.487	-
J	transactions (**)					
6	Differences in valuations	•	-	-	4.818	-
7	Differences arising from different netting rules (other					
	than those set out in line 2)	-	-	_		
8	Differences arising from					
	consideration of provisions	-	•	-	-	-
9	Differences arising from					
	BRSA's applications	»	.=			
10	Risk amounts		38.334.926		75.305	1.028

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

# b.3. Explanations on differences between carrying values in accordance with Turkish Accounting Standards (TAS) and risk amounts:

There is no significant difference between the financial statement amounts of assets and liabilities and the amounts included in capital adequacy calculation.

### c. Public issues related to credit risk:

### c.1. General information on credit risk:

### c.1.1. General qualitative information on credit risk:

This information is already included in Explanations on Credit Risk and (a.l) The Bank's risk management approach:

### c.1.2. Credit quality of assets:

		Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Provisions/ amortisation and		
		Defaulted	Non-defaulted	impairments	Net values	
1	Loans	1.105.954	22.313.281	697.181	22.722.054	
2	Debt securities Off-balance	-	2.052.558	7.585	2.044.973	
	sheet exposures	90.015	9.842.339	37.036	9.895.318	
4	Total	1.195.969	34.208.178	741.802	34.662.345	

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

### c.1.3. Changes in stock of default loans and debt securities:

1 Defaulted loans and debt securities at	end of the previous reporting period	519.163
<ul> <li>2 Loans and debt securities that have defa</li> <li>3 Receivables back to non-defaulted status</li> <li>4 Amounts written off</li> </ul>		790.342 287 76
5 Other changes		113.173
6 Defaulted loans and debt securities at	end of the reporting period (1+2-3-4±5)	1.195.969

### c.1.4. Additional information on credit quality of assets:

The scope and definitions of past due receivables and the methods used by the bank to determine the provisions are mentioned in the Explanations on Credit risk.

The Bank may restructure not only non-performing credits and receivables but also the first and the second group credits and other receivables. Restructuring for the first and the second group credits and other receivables are made for improvement the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk. Restructuring for non-performing credits and receivables are made for providing collection possibility by establishing a new payment plan.

Breakdowns for receivables in terms of sectors are mentioned in the footnote numbered VIII (Explanations on Credit Risk).

Breakdowns according to the remaining maturity for past due receivables and in terms of geographic locations receivables that specific provisions are set are shown below. The amount of non-performing credits which are actively written off in 2016 is TL 76.

### Aging analysis for past due receivables:

As per Financial instruments segmentations, aging analysis af past due but not impaired financial assets is as follows:

0-30 Days	31-60 Days	61-90 Days	Total
739.521	671,339	544.143	1.955.003

### Receivables that provisions are set in terms of geographical region:

Current Period	Non-performing Loans <sup>(*)</sup>	Specific Provision <sup>(*)</sup>
Domestic	1.043.911	563.492
Off-shore Banking Countries	60.761	13.731
Other Countries	1.282	1.282
General Total	1.105.954	578.505

<sup>(\*)</sup> Represents amounts for cash loans.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

### c.2. Credit risk mitigation

### c.2.1 Qualitative disclosure on credit risk mitigation techniques:

On and off balance sheet offsetting agreements are not utilized.

The risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below.

- a) Financial Collaterals (Government Securities, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)
- b) Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods. Collaterals obtained by the Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

If there are indicators on significant decreases of real estate's value in comparison to general market prices, the real estate's valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

The Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Bank and the market fluctuations are considered in credit activities

### c.2.2 Credit risk mitigation techniques - General outlook:

	161	Exposures unsecured: carrying amount as pes TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial quarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	17.191.241	5.530.813	3.856.520	1.342.508	670.447		
2	Dept							
	securities	2.044.973	-	•	_		_	_
3	Total	19.236.214	5.530.813	3.856,520	1.342.508	670.447	_	•
4	Of which			***********	***********	010(44)	-	•
	defaulted	424.410	103.039	89.234	1.778	916		

### c.3. Credit risk under standardised approach:

# c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

Explanations on rating grades that the banks use for calculation of credit risk by the standardised approach are mentioned in the footnote numbered (IX) for Explanations on Credit Risk.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

### c.3.2. Credit risk exposure and credit risk mitigation techniques:

		Conversi	before Credit on Factor and	Exposure	Vitigation and es post-Credit		k Weighted
			isk Mitigation		nversion Rate Off-balance	Avera	ige Density RWA
	Risk classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	sheet amount	RWA	density
1	Receivables from central						
	governments or central						
	banks	5.289.536	2.377	5,289,536	614	1,449,554	27,40%
2	Receivables from regional						
	or local governments	17	1.049	17	519	268	50,00%
3	Receivables from						
	administrative units and						
	non-commercial						
	enterprises	19.694	38.499	19.694	18,398	37.659	98,86%
4	Receivables from						
	multilateral development						
	banks	-	330	-	66	-	-
5	Receivables from						
	international organizations		-	-	-	•	*
6	Receivables from banks						
	and brokerage houses	2,193,259	160.958	2.193.259	126,965	974.683	42,01%
7	Receivables from						
	corporates	9.037.195	6.043.517	9.037.194	3.826.074	12.252.669	95,25%
8	Retail receivables	4,045.396	3.073.087	4.045.397	1.237.040	3.796.230	71,87%
9	Receivables secured by						
	mortgages on property	2.094.284	567.324	2.094.284	412.115	1,189,799	47,47%
10	Past due receivables	340.793	-	340.793	-	393.759	115,54%
11	Receivables defined in						
	high risk category by BRSA	_		**	*	-	-
12	Securities collateralized by						
	mortgages			-	-	-	-
13	Short-term receivables						
	from banks, brokerage						
	houses and corporates	-	-	-	-	-	-
14	Investments similar to						
	collective investment funds	_	-	_	-	•	
15	Other receivables	1.427.906	3.992	1.427.906	606	816.752	57,18%
16	Equity share investments		-	w			
17	Total	24,448,080	9.891.133	24.448.080	5.622.397	20.911.373	69,54%

# ALBARAKA TÜRK KATILIM BANKASI A.S. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

# X. Explanations On Risk Management (continued):

# c.3.3 Exposures by asset classes and risk weights:

					35% secured by							Total risk
	Risk Classes/Risk Weighted	%0	10%	20%	Mongages on Property	E08/	7897	)*************************************			;	amount
<b></b>	Receivables from central				rando)	0/.00	e/c/	%nor	150%	200%	Others	Others (post-CCF and CRM)
ε	governments or central banks	2.391.042	,	•	•	2.899.108	ŀ	•	•			2000 1
¥	Receivables from regional or							ı		٠	1	0C1 767 C
	local governments	1	,	•	•	223						
6	Receivables from administrative				•	acc	•	,	*	•	•	536
	units and non-commercial											
	enterprises	385		4								
4	Receivables from multilateral			5	F	•	•	37.546	*	•	,	38.092
	development banks	99	+	,								
ري د	Receivables from international	}			•	•	ı	•	•	1	•	99
	organizations	•	,	,								
g	Receivables from banks and			•	•	1	•	•	•	•	•	•
	brokerage houses	11.502	•	888 583		4 0 4 6						
۷	Receivables from comonates	302 636		424.040	•	3,240,340	•	173.793	•	,	•	2.320.224
60	Retail receivables	400,000		210.15	•	225.544	•	12.113.577	*	•	í	12.863.268
ø	Receivables secured by	100.380	,	35.901	•	23.616	5.036.322	•	•	,	ŧ	5.282.437
	mortgages on property	40 224		203	i i							
10	Past due receivables	763		0.00	228.076	1.875.321	*	55,161	•	•	•	2.506.399
7	Receivables defined in high risk	3		2007	*	80.367	1	71.176	188.232	•	•	340.793
	category by BRSA	1										
1,2	Securities collateralized by	ı	,	•	•	1	•	•	,	•	7	•
	mortgages	1										
13	Short-term receivables from			,	•	1	*	•	•	•	•	•
	banks, brokerage houses and											
	corporates	•	ı									
4	Investments similar to collective	ı	,	ı	•	*	,	ı	t	,	1	•
	investment funds	•	٠	,								
15	Other receivables	300.810		288 688	•	•	1		•		•	•
16	Equity share investments		ŧ	,		ŧ	•	/38.014	,	+	•	1.428.512
47	Total	3.294.035	,	1.451.507	569 078	2 250 020	F 000 000	, 200 007 67	,	*	1	
					D10.000	0.000,000	270.000.0	13.190.36/	188.232	1	•	30.070.477

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

### c. Counterparty credit risk:

### c.1. Qualitative disclosure on counterparty credit risk:

Derivatives and repurchase transactions in the calculation of counterparty credit risk are calculated according to the fair value in accordance with "Appendix-2 of Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette dated 23.11.2015 and numbered 29511. The sum of potential future exposures and positive replacement costs is taken in the calculation of the risk amount related to derivative transactions.

The bank prepared "Charter on the Counterparty Credit Risk Management Policy and Implementation Procedures" in order to determine the basic principles that manage the counterparty credit risk and this regulation was approved by the Board of Directors. The Board of Directors periodically reviews and assesses the related policy.

### c.2. Counterparty credit risk (CCR) approach analysis:

	00000000000000000000000000000000000000	unanti crystali (1994)	Potential		Alpha used for computing regulatory		***************************************
		Replacement	Future	EEPE (*)	exposure at default	EAD post- CRM	RWA
********	Current Period	cost	exposure	EEFE''	<u>ueraun</u>	OITH	11117
1	Standardised Approach -	ec neo	5.419		_	70.487	35.278
	CCR (for derivatives)	00.000	J.415			, 0.101	
	Internal Model Method (for repo transactions, securities						
	or commodity lending or						
2	borrowing transactions, long				-		
2	settlement transactions and						
	securities financing			:-			
	transactions)			Barana a	.,		
	Simple Approach for credit						
	risk mitigation (for repo						
	transactions, securities or						
3	commodity lending or					4.818	-
J	borrowing transactions, long						
	settlement transactions and						
	securities financing						
	transactions)						
	Comprehensive Approach						
	for credit risk mitigation (for repo transactions, securities						
	or commodity lending or						
4	borrowing transactions, long					•	-
	settlement transactions and						
	securities financing						
	transactions)						
	Value-at-Risk (VaR) for repo						
	transactions, securities or						
	commodity lending or						
5						-	-
	settlement transactions and						
	securities financing						
	transactions						35.278
6	Total						

<sup>(\*)</sup>Effective expected positive exposure

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

### ç.3. Capital requirement for credit valuation adjustment (CVA):

Current Period	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	w	
1 (i) VaR component (including the 3*multiplier)		
2 (ii) Stressed VaR component (including the 3*multiplier)		*
3 All portfolios subject to the Standardised CVA capital obligation	70,487	2.040
4 Total subject to the CVA capital obligation	70.487	2.040

### ç.4. CCR exposures by risk class and risk weights:

Risk Weighted									***************************************
Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure(*)
Receivables from central	***************************************				<del></del>		<del>*************************************</del>		
governments or central banks	4.818	-	-	_		_	-	_	4.818
Receivables from regional or local									
governments	-	-	-	•	-	-	_	•	
Receivables from administrative									
units and non-commercial									
enterprises	-	-	-	_	-	•	_	_	
Receivables from multilateral									
development banks	~	-	-	-	_	-		_	_
Receivables from international									
organizations	-	-	-	-	-	-	-	-	-
Receivables from banks and									
brokerage houses	-	-	10	70.401	-	_		_	70.411
Receivables from corporates	-	-	_	-	-	76	-	_	76
Retail receivables									, ,
Receivables secured by mortgages									
on property	-	_	-	_		_	-	_	_
Past due receivables	_	-	_		_		_	_	
Receivables defined in high risk									•
category by BRSA	-	_		_		_	_	_	_
Securities collateralized by								_	-
mortgages	_	-	_		_	-	_	_	_
Securitisation positions		_		_	_				•
Short-term receivables from banks,				-	_	•	-	•	-
brokerage houses and corporates	_	-	_	_	_	_	_	_	
Investments similar to collective					_	-	-	•	-
investment funds	_	_	_	_					
Equity share investments	_		_		_		-	-	-
Other receivables	_	_	-	-	7	-	-	-	•
Other assets			-	*	-	•	-	•	-
Total	4.818		10	70.401		70			***
TO THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF TH	4.0 I O	er Territoria	10	/U.4U1	*	76	-	**	75.305

<sup>(\*)</sup> Total credit risk respresents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

### c.5.Collaterals for CCR

	C	ollateral for deriv	ative transacti	ons	Collateral transa	
Current Period -	Collatera	ls received	Collatera	Is granted	Collaterals	Collaterals
	Segregated	Unsegregated	Segregated	Unsegregated	received	granted
Cash-domestic currency	•	-	_	-	-	
Cash-foreign currency	-	-	-	-	_	-
Domestic sovereign debts		-	•	-	-	125.130
Other sovereign debts	-	_	-	•	-	•
Government agency debts	-		-		-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	•	-	**
Other collateral	-	-	-	•	-	
Total			*	-	<u> </u>	125.130

### c.6. Information on the risks of the Bank arising from purchased or sold credit derivatives

The Bank does not have any risks arising from purchased or sold credit derivatives.

### c.7. Information on risks of the Bank arising from central counterparty

The Bank does not have any risks arising from central counterparty.

### d. Information to be announced to public on Securitization:

There is not any information to be announced to public on securitization.

### e. Information on Market risk:

### e.1.Qualitative disclosure on market risk:

The Bank measures market risk by using the standard method in accordance with "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks" dated October 23, 2015 and numbered 29511 and allocates legal capital on this basis. On the other hand, the market risk is also calculated by using the internal model for testing (Value at Risk) and the results found are supported by considering backtesting results. The market risk value (Value at Risk) calculated by using the internal model is calculated on a daily basis by using Variance-Covariance, EWMA, Monte Carlo and Historical Simulation methods and is reported to the top management.

The Board of Directors sets limits for these risks by considering the main risks and revises these limits periodically in line with market conditions and Bank's strategies. In addition, the Board of Directors ensures that the risk management unit and senior management take all necessary measures to identify, to measure, to prioritize, to reduce at an acceptable level and to manage the various risks that the Bank is exposed to.

Risks that positions held by the Bank under on-balance sheet and off-balance sheet accounts may occur due to fluctuations in financial markets are measured. Information about the market risk considered in the calculation of legal capital as follows

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

### e.2 Standardised Approach:

	Current Period	RWA
	Outright products	
1 2	Profit rate risk (general and specific) Equity risk (general and specific)	37 1.908
3 4	Foreign exchange risk Commodity risk	86.813
	Options	
5	Simplified approach	-
6	Delta-plus method	_
7	Scenario approach	
8	Securitisation	**
9	Total	88.758

### f.Information on Operational risk:

Capital requirement for operational risk is calculated annually by using the Basic Indicator Method in accordance with Article 24 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks. As of December 31, 2016, amount subject to operational risk and the calculation information are given below.

	PP Valuel	PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income Amount subject to Operational Risk	782.732	887.798	1.082.210	917.580	15	137.637
(Total*12.5)	***************************************	***************************************	0/4004600000000000000000000000000000000	***************************************	90 <del>466-1-1</del>	1.720.462

### g. Qualitative disclosure on profit rate risk arising from banking books

a) Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk

Profit rate risk arising from banking books measures profit rate risk arising from on-balance sheet and off-balance sheet positions in the Bank's banking books by standard shock method.

The Bank calculates and measures legal ratio for profit rate risk arising from banking books on a monthly basis in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk arising from Banking Books by Standard Shock Method" that have been published in Official Gazette numbered 28034 and dated August 23, 2011.

Profit share-yield assets, liabilities that profit share is paid, restructuring risk, yield curve risk in banking books and changes in profit rates occurred in market conditions are monitored, assessed, measured and managed by the Bank in the calculations made within the scope of the related regulation.

Against the risk that these matters may affect the Bank's capital negatively, these risks are assessed and managed on a weekly basis within the scope of the Charters established by the Board of Directors.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations On Risk Management (continued):

b) Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method:

Currency	Applied Shock (+/-x basis point)	Gains/ (Losses)	Gains/Equity (Losses/Equity) (%)
TL	(+) 500bp	(476.583)	(15,55)
TL.	(-) 400bp	466.068	15,21
ÜSD	(+) 200bp	(21.998)	(0,72)
USD	(-) 200bp	37.699	1,23
EUR	(+) 200bp	(41.490)	(1,35)
EUR	(-) 200bp	(3.720)	(0,12)
Total (For Negative Shocks)	ζγ-==γ-	500.047	16,32
Total (For Positive Shocks)	_	(540.071)	(17,62)

### XI. Explanations on business segments:

The Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

Current Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	3,143,162	20.003.078	6.718.972	2.985.526	32.850.738
Total Liabilities	14.306.903	9.396.852	6.398.938	468.452	30.571.145
Total Equity		-	•	2.279.593	2.279.593
Net profit share income/(expense)(*)(**)	(311.957)	1,167.898	173.927	(6.250)	1,023.618
Net fees and commissions income/(expense)	18.551	155.233	(26.389)	(1.460)	145,935
Other operating income/(expense)	(352)	(306.775)	45.576	(271.925)	(533.476)
Provision for loan losses and other receivables	(35.607)	(226.609)		(109.941)	(372.157)
Profit/(loss) before tax	(329,365)	789.747	193,114	(389,576)	263.920
Provision for tax	(0	-	•	(46.311)	(46.311)
Net profit / (loss) for the period	(329.365)	789.747	193.114	(435.887)	217.609

***************************************		Commercial			
Prior Period	Retail	and Corporate	Treasury	Undistributed	Total
Total Assets	2.772.567	17.685.898	6.328.675	2.774.859	29.561.999
Total Liabilities	13,119,733	B.367.686	5.570.834	399.832	27,458.085
Total Equity	•	•	-	2.103.914	2.103.914
Net profit share income/(expense)("\f")	(335.961)	1.078.566	143.892	(816)	885,681
Net fees and commissions income/(expense)	15,291	144.737	(17.866)	(6.165)	135.997
Other operating income/(expense)	14,574	16,274	65.787	(584.392)	(487.757)
Provision for loan losses and other receivables	(14.738)	(94.013)	-	(48.392)	(157.143)
Profit/(loss) before tax	(320,834)	1,145,564	191.813	(639.765)	376.778
Provision for tax	#	-	•	(73.915)	(73.915)
Net profit / (loss) for the period	(320.834)	1.145.564	191.813	(713.680)	302.863

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

Since the management uses net profit share income/ (expense) as a performance measurement criteria, profit share income and expense is presented net

(Thousand of Turkish Lira (TL) unless otherwise stated)

### **SECTION FIVE**

Explanations and notes on the unconsolidated financial statements

- I. Explanations and notes related to assets:
- 1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT):

<u> </u>	Current Per	iod	Prior Per	iod
-C	TL TL	FC	TL	FC
Cash / Foreign currency CBRT Other (*)	123.254 735.118 81.875	148.150 3.599.536 311.119	124,648 698,140 71,416	283.565 3.371,781 355.248
Total	940.247	4.058.805	894.204	4.010.594

Olincludes precious metals amounting to TL 4.306 (December 31, 2015; TL 12.370) and cash in transit amounting to TL 388,688 (December 31, 2015; TL 414.294) as of December 31, 2016.

### b) Information related to CBRT:

	Current Period		Prior Per	iod
*****	TL	FC	TL	FC
Unrestricted demand deposit Unrestricted time deposit	733.965	522.979	695.445	377.110
Restricted time deposit (*)	1.153	3.076.557	2.695	2.994.671
Total	735.118	3.599.536	698.140	3.371.781

<sup>(1)</sup> As of December 31, 2016, the reserve requirement held in standard gold is TL 786,181 (December 31, 2015; TL 433,751).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of December 31, 2016, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on maturity of deposits.

The Central Bank of Republic of Turkey has started to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.

# 2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

None (December 31, 2015: None).

### b) Table of positive differences related to derivative financial assets held for trading:

	Current Period		Prior Per	iod
	TL	FC	TL	FC
Forward Transactions	55	65.013	-	_
Swap Transactions	-	-		20.822
Futures Transactions	-	-	-	-
Options	-	<b>w</b>	-	_
Other	-	-	Na.	₩
Total	55	65.013	<u> </u>	20.822

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### 3. a) Information on banks:

*****	Current Period		Prior Pe	riod
	TL	FC	TL	FC
Banks				
Domestic (*)	656.410	1.230.805	599.970	1.456.406
Abroad	-	270.962	-	426,238
Foreign head offices and				
branches	-	-	-	-
Total	656.410	1.501.767	599.970	1.882.644

<sup>(\*)</sup> Includes blockaged amount TL 610.730 (December 31, 2015; TL 569.474) booked under TL accounts arising from POS transactions.

### b) Information on foreign bank accounts:

	Current peri	od	Prior period	1
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	117.081	•	194.411	
USA and Canada	85.415	-	77.021	-
OECD Countries (*)	6.656	_	5.316	-
Off-shore banking regions	3.367	-	3.096	-
Other <sup>(**)</sup>	58.443	•	146.394	-
Total	270.962	-	426.238	_

<sup>(1)</sup> OECD countries other than EU countries, USA and Canada.

### 4. Information on financial assets available for sale:

# a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

The Bank has collateralized sukuk investments with a nominal amount of TL 292.937 and carrying value of TL 302.792 to CBRT with respect to money market transactions and subjected to repurchase agreements (December 31, 2015 : TL 226.102).

As of December 31,2016, available for sale investments given as a guarantee or blocked amount to TL 225.663 (December 31, 2015 : TL 34.132).

### b) Information on financial assets available for sale:

	Current Period	Prior Period
Debt securities	1.383.925	1.040.924
Quoted on a stock exchange <sup>(*)</sup>	1.383.925	1.040.924
Unquoted	-	-
Share certificates	6.350	12.865
Quoted on a stock exchange		-
Unquoted	6,350	12.865
Impairment provision (-)	7.585	2.223
Total	1.382.690	1.051.566

 $<sup>^{\</sup>circ}$  Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

<sup>(\*\*)</sup> Represents the balance amounts to TL 43.106 (December 31, 2015; TL 127.178) in Iraq Banks belonging to Bank's foreign branch "Erbil"

(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- 5. Information on loans and receivables:
  - a) Information on all types of loans and advances given to shareholders and employees of the Bank:

***************************************	Current Period		Prior I	Period
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	272	62.130	80.048	62,209
Corporate shareholders	<b>**</b>	61.780	79.771	61.859
Real person shareholders	272	350	277	350
Indirect loans granted to shareholders	35,550	24,249	47.906	65.512
Loans granted to employees	8.905	28	8.985	28
Total	44.727	86.407	136.939	127.749

 Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables;

		dard loans and er receivables	Loans and other receivables u monitoring			under close	
Cash loans	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructured reschedul		
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Othe	
Loans	20.100.144	372.923	40.000	1 245 455			
Export loans	578.700	17.924	16.083	<b>1.215,482</b> 2,529	119.318	4.390	
Import loans	1.504.885	24.633	1.398	2,529 34,976	****	-	
Business loans	10.974.587	239.184	6.036	935.265	524	0.050	
Consumer loans	3.040.180	20.791	6.217	935.265 41.091	110.323	2.956	
Credit cards	219.734	20.791	0.217	5.189	490	265	
Loans given to	210,704	•	_	3.109	-	-	
financial sector	17.257	_	_	_	_		
Other (*)	3.764.801	70.391	2.432	196.432	7.981	1.169	
Other receivables	-	•	•	*	-	1.105	
Total	20.100.144	372.923	16.083	1.215.482	119.318	4.390	
(*) Details of other lo	oans are provided	below:					
Commercial loans wit						1.866.897	
Other investment cred						788.048	
Loans given to abroad Profit and loss sharing						584.078	
Loans for purchase of		as for outlamer				500.049	
Other	THOTACIONE SCUME	es for castoffiet				198.842 23.319	
Total		·····				3.961.233	

<sup>(\*\*)</sup> As of December 31, 2016, the related balance represents profit and loss sharing investment projects (12 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects are done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects are clarified and net profit of projects is determined once the project / stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. In the current period the Bank recognized TL 63.818 (December 31, 2015; TL 54.862) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### Information on loans and receivables (continued):

<u> </u>	Extension of Repay	Extension of Repayment Plan			
	Standard loans and other receivables	Loans and other receivables under close monitoring			
1 or 2 times	372.923	119.318			
3, 4 or 5 times	•	-			
Over 5 times	-				
Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring			
0 - 6 months	43.377	28.682			
6 - 12 months	32.743	40.147			
1 - 2 years	130.558	16.468			
·					

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans",information related to the loans granted to maritime, tourism and energy sector:

101.489

64.756

As of December 31, 2016, the Bank has loan receivables amounting to TL 18.538 arising from rescheduled loans from maritime sector within the scope of related Communiqué.

As of December 31, 2016, the Bank does not have not any loan receivables from tourism sector within the scope of related Communiqué.

As of December 31, 2016, the Bank has loan receivables amounting to TL 1.893 arising from rescheduled loans from energy sector within the scope of related Communiqué.

### c) Maturity analysis of cash loans:

2 - 5 years

5 years and over

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
Cash Loans	Loans and Other Receivables	Restructured or Rescheduled (**)	Loans and I Other Receivables	Restructured or Rescheduled
Short term loans and other receivables Loans	<b>4.482.793</b> 4.482.793	<b>1.480</b> 1.480	<b>101.325</b> 101.325	<b>4.596</b> 4.596
Other receivables Medium and long-term loans and other receivables (*)	15.228.345	387.526	990.449	119.112
Loans Other receivables	15.228.345 -	387.526	990.449 -	119.112
Total	19.711.138	389.006	1.091.774	123.708

<sup>(\*)</sup> Loans with original maturities longer than a year are classified as "Medium and Long Term Loans".

25.677

8.344

<sup>(\*\*)</sup> Includes extensions, reducements and other changes in payment plans.

(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- 5. Information on loans and receivables (continued):
  - ç) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

		Medium and	
	Short-term	long-term	Tota
Consumer loans-TL	40.946	3.035.756	3.076.702
Housing loans	4.507	2.781.035	2.785.542
Vehicle loans	4.401	107.063	2.765,542
Consumer loans	32,038	147.658	
Other	32,036	147,000	179.696
Consumer loans-FC Indexed	_	-	•
Housing loans		•	•
Vehicle loans	-	•	•
Consumer loans	-	-	•
Other	-	-	•
Consumer loans-FC	<u>-</u>	•	•
Housing loans	-	*	•
Vehicle loans	•	-	•
Consumer loans	-	-	•
Other	-	•	•
Retail credit cards-TL	66 046	•	-
With installment	66.815	•	66.815
Without installment	25.897 <b>40.918</b>	•	25.897
Retail credit cards-FC	40.516	•	40.918
With installment	-	•	-
Without installment	**	-	-
Personnel loans-TL	0.707	4 000	_
Housing loans	2.767	1,802	4.569
Vehicle loans	32	246	278
Consumer loans	115	1.160	1.275
Other	2.620	396	3.016
Personnel loans-FC indexed	•	-	-
Housing loans	-	•	-
Vehicle loans	-	•	-
Consumer loans	-	•	-
Other	•	-	-
Personnel loans-FC	•	-	-
	-	4	-
Housing loans	-	•	-
Vehicle loans	•	-	-
Consumer loans	-	-	-
Other		-	-
Personnel credit cards-TL	4.336	•	4.336
With installment	2.050		2.050
Without installment	2.286	-	2.286
Personnel credit cards-FC	*	-	-
With installment	-	•	-
Without-installment	-	N	-
Overdraft account-TL(real person)	-	₹	-
Overdraft account-FC(real person)	•	-	-
	114.864	3.037.558	3.152.422

(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- 5. Information on loans and receivables (continued):
  - d) Information on commercial loans with installments and corporate credit cards:

	<u></u>	Medium and	
	Short-term	long-term	Total
Commercial installment loans-TL	59.630	1.152.161	1.211.791
Business loans	6.851	347.223	354.074
Vehicle loans	17.019	263.160	280.179
Consumer loans	35.760	541.778	577.538
Other	-	-	-
Commercial installment loans-FC indexed	5.557	589.099	594.656
Business loans	1.571	272,602	274,173
Vehicle loans	3.986	81.553	85.539
Consumer loans	-	234,944	234.944
Other	-	-	-
Commercial installment Loans-FC	-	60.450	60.450
Business loans	*	_	-
Vehicle loans	-	-	-
Consumer loans	-	60.450	60,450
Other	_	-	-
Corporate credit cards-TL	153.772		153.772
With installment	40.009	•	40.009
Without installment	113.763	-	113.763
Corporate credit cards-FC	•	-	-
With installment	_	-	-
Without installment	-	-	
Overdraft account-TL (legal entity)			-
Overdraft account-FC (legal entity)	<b>~</b>	•	•
Total	218.959	1.801.710	2.020.669
e) Allocation of loans by customers:			
	Current F	'eriod	Prior Period
Public		-	13.012
Private	21.3	15.626	18,357,387
Total	21.3	21.315.626	
f) Breakdown of domestic and foreign loans:			
	Current	Period	Prior Period
Domestic loans	20.`	731.548	17.879.660
Foreign loans		584.078	490.739

### g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

18.370.399

21.315.626

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### 5. Information on loans and receivables (continued):

### ğ) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability Loans and receivables with doubtful collectability Uncollectible loans and receivables	31.504 140.892 387,789	20.420 56.714 192.801
Total	560.185	269.935

In addition to specific provision for loans amounting TL 560.185 (December 31, 2015; TL 269.935), provision amounting to TL 18.320 (December 31, 2015; TL 10.912) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 578.505 (December 31, 2015; TL 280.847). Specific provision for loans amounting to TL 316.517 (December 31, 2015; TL 179.220) represents participation account share of specific provisions of loans provided from participation accounts.

### h) Information on non-performing loans and receivables (net):

### h.1) Non-performing loans and receivables which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period			
(Gross amount before specific provisions)	464	3.973	10.726
Restructured loans and other receivables	464	3.973	10.726
Rescheduled loans and other receivables		-	-
Prior period			
(Gross amounts before specific provisions)	155	633	14.712
Restructured loans and other receivables	155	633	14.712
Rescheduled loans and other receivables	-	-	17,1 (2
h.2) Movements of non-performing loans:			

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Closing balance of prior period	123,599	112.602	221,300
Additions in the current period (+)	727,553	16.026	46.763
Transfers from other categories of non-performing loans (+)		552,077	292.126
Transfers to other categories of non-performing loans (-)	552.077	292.126	202.120
Transfers to standard loans (-)	w	7	280
Collections in the current period (-)	62.135	33,533	64.178
Write offs (-)	37	1	38
Corporate and commercial loans	34	•	36
Retail loans	3	1	2
Credit cards	w	•	-
Other	-		-
Closing balance of the current period	236.903	355.038	495.693
Specific provisions (-)	31.504	140.892	387.789
Net balance at the balance sheet	205.399	214.146	107.904

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Explanations and notes related to assets (continued): I.

### Information on loans and receivables (continued):

### Information on non-performing loans and receivables (net) (continued):

Non-performing loans and receivables in the amount of TL 1.087.634 (December 31, 2015: TL 457.501) comprise TL 572.551 (December 31, 2015: TL 281.719) of participation account share of loans and receivables provided from participation accounts. In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 18.320 (December 31, 2015; TL 10.912). In the current period, collections from fees, commissions and other receivables with doubtful collectability amounted to TL 4.167 (December 31, 2015; TL 3.763).

	III. Group	IV. Group	V. Group
3-6-4-4-4-4-4-4-4-4-4-4-4-4-4-4-4-4-4-4-	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible Ioans and receivables
	Conectionity	<u>uooviai ooiiooaaaiii</u>	
Current period:			_ +
Period end balance	62.883	1.885	20.518
Specific provision (-)	8.006	298	12.845
Net balance on balance sheet	54.877	1.587	7.673
Prior period:			
Period end balance	1.219	17.175	8.872
Specific provision (-)	337	7.525	8.378
Net balance on balance sheet	882	9.650	494
h.4) Gross and net non-performing l	cans and other receivables per	customer categories:	
	III. Grou	p IV. Group	V. Group
<u></u>	Loans an	d Loans and	
	receivables wit	th receivables with	Uncollectible
	limite	ed doubtful	loans and
	collectibili	tv collectability	receivables

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (net)	205.399	214.146	107.904
Loans to individuals and corporates (gross)	236,903	355,038	495.588
Specific provision (-)	31,504	140.892	387.684
Loans to individuals and corporates (net)	205.399	214.146	107.904
Banks (gross)	-	*	105
Specific provision (-)			105
Banks (net)	-	m.	
Other loans and receivables (gross)			
Specific provision (-)	<del>-</del>	-	
Other loans and receivables (net)	-	*	
Prior period (net)	103.179	55.888	28.499
Loans to individuals and corporates (gross)	123.494	112.602	221.300
Specific provision (-)	20.399	56.714	192,801
Loans to individuals and corporates (net)	103.095	55.888	28.499
Banks (gross)	105	*	
Specific provision (-)	21	-	
Banks (net)	84		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Other loans and receivables (gross)		*	
Specific provision (-)	-		
Other loans and receivables (net)		-	

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Explanations and notes related to assets (continued):

### i) Liquidation policy for uncollectible loans and receivables:

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

### i) Information on "Write-off" policies:

The write-off policy of the Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of Bank management.

Loans and other receivables, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette numbered 26333 dated November 1, 2006, have been written-off as per the decision of the Bank Management. The mentioned written off amount is TL 76 (December 31, 2015: 94.592).

### 6. Information on held-to-maturity investments:

### a) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of December 31, 2016, the Bank does not have any held to maturity investments given as a guarantee / blocked. Held to maturity investments subject to repurchase transactions amount to TL 192.560 (December 31, 2015; Held to maturity investments given as a guarantee or blocked amount to TL 80.576, held to maturity investments subject to repurchase agreements amount to TL 553.490).

### b) Information related to government securities held to maturity:

	Current Period	Prior Period
Government Bonds	_	
Treasury Bills	_	-
Other Government Securities (*)	668.582	762.890
Total	668.582	762.890

<sup>(\*)</sup> Consists of Sukuk certificates issued by Undersecretariat of Treasury of Turkey.

### c) Information on held-to-maturity investments:

Current Period	Prior Period
668.582	762.890
668.582	762.890
•	-
-	•
668.582	762.890
_	668.582 668.582 -

Tholudes debt securities quoted on a stock exchange which are not traded at the related period ends.

### Ç) Movement of held-to-maturity investments:

	Current Period	Prior Period
Balance at beginning of period	762.890	783.309
Foreign currency differences on monetary assets	-	765.651
Purchases during period	264 055	391.427
Disposals through sales and redemptions	(423.539)	
Impairment provision (-)	(423.539)	(476.442)
Income accruais	05.470	*
Those to doctoring	65.176	64.596
Closing balance	500 500	
A STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STA	668.582	762.890

(Thousand of Turkish Lira (TL) unless otherwise stated)

### 1. Explanations and notes related to assets (continued):

### 7. Associates (net):

### a) Information on unconsolidated associates:

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara / Turkey	1,69	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2015.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
303.701	299,527	5.692	-	-	5.483	-	-

### b) Information on consolidated associates:

As of balance sheet date, the Bank does not have any consolidated associates.

### 8. Information on subsidiaries (net):

### a) Information on unconsolidated subsidiaries:

As of balance sheet date, the Bank does not have any unconsolidated subsidiary.

### b) Information on consolidated subsidiaries:

i. The balances of Bereket Varlik Kiralama A.Ş. presented in the table below have been obtained from the unaudited financial statements as of December 31, 2016.

lame	Address ame (City/ Country)		Bank's share If differen percenta	t voting	Risk sha percentage o shareholder	other	
Bereket Varlık Kiralama A.Ş.		istanbul / Turkey		100,00		•	
Total assets	Shareholders'	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/ loss	Prior period income/loss	Fair value
1,409.988	191	5	•	•	(65)	(144)	-

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### b) Information on consolidated subsidiaries:

ii. In the Board of Directors meeting dated February 25, 2015, the Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The balances of Albaraka Gayrimenkul Portföy Yönetimi A.Ş. presented in the table below have been obtained from the unaudited financial statements as of December 31, 2016.

				Address ity/ Country)	Bank's share percentage If different voting percentage (%	Ri percen	sk share stage of other sholders (%)
Albaraka	Gayrimenkul Portf	öy Yön. A.	Ş. İst	anbul / Turkey	100,00		us.
Total assets	Shareholders'	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
4.321	4.256	7	-	•	(489)	(255)	-

### iii. Movement and Sectoral Information on consolidated subsidiaries:

	Current Period	Prior Perioc
Amount at the beginning of the period	5.250	250
Movements inside the term	-	-
Purchases / new incorporations / capital increases	150	5.000
Bonus shares	-	-
Profit received from current year share	-	
Sales	•	-
Revaluation increases	-	-
Impairments		-
Amount at the end of the period	5.400	5.250
Capital commitments		
Share of the capital at the end of the period (%)	100,00	100,00

	Current Period	Prior Period
Banks	-	
Insurance Companies	u u	-
Factoring Companies	•	-
Leasing Companies	-	_
Financing Companies	<b>,</b>	_
Other Financial Subsidiaries	5,400	5.250

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Explanations and notes related to assets (continued):

### 9. Information on investments in joint- ventures:

The Bank founded Katılım Emeklilik ve Hayat A.Ş. ("Company") – a private pension and insurance company-through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company was registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. The financial statement from audited financial statements as of December 31, 2016 are below.

Joint- Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non- Current Assets	Long Term Debts	Income	Expense
Katılım Emekli ve Hayat A.Ş.	ilik 50,00	50,00	49.503	637.494	640.067	42.638	37.772

Investment in joint venture in the unconsolidated financial statements is carried at cost.

### 10. Information on lease receivables (net):

### a) Presentation of remaining maturities of funds lent under finance lease method:

	Curren	t Period	Prior P	eriod
	Gross	Net	Gross	Net
Less than a year	377.436	300.158	325.587	257,672
1 to 4 years	489.465	453.402	577.191	523.390
More than 4 years	129.305	125.419	187.285	166.365
Total	996.206	878.979	1.090.063	947.427

### b) Information on net investments through finance lease:

	Current Period	Prior Period
Gross finance lease receivables	996.206	1.090.063
Unearned finance lease receivable (-)	117.227	142.636
Net receivable from finance leases	878.979	947.427

### c) General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

		dard loans and er receivables		Loans and other receivables under close monitoring			
	Loans and other receivables	d r Restructured		Loans and other receivables		ructured heduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other	
Finance lease receivables (Net)	776.510	39.097	8.014	102.469	65.054	13.199	

(Thousand of Turkish Lira (TL) unless otherwise stated)

### i. Explanations and notes related to assets (continued):

### 11. Information on derivative financial assets for hedging purposes:

None (December 31, 2015: None).

### 12. Information on tangible assets:

	·····	Leased tangible	***************************************		Assets held	<del></del>
Current period	Immovables	assets	Vehicles	Other	for sale	Total
Cost		**************************************				
Opening balance: January 1, 2016	364.021	-	1,647	215,973	73.963	655,604
Additions	2.552		126	14.816	•	17,494
Revaluation differences	34.580	-	_			34.580
Disposals	(5.355)	*	(803)	(1.359)	(7.224)	(14.741)
impairment losses(-)/Reversal of	` '		(+++)	(,	(1.1	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
impairment losses		-		_	(3.804)	(3.804)
Transfers	-	-	*	-	19,153	19,153
Ending balance: December 31, 2016	395.798	-	970	229.430	82.088	708.286
Accumulated depreciation(-)						
Opening balance: January 1, 2016	32,687		899	118,344	2.535	154,465
Depreciation expense	7.523	_	70	29,500	1.593	38.686
Reversal of depreciation of the disposed assets	(1.239)	•	(158)	***************************************	(599)	(1.996)
Transfers	-	_		-		
Ending balance: December 31, 2016	38.971	-	811	147.844	3.529	191.155
Total cost at the end of the year	395.798		970	229,430	82.088	708,286
Total accumulated depreciation at the					02.500	100.200
end of the year	(38.971)	*	(811)	(147.844)	(3.529)	(191.155)
Closing net book value	356.827	*	159	81.586	78.559	517,131

		Leased tangible			A	
Prìor period	Immovables	assets	Vehicles	Other	Assets Held for sale	Tota
Cost						
Opening balance: January 1, 2014	338,576		1.667	196,420	70.775	607.438
Additions	9.492	_	801	22.112	27	32.432
Revaluation differences	31.988	_	-	24.112	21	31.988
Disposals	(16.035)	_	(821)	(2.559)	(20,482)	(39.897)
Impairment losses(-)/Reversal of	(10.000)	_	(021)	(2.009)	(20.402)	(38.097)
impairment losses	_	_		_	94	94
Transfers	_	_	-	-	23.549	23.549
Ending balance: December 31, 2014	364.021	_	1.647	215.973	73.963	655.604
	004.021	-	1.0-7	210.073	12,703	000.004
Accumulated depreciation(-)						
Opening balance: January 1, 2014	27.733	-	1,278	88.827	2,461	120.299
Depreciation expense	7.494	_	230	30.083	1.307	39.114
Reversal of depreciation of the disposed			250	50.005	1.001	33.114
assets	(2.540)	_	(609)	(566)	(1.233)	(4.948)
Transfers	(=,		(000)	(000)	(1.200)	(4.540)
Ending balance: December 31, 2014	32,687	-	899	118.344	2.535	154,465
	02.007		500	110.044	2.727	154.403
Total cost at the end of the year	364.021	<u>.</u>	1.647	215.973	73.963	655.604
Total accumulated depreciation at the	0011021		1,547	210.010	, 5,505	000.504
end of the year	(32.687)		(899)	(118.344)	(2.535)	(154.465)
Closing net book value	331.334	*	748	97,629	71.428	501.139

As of December 31, 2016, the immovables of the Bank have been revalued by an independent valuer and revaluation fund of TL 211.642 (December 31, 2015: TL 189.092) net of deferred tax and depreciation has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 110.342 (December 31, 2015: TL 109.007) if revaluation method had not been adopted.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (Continued):

### 13. Information on intangible assets:

a) Opening and ending book values and accumulated depreciation balances:

	Current Period	Prior Perioc
Cost	101.689	86.623
Accumulated depreciation (-)	66.227	42.351
otal (net)	35,462	44.272
otal (net)  ) Intangible assets movement between the be		
n) Intangible assets movement between the be	ginning and end of the period:	Prior Period 26.891
) Intangible assets movement between the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the beautiful of the	ginning and end of the period:  Current Period	Prior Period
	ginning and end of the period:  Current Period  44,272	Prior Period 26.891

### 14. Information on investment property:

Closing net book value

None (December 31, 2015: None).

### 15. Information related to deferred tax asset:

As of December 31, 2016, the Bank calculated net deferred tax asset of TL 20.096 (December 31, 2015: TL 15.171) by netting off deferred tax asset of TL 52.576 (December 31, 2015: TL 44.887) and deferred tax liability of TL 32.480 (December 31, 2015: TL 29.716) on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

	Current Period	PriorPeriod
Rediscount on profit share and prepaid fees and commission income and		
unearned revenues	37.806	33.064
Provisions for retirement and vacation pay liabilities	8.652	10.607
Difference between carrying value and tax base of tangible assets	3.013	736
Provision for impairment	772	414
Other	2.333	66
Deferred tax asset	52.576	44.887
Revaluation difference of property	22,183	18,130
Financial assets available for sale valuation difference	_	2.673
Trading securities valuation difference	8	-
Rediscount on profit share	7.662	1.404
Other	2.627	7.509
Deferred tax liability	32.480	29.716
Deferred tax asset (net)	20.096	15.171

44.272

35.462

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans and are accounted in the unconsolidated financial statements in accordance with the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale".

	Current Period	Prior Period
Opening Balance Additions Disposals Transfers (*) Impairment Provision(-)/Reversal of Impairment Provision	22.819 117.190 (28.834) (19.153) 295	27.678 37.242 (18.246) (23.549)
Net closing balance	92.317	22.819

The balance has been transferred from assets held for sale tangible assets to assets to be sold.

As of December 31, 2016, TL 88.341 (December 31, 2015: TL 22.539) of the assets held for sale is comprised of real estates, TL 3.976 (December 31, 2015: TL 280) is comprised of other tangible assets.

The Bank has not any discontinued operations and assets of discontinued operations (December 31, 2015: None).

### 17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 153.958 (December 31, 2015: TL 218.262) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities:

### 1. Information on funds collected:

a) Information on maturity structure of funds collected:

0	Demand	Up to 1 month	Up to 3 months	Up to 6	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
Current Perlod	Distriction	(3/10****							
l. Real Persons Current Accounts Non-Trade TL	996.122	-	-	-	-	-	-	-	996.122
i.Real Persons Participation Accounts Non-Trade TL		1.287.069	5.505.341	79.907		93,100	545.201	2.138	7,512,754
	1,670,418								1.670.418
II.Current Account other-TL	25.325					•	~	•	25.325
Public Sector	1.591.526	_		_			-		1,591.526
Commercial Institutions	49.820			_		-			49.820
Other Institutions Commercial and Other	40.020								4.007
Enstitutions	1.857		+	-	•	•	*	*	1.857
Banks and Participation Banks	1,890					-	~	**	1.890
Central Bank of Turkey	1,000	•	+	-	-	~	-	-	
Domestic Banks	13		-		-	-		-	13
Foreign Banks	1.866					-	-	-	1.866
Participation Banks	11		•	-	•	-	-	-	1
Other						-			
IV. Participation Accounts-TL		257,671	2.027.700	27.837	-	18.341	36.263	37	2,377,849
Public Sector		2.512	3	-	•	•	<del>-</del>	-	2.51!
Commercial Institutions		255.797	1.848,641	15.773		16.647	33.044	37	2.169.93
Other Institutions		9.358	151,778	12.064		1.694	3.219	-	178.11
Commercial and Other									26.83
institutions		4	26.832	•	•	-	-	-	20.03
Banks and Participation									44
Banks		•	446	•	•	٠	*	*	44
V. Real Persons Current Accounts									888.79
Non-Trade FC	B88.794	-	-	-	-	-	-	_	400,,0
VI. Real Persons Participation				00.004		159.176	575,077		4,403,38
Accounts Non-Trade FC	*	712.667	2,864,441	92.024	•	105.110	2,0.0.7		1.685,79
VII. Other Current Accounts FC	1.685.795	•		٠	•	•			922.97
Residents in Turkey-Corporate	922.978	-	. *	-	·	•			86.90
Residents Abroad-Corporate	86,906	٠	-	•		•			675.91
Banks and Participation Banks	675.911	*	•	-	-	•	~	_	27
Central Bank of Turkey	•	*	+	-	-	•		-	
Domestic Banks	•	•	*	-	•	•	•	:	583,21
Foreign Banks	583.218	•	-	-	•	-	•		92.69
Participation Banks	92.693	-	•	-	•	-	•		34.50
Other		-	•	-	*	-	-	•	
VIII. Participation Accounts			4 0 40 005	250 425		60,743	147.506		3.020,28
other- FC	-	612.934	1.942,665	256,436	-	00.745	141.555		*
Public sector	-			407.745	•	59,170	8.315	-	1.327.01
Commercial institutions		215.473	936.309	107,745	•	39.170 18	0.010		130.74
Other institutions	-	2.749	127.976	•		10	•	-	,,,,,,
Commercial and Other			279.641			1.555	137.340		442.76
Institutions	-	24.224	279.041 598.739	148.691	-	(.500	1.851		1,119.76
Banks and Participation Banks		370.488		4,833	•	4.696	7.525		599.73
IX. Precious Metals Deposits	189.821	68.938	323,920	4.033	-	7.000	1.0		
X. Participation Accounts				_	_	-			
Special Fund Pools TL	-	-	•	•	-			_	
Residents in Turkey	-	•	•	•	-	_			
Residents Abroad	-	•			•				
XI,Participation Accounts			_	_					
Special Fund Pools - FC	•	•		•	-	-		_	
Residents in Turkey	-	•	-	-					
Residents Abroad	•	•	-	*					
	5.430.950	2.949.279	12.664,067	461.037		336.056	1,311,572	2.173	23,155,13

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities (continued):

### a) Information on maturity structure of funds collected (continued):

Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 5 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Tota
I. Rezi Persons Current									
Accounts Non-Trade TL	771.214								771.214
II. Real Persons Participation									
Accounts Non-Trade TL		418,623	5.626.945	84,267		91.904	533,772		6.785.511
III. Current Account other-TL	1,236,070			•					1.236.070
Public Sector	38,481	_		_	**		_	-	38.481
Commercial Institutions	1.138.310								1.138.310
Other Institutions	52.254							_	52.254
Commercial and Other	WZ.2.07								44.44
Institutions	6.056			_					6.056
Banks and Participation	#10#0								0.04
Banks	969		*	•	-	-	*		969
Central Bank of Turkey		-		-	-	-		-	
Domestic Banks	2								2
Foreign Banks	947	_		_					947
Participation Banks	20								20
Other	20	-					~	•	20
IV. Participation Accounts-TL	•	128,900	2.253.037	62,236	-	22.997	108,211	•	2,573,381
	•	120.DUU	2.233.037	V2.230	•	22.701	100.211	•	
Public Sector	•	127,370	1.899,813	48.471	•	21.761	102,397	•	2.114
Commercial Institutions	*				•			•	2.199.812
Other Institutions	-	1.528	162.999	13.765	-	1.236	3.814	*	183,342
Commercial and Other			470.000						470.000
Institutions	-	2	170.828	-	-	-	-		170.830
Banks and Participation			17.283						17.283
Sanks	•		17.203	•	•	-		•	17.283
V.Real Persons Current Accounts Non- Trade FC	1,005,988								1,005,988
VI. Real Persons Participation	1,000,500	-	•	-	-	-	-	•	1,005,500
Accounts Non-Trade FC		259,827	3,269,145	85.684		176.141	558,294	_	4,349,091
VII.Other Current Accounts FC	1,142,114	¥29.651	3,203.143	03.004	-	110.141	530,294	•	1.142.114
Residents in Turkey	1,142.114								1.192.119
Corporate	796.423								796.423
Residents abroad-	180.423	-	•	*	•	*	•	*	180.423
Corporate	207,863		_					_	207,863
Banks and Participation	201,003	-	-	-	-	-	•	-	207.000
Banks	137.828	_	_	_	_	_	_	_	137.828
	137.020	-	•			•	-	-	137.020
Central Bank of Turkey Domestic Banks	•	•	•	•	•	•	**	•	
	400 007	•	•	•	-	*	-	-	
Foreign Banks	106.227	-		-	-	-	•	•	106.227
Participation Banks	31.601	-	•	•	•		*	+	31.601
Other	•	~	•	*	•	*	*	4	-
/III. Participation Accounts		***	4 005 040	454 475			04.500		E 045 054
other- FC	•	109,229	1,805.612	184,175	-	55.447	84,338	-	2.21B.801
Public Sector	-	*			~		-	•	•
Commercial Institutions	-	77.065	1.087.442	84,549	-	34,474	18,457	-	1.299.987
Other Institutions	-	901	231.702	-	-	2.980			235.583
Commercial and Other									
institutions	-	995	237.658	4.087	-	2.201	67.881	-	312.822
Banks and Participation									
Banks	-	30.268	248.810	75.539	-	15.792		-	370,409
X. Precious Metals Deposits	105,805	41,027	132.729	7.025	-	3.736	3,686	-	294,008
C. Participation Accounts									
Special Fund Pools TL		-	-		-	•	-	-	
Residents in Turkey	-	-	-	_	-			-	
Residents abroad	-		-	-	-	-	•		
(I. Participation Accounts									
Special Fund Pools -FC	-	•	•	+	*	+	-	•	
Residents in Turkey	o.	•	•	*	4		*		,
Residents abroad	-	•				+	•	•	
Total (I+II++IX+X+XI)	4.261.191	957.606	13.087.468	403,387		350.225	1.286,301	· ·	20,346,178

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities (continued):

### b) Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

### b.1) Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the g	
	Current Period	Prior Period	- 4	Prior Period
Real persons' current and participation accounts not subject to trading transactions				
Turkish Lira accounts	4.644.005	4.031.698	3.864.868	3,495,029
Foreign currency accounts Foreign branches' deposits subject to foreign	1.563.947	1.556.831	4.259.604	4.115.302
authorities insurance Off-shore deposits under foreign authorities'	-	•		-
insurance	-	-	•	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

### b.2) Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts"	26.805	21.595
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and		
Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care		
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board	-	-
Of Directors or Managers, General Manager and Assistant General Managers and		
Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and		
Children in Care	10,556	8.825
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings		
Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated		
September 26, 2004	•	<u>.</u>
Profit Sharing Accounts in Participation Banks Established in Turkey in order to		
engage solely in Off-Shore Banking Activities	-	-

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities (continued):

### 2. Information on derivative financial liabilities held for trading:

	Current	Current Period		Prior Period	
	ŢL	FC	TL	FC	
Forward transactions	88	-	_	~	
Swap transactions	-		_	_	
Futures transactions	<u>-</u>			_	
Options	-	-	-	-	
Other	-	•	-	-	
Total	88	70-	<u> </u>	-	

### 3. Information on borrowings:

The Bank has obtained a Syndicated Murabaha Loan from international markets amounting to USD 458.500.000 and EUR 56.250.000 with maturity of more than one year (December 31, 2015; one year maturity; USD 87.500.000 and EUR 98.250.000, more than one year maturity; USD 458.500.000 and EUR 56.250.000).

As of December 31, 2016, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 84.171.095 and EUR 132.496.602 (December 31, 2015; USD 161.448.187 and EUR 112.419.953).

The table below respresents the sukuk issued by Bank through its subsidiary Bereket Varlık Kiralama A.Ş. to collect funds from various investors:

Issue Date	Amount <sup>(*)</sup>	FC	Maturity	Profit Share % ( Yearly)	Profit Share % ( for 178/179 days)
June 30, 2014	350.000.000	USD	5 Years	6,25	
October 4, 2016 December 26, 2016	100,000,000 75,000,000	TL TL	178 Days 179 Days		5,12 5,20

<sup>(5)</sup>Represented in full amount.

### a) Information on banks and other financial institutions:

	Current Period		Prior	Period
	TL.	FC	ΤL	FC
Loans from CBRT	_		-	_
Loans from domestic banks and institutions	181.593	1.511.415	_	1.158.248
Loans from foreign banks, institutions and funds	•	2.731.187	-	2.946.440
Total	181.593	4.242.602		4.104.688

### b) Maturity analysis of funds borrowed:

	Curren	Current Period		
***************************************	TLTL	FC	TL	FC
Short-Term	181.593	996,686	-	884.552
Medium and Long-Term	-	3.245.916	-	3.220.136
Total	181.593	4.242.602	•	4.104.688

### c) Additional disclosures on concentration areas of Bank's liabilities:

The Bank does not have concentration on customer or sector group providing funds.

4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None (December 31, 2015: None).

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities (continued):

### 5. Lease payables:

### a) Information on finance lease transactions:

### a.1. Information on financial lease agreements:

The Bank has not any obligation from finance lease operations as of balance sheet date.

### a.2. Explanations on the changes in agreements and new obligations originating from these changes:

None.

### a.3. Explanations on the obligations originating from finance leases:

None

### b) Explanations on operational leases:

The Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	44.067	40.057
1 to 4 years	118,697	103.291
Over 4 years	104.791	96.642
Total	267.555	239.990

### 6. Information on hedging derivative financial liabilities:

None (December 31, 2015: None).

### Information on provisions:

### a) Information on general provisions:

	Current Period	Prior Period
General provision for	136.263	170.885
I. Group loans and receivables (Total)	107.707	142.268
Participation Accounts' Share	64,059	87.710
Bank's Share	43.648	54.558
Others	-	<del>.</del>
Additional provision for loans and receivables with extended		
maturities for loans and receivables in Group I	3.821	8.270
Participation Accounts' Share	2.295	3.586
Bank's Share	1.526	4.684
Others	*	*
II. Group loans and receivables (Total)	17.086	14.436
Participation Accounts' Share	11.248	8.356
Bank's Share	5.838	6.080
Others	*	Ψ
Additional provision for loans and receivables with extended		
maturities for loans and receivables in Group II	3.104	3.494
Participation Accounts' Share	1.422	2.692
Bank's Share	1.682	802
Others	•	
Non-cash loans	11.470	14.181
Others	-	<del>-</del>

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities (continued):

## b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2016, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 1.449 (December 31, 2015; TL 27.874) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

### c) Information on specific provisions for non-cash loans that are not indemnified:

As of December 31, 2016, the Bank has provided specific provisions amounting to TL 37.036 (December 31, 2015; TL 22.394) for non-cash loans that are not indemnified.

### c) Other provisions:

### ç.1. Information on general reserves for possible losses:

	Current Period	Prior Period
General Reserves for Possible Losses (*)	14	88
Total	14	88

The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

### c.2. Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing		
accounts(*)	15.884	40
Provision for unindemnified letter of guarantees	27.822	18.469
Payment commitments for cheques	9.214	3.925
Provision for promotions related with credit cards and promotion of		
banking services	172	80
General reserves for possible losses	14	88
Financial assets at fair value through profit and loss	3	429
Other (**)	1.217	4.910
Total	54.326	27.941

<sup>(1)</sup> Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

<sup>(\*)</sup> Indicates other provision amount for possible losses in loan portfolio.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### II. Explanations and notes related to liabilities (continued):

### d) Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 35.925 (December 31, 2015; TL 30.235), vacation pay liability amounting to TL 7.335 (December 31, 2015; TL 7.048) totaling to TL 43.260 (December 31, 2015; TL 53.033). Provisions for performance premium has not been allocated in the current period (December 31, 2015; TL 15.750). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%) Estimated increase rate of salary ceiling (%)	11,60 7,50	8,40 6,90

### Movement of the reserve for employment termination benefits in the balance sheet is as follows:

		N
***************************************	Current Period	Prior Period
Prior period ending balance	30.235	26.201
Provisions made in the period	8.288	6.480
Actuarial gain/(loss)	2.833	358
Paid during the period	(5.431)	(2.804)
Balance at the end of the period	35.925	30.235
	30.320	30.233

### 8. Information on taxes payable:

### a) Explanations on current tax liability:

### a.1) Explanations on Tax Provisions:

As of December 31, 2016, the Bank's corporate tax payable is TL 7.091 (December 31, 2015; TL 21.165) after offsetting prepaid corporate tax.

### a.2) Information on taxes payable:

W	Current Period	Prior Period
Corporate taxes payable	7.091	21.165
Banking insurance transaction tax	16,364	11.775
Taxation on securities income	11,162	11.747
Value added tax payable	1.274	895
Taxation on real estate income	754	665
Foreign exchange transaction tax	_	***
Other	8.052	6.130
Total	44.697	52.377

### a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	3.101	2.645
Social security premiums-employer	3.344	2.876
Bank pension fund premium- employees	•	
Bank pension fund premium- employer	-	-
Pension fund membership fees and provisions-employees	-	_
Pension fund membership fees and provisions- employer	-	-
Unemployment insurance-employee	219	187
Unemployment insurance-employer	438	373
Other	-	w
Total	7.102	6.081

(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- 9. Liabilities for assets held for sale and discontinued operations:

None (December 31, 2015: None).

10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current I	Current Period		eriod
	TL	FC	TL	FC
Loans from Domestic Banks	M			_
Loans from other Institutions	-	m.	•	-
Loans from Foreign Banks	-	_	-	**
Loans from other Foreign Institutions	•	1.510,937	-	1.239.557
Total	*	1.510.937	+	1.239.557

The Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity Albaraka Türk Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of five years with 10 years total maturity' was determined as 7,75%.

The Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250,000,000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Bank has repurchased the sukuk issued in the amount of USD 24,000,000 and this amount is offset in available for sale assets and subordinated loans.

### 11. Information on shareholders' equity:

### a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock Preferred stock	900.000	900.000

(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- 11. Information on shareholders' equity (continued):
- Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Bank has taken a resolution on transition to registered capital system. The Bank's application to the Capital Markets Board on the same date was approved on March 7, 2013 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2017.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500.000

c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

There is no capital increase in the current period.

ç) Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

d) Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.

 Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

f) Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

g) Information on marketable securities valuation reserve:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures		•	_	-
Valuation difference (*)	210	(8.766)	4.203	6.488
Foreign exchange difference	-	-	-	-
Total	210	(8.766)	4.203	6.488

The amount represents the net balance after deferred tax liability.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### III. Explanations and notes related to off-balance sheet:

### 1. Explanations on off balance sheet:

### a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	475.270	521.562
Payment commitments for cheques	588.983	500.882
Asset purchase and sale commitments	13.399	187.332
Loan granting commitments	111,042	116.862
Tax and funds liabilities arising from export commitments	3.029	2.035
Commitments for promotions related with credit cards and banking		2.000
activities	963	599
Other irrevocable commitments	38.475	203
Total	1.231.161	1,329,475

### b) Type and amount of possible losses and commitments arising from off-balance sheet items:

## b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Letters of guarantees	7.809.811	7.730.288
Bank loans	20.711	28.324
Letters of credit	752.679	639,592
Other guaranties and sureties	117.992	265.853
Total	8.701.193	8.664.057

### b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	7,809,811	7.730.288
Long standing letters of guarantees	4.845.313	4.956.813
Temporary letters of guarantees	240.046	293.937
Advance letters of guarantees	257.462	278.642
Letters of guarantees given to customs	229.514	247.773
Letters of guarantees given for obtaining cash loans	2.237.476	1.953.123
Sureties and similar transactions	117.992	265.853
Total	7.927.803	7.996.141

(Thousand of Turkish Lira (TL) unless otherwise stated)

### III. Explanations and notes related to off-balance sheet (continued):

- 1. Explanations on off balance sheet:
- c) Within the Non-cash Loans

### c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	2,237,476	1.953.123
With original maturity of 1 year or less	369.164	441.733
With original maturity of more than 1 year	1.868.312	1.511.390
Other non-cash loans	6.463.717	6.710.934
Total	8,701.193	8.664.057

### c.2) Sectoral risk concentration of non-cash loans:

	Current period				Prior pe	riod		
	TP	(%)	FC	(%)	TP	(%)	FC	(%)
Agricultural	58.865	1,47	51.815	1,10	73.452	1,72	39.514	0,90
Farming and stockbreeding	42.142	1,05	15.099	0,32	60.693	1,42	13.675	0,31
Forestry	16.289	0,41	28.643	0,61	11.284	0,26	23.341	0,53
Fishery	434	0,01	8.073	0,17	1.475	0,04	2.498	0,06
Manufacturing	966.599	24,14	2.756.795	58,69	932.582	21,81	2.434.207	55,47
Minina	27.815	0,69	101.604	2,16	22.933	0,54	61.431	1,40
Production	742,159	18,54	1.937.520	41,25	678.558	15,87	1.627.801	37,09
Electricity, gas and water	196.625	4,91	717,671	15,28	231.091	5,40	744.975	16,98
Construction	1.237,368	30,90	618.243	13,16	1.176.191	27,51	645.842	14,72
Services	1.374.381	34,33	1.107.492	23,58	1.691.894	39,57	1.150.416	26,21
Wholesale and retail trade Hotel, food and beverage	558.903	13,96	472.816	10,07	690.202	16,14	555.381	12,65
services Transportation and	27.885	0,70	102.249	2,18	22.976	0,54	96.734	2,20
telecommunication	66,772	1,67	113.148	2,41	65,131	1,52	71.640	1,63
Financial Institutions Real estate and renting	24.247	0,61	78.803	1,68	17.638	0,41	118.816	2,71
services	438.701	10,96	98.139	2,09	622.039	14,55	103.532	2,36
Self-employment services	83.412	2,08	220.644	4,70	119.216	2,79	187.680	4,28
Education services	29.779	0,74	1.792	0,04	31,998	0,75	1.319	0,03
Health and social services	144,682	3,61	19.901	0,41	122.694	2,87	15.314	0,35
Other	366.665	9,16	162.970	3,47	401.283	9,39	118.676	2,70
Total	4.003,878	100,00	4.697.315	100,00	4.275.402	100,00	4.388.655	100,00

### c.3) Information on the non-cash loans classified in Group I and Group II:

	l st Group		II nd Group	
	TL	FC	TL	FC
Non-cash loans	3.892.986	4.445.491	70.902	213.354
Letters of guarantee	3.881,125	3.568.248	70.902	211.076
Bank loans	_	20.711	-	
Letters of credit	2.073	748.328	-	2.278
Endorsements	-	•	-	
Underwriting commitments		-	-	-
Factoring commitments	-	-	-	
Other commitments and contingencies	9.788	108.204	-	-

(Thousand of Turkish Lira (TL) unless otherwise stated)

### III. Explanations and notes related to off-balance sheet (continued):

### 2. Explanations on derivative transactions:

	Derivative transactions according to purpose		
	December 31, 2016	December 31, 2015	
Trading Derivatives			
Foreign Currency Related Derivative Transactions (I)	1,018.952	417.005	
Currency Forwards-Purchases, sales	1.018.952	-	
Currency Swaps-Purchases, sales	-	417.005	
Currency Futures	-	-	
Currency Options-Purchases, sales	-	•	
Profit share Rate Related Derivative Transactions (II)	•	*	
Profit share rates forwards-Purchase, sales	-	-	
Profit share rates swaps-Purchases, sales	-		
Profit share rates options-Purchases, sales	•	-	
Profit share rates futures-Purchases, sales	-	-	
Other Trading Derivatives (III)	-	*	
A. Total Trading Derivatives (I + II + III)	1.018.952	417.005	
Hedging Derivatives	•	-	
Fair value hedges	-	•	
Cash flow hedges	**	•	
Foreign currency investment hedges	-	-	
B. Total Hedging Derivatives	_		
Total Derivatives Transactions (A+B)	1,018.952	417,005	

### 3. Explanations on contingent assets and liabilities:

The Bank has made a provision amounting to TL 14 (December 31,2015: TL 88), as presented under "Other Provisions" note in Section Five Note II.ç.1 ,for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Bank, the Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

### 4. Explanations on services rendered on behalf of third parties:

The Bank has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### IV. Explanations and notes related to the statement of income:

### 1. Information on profit share income:

### a) Information on profit share income received from loans:

	Current Period		Prior Period	
	<u>TL</u>	FC	TL	FC
Profit share received from loans (*)				
Short Term Loans	460.671 23.155	23.155	418.602	20.455
Medium and Long Term Loans	1.267.637	197.539	1.100.716	160.958
Profit Share on Non-Performing Loans	16.133	-	8.152	6
Total	1,744,441	220.694	1.527.470	181,419

<sup>(1)</sup> Includes fees and commission income on cash loans.

### b) Information on profit share income received from banks:

*****	Current Per	Current Period		Prior Period	
***************************************	TL.	FC	TL	FC	
CBRT Domestic Banks	6.902	11.909 779	6.718	3.545	
Foreign Banks Head Offices and Branches Abroad	•	31	<del>-</del>	36	
Total	6.902	12.719	6.718	3.581	

### c) Information on profit share income received from marketable securities:

	Current Period		Prior Period	
	TL_	FC	TL	FC
From financial assets held for trading From financial assets at fair value through profit or loss	-	w	•	-
From financial assets available-for-sale From held-to-maturity investments	79.323 65.176	15.164	62.858 64.596	7.761 -
Total	144.499	15.164	127.454	7.761

### ç) Information on profit share income received from associates and subsidiaries:

	Current Period		Prior Period		
	TL	FC	TL	FC	
Profit shares income received from associates and subsidiaries	-	1.993	-	2.326	
Total		1.993	-	2.326	

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations and notes related to the statement of income (continued):

#### 2. Explanations on profit share expenses:

#### a) Information on profit share expense paid to funds borrowed:

	Current	Current Period		Prior Period	
	TL	FC	TL	FC	
Banks	*	53.314	-	50.701	
CBRT	-	-	_	-	
Domestic banks	_	6.360	-	3.127	
Foreign banks	<u></u>	46.954	-	47.574	
Head offices and branches abroad	_	-	-	_	
Other institutions	2.656	210.030	-	112.827	
Total	2.656	263.344	**	163.528	

#### b) Profit share expense paid to associates and subsidiaries:

	Current Period		Prior Period	
	TL	FC	TL.	FC
Profit share paid to Investments in Associates and Subsidiaries	12.331	70.565	255	61.491
Total	12.331	70.565	255	61.491

#### c) Profit share expenses paid to marketable securities issued:

None (December 31, 2015: None).

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations and notes related to the statement of income (continued):

#### ç) Distribution of profit share expense on funds collected based on maturity of funds collected:

Account name  TL Funds collected from banks through current and profit sharing accounts Real persons' non-trading profit sharing accounts  Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Other institutions profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	94.177 34 16.923 1.102 112.236 1.602 10.897 - 2.466 364 474	938 410.685 63 138.630 19.958 570.274 5.548 43.795	7.218 2.980 984 11.182 1.344 1.535	Up to 9 months	7.565 - 1.327 136 9.028	More than 1 year  51.339 - 6.788 158 58.285	Accumulated profit sharing account  37  37	70tal  938  571.021  97  166.648  22.338  761.042  8.593  70.506
Funds collected from banks through current and profit sharing accounts Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	94.177 34 16.923 1.102 112.236 1.602 10.897 	410.685 63 138.630 19.958 570.274 5.548 43.795	2.980 984 11.182 1.344 1.535	-	1.327 136 9.028	6.788 158 58.285	37	571.021 97 166.648 22.338 761.042
current and profit sharing accounts Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	94.177 34 16.923 1.102 112.236 1.602 10.897 	410.685 63 138.630 19.958 570.274 5.548 43.795	2.980 984 11.182 1.344 1.535	-	1.327 136 9.028	6.788 158 58.285	37	571.021 97 166.648 22.338 761.042
Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	94.177 34 16.923 1.102 112.236 1.602 10.897 	410.685 63 138.630 19.958 570.274 5.548 43.795	2.980 984 11.182 1.344 1.535	-	1.327 136 9.028	6.788 158 58.285	37	571.021 97 166.648 22.338 761.042
sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	34 16.923 1.102 112.236 1.602 10.897 - 2.466 364	63 138.630 19.958 570.274 5.548 43.795	2.980 984 11.182 1.344 1.535	*	1.327 136 9.028	6.788 158 58.285	37	97 166.648 22.338 <b>761.042</b> 8.593
Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	34 16.923 1.102 112.236 1.602 10.897 - 2.466 364	63 138.630 19.958 570.274 5.548 43.795	2.980 984 11.182 1.344 1.535	*	1.327 136 9.028	6.788 158 58.285	37	97 166.648 22.338 <b>761.042</b> 8.593
Commercial sector profit sharing accounts Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	16.923 1.102 112.236 1.602 10.897 - 2.466 364	138.630 19.958 570.274 5.548 43.795	984 11.182 1.344 1.535	*	9.028 98	158 58.285	37	166.648 22.338 <b>761.042</b> 8.593
accounts Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	1.102 112.236 1.602 10.897 - 2.466 364	19.958 <b>570.274</b> 5.548 43.795	984 11.182 1.344 1.535	*	9.028 98	158 58.285	37	22.338 <b>761.042</b> 8.593
Other institutions profit sharing accounts  Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	1.102 112.236 1.602 10.897 - 2.466 364	19.958 <b>570.274</b> 5.548 43.795	984 11.182 1.344 1.535	*	9.028 98	158 58.285	37	22.338 <b>761.042</b> 8.593
Total  FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	1.602 10.897 - 2.466 364	570.274 5.548 43.795 15.401	11.182 1.344 1.535	*	9.028 98	58.285	37	<b>761.042</b> 8.593
FC Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	1.602 10.897 - 2.466 364	5.548 43.795 15.401	1.344 1.535 -	+	98	1	<b>*</b>	8.593
Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	10.897 - 2.466 364	5.548 43.795 15.401	1.344 1.535 -		98	1	<b>*</b>	8.593
Banks Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	10.897 - 2.466 364	43.795 * 15.401	1.535 -				<b></b>	
Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	10.897 - 2.466 364	43.795 * 15.401	1.535 -				-	
sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	2.466 364	15.401	-	-	2.882	11.397	-	70.506
Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	2.466 364	15.401	-	-	۷.004	11.084	-	าน.ฉบซ
Commercial sector profit sharing accounts Other institutions profit sharing accounts Precious metals deposits	364		303	-				<del></del>
accounts Other institutions profit sharing accounts Precious metals deposits	364		303		*	-	-	
accounts Precious metals deposits				_	801	179	_	19.150
Precious metals deposits		6.627				.,,		10.100
·	474		65	*	96	1.206		8.358
Tasat		1.784	58	-	66	101	-	2.483
10(8)	15.803	73.155	3.305	-	3.943	12.884	*	109.090
Grand total	128.039	643.429	14.487	······	12.971	71.169	37	070 400
	120.000	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	1 4.40 t	-	14.3/1	/ 1.103	<b>3</b> 3	870.132
Prior Period		***************************************	Profi	t sharing ac	counts	***************************************		***************************************
					······································		Accumulated	~~·····
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year	profit sharing account	Total
TL								
Funds collected from banks through								
current and profit sharing accounts	-	4.139	2.914	-	6		-	7.059
Real persons' non-trading profit sharing								*****
accounts	112.942	351.446	8.701	-	6.821	42.840	-	522.750
Public sector profit sharing accounts	382	420	-	-	•	-	-	802
Commercial sector profit sharing	20 504	400.000	F 070		4.040			
accounts	22.591	120.309	5.278	-	1.015	8.901	w	158.094
Other institutions profit sharing accounts	1.575	17.858	1.173	-	101	369	-	21.076
Total	137.490	494.172	18.066	*	7.943	52.110	*	709.781
FC								
Banks	1,196	6.806	807	_	643		_	9.452
Real persons' non-trading profit sharing			557	-	070	-	-	Ø.₩UZ
accounts	15.439	47.227	2,237		2.703	11.079		78.685
Public sector profit sharing accounts	-	-	•	-	-	-		
Commercial sector profit sharing								
accounts	3.377	15.647	727	-	1.593	246	-	21.590
Other institutions profit sharing accounts	643	4.430	129	*	74	743	-	6.019
Precious metals deposits	927	2.757	165	-	55	103	-	4.007
Total	21,582	76.867	4.065	+	5.068	12.171		119.753
Grand total	159.072	571.039	22.131		13.011	64.281		829.534

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations and notes related to the statement of income (continued):

#### 3. Information on dividend income:

	Current Period		Prior Perior		
	TP	YP	TP	ΥP	
From trading financial assets		•	10	-	
From financial assets at fair value through profit and loss	-	-	•	_	
From available for sale financial assets	-	-		_	
Other	-	-	509	-	
Total			E40		

#### 4. Explanations on trading income/loss (net):

	Current Period	Prior Period
Income	7.412.267	6.809.954
Income from capital market transactions	212	2.243
Income from derivative financial instruments	104.570	73.239
Foreign exchange income	7.307.485	6.734.472
Loss (-)	7.367.128	6.757.384
Loss on capital market transactions	12	20
Loss on derivative financial instruments	1,576	5,146
Foreign exchange losses	7.365,540	6.752.218
Trading Income/Loss (net)	45.139	52.570

#### 5. Explanations related to other operating income:

***************************************	Current Period	Prior Period
Reversal of prior year provisions	114.356	89.166
Income from sale of assets	20.581	16.742
Reimbursement for communication expenses	4.334	3.798
Reimbursement of vacation pay expenses	-	*
Cheque book charges	1.316	806
Other income (*)	16.924	2.895
Total	157.511	113.407

<sup>(\*)</sup> Visa Inc has purchased Visa Europe Ltd. on June 21, 2016. Following this transaction, TL 8.692 has been transferred to bank accounts and accounted as "Other Income".

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations and notes related to the statement of income (continued):

#### 6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	305.593	130.834
Loans and receivables in III. Group	32,470	43.412
Loans and receivables in IV. Group	131.925	46.642
Loans and receivables in V. Group	129.671	36.222
Doubtful commission, fee and other receivables	11.527	4.558
General provision expenses	17.856	12.869
Provision expenses for possible losses	_	-
Impairment losses on marketable securities	154	194
Financial assets at fair value through profit and loss		124
Financial assets available for sale	154	70
Impairment losses on associates, subsidiaries, joint ventures		
and held to maturity investments	-	
Associates	m	-
Subsidiaries	-	_
Joint ventures	-	-
Held to maturity investments		
Other <sup>(*)</sup>	48.554	13.246
Total	372.157	157.143

TL 139.990 (December 31, 2015: TL 78.376) of the total specific provisions provided for loan and other receivables amounting to TL 305.593 (December 31, 2015: TL 130.834) is the participation accounts portion of specific provision provided for loans and other receivables.

<sup>(\*)</sup> Details of the "other" amount is as follows:

	Current Period	Prior Period
Specific provisions for non-cash loans that are not indemnified	30.708	11.777
Provisions allocated from profit shares to be distributed to profit sharing accounts	17.602	1.469
Other	244	•
Total	48.554	13.246

TL 17.683 (December 31, 2015: TL 9.287) of the total general loan loss provisions provided for loan and other receivables amounting to TL 17.856 (December 31, 2015: TL 12.869) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations and notes related to the statement of income (continued):

#### 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	416.420	354,129
Provision for retirement pay liability	2.857	3,676
Deficit provision for pension fund	•	_
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	38.686	39,114
Impairment expenses of intangible assets	•	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	23,800	18.734
Impairment provision for investments accounted for under equity method	<u></u>	_
Impairment expenses of assets to be disposed	2.264	404
Depreciation expenses of assets to be disposed	1.592	1.307
Impairment expenses of assets held for sale and assets of discontinued		
operations	55	1.036
Other business expenses	157.116	136.719
Operating lease expenses	59.987	53.531
Maintenance expenses	12.213	10.639
Advertisement expenses	18.264	10.192
Other expenses	66,652	62,357
Loss on sale of assets(*)	677	1.215
Other(**)	92.659	97.919
Total	736.126	654.253

<sup>(7)</sup> Other expenses under \*other business expenses" are provided as below:

	Current Period	Prior Period
Communication expenses	11.439	11.026
Donations	10.604	9,111
Cleaning expenses	11.703	9.844
Heating, lighting and water expenses	6.643	6.724
Representation and Hosting expenses	5.282	4.189
Vehicle expenses	3.615	3.699
Lawsuit and court expenses	4.116	7.748
Other	13.250	10.016
Total	66,652	62.357

<sup>(\*\*)</sup> Details of other balance are provided as below:

	Current Period	Prior Period
Saving Deposit Insurance Fund	36.192	32.571
Taxes, Duties, Charges and Funds	27.192	23,735
Bonus Provision Expenses	-	15.750
Expertise and Information Expenses	13,099	11.825
Audit and Consultancy Fees	8.630	7,632
Vacation Pay Provision Expense	287	720
Other	7.259	5.686
Total	92,659	97.919

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations and notes related to the statement of income (continued):

#### 8. Explanations on income/loss from continued operations before taxes:

As the Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Bank's income before tax decreased by 30% compared to prior period and is realized as TL 263.920. Income before tax comprises net profit share income in the amount of TL 1.023.618 and fees and commission income in the amount of TL 145.935. Total other operating expenses amount to TL 736.126.

#### 9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	263,920	376.778
Tax calculated with tax rate of 20%	52.784	75.356
Other additions and disallowable expenses	15.216	18.276
Deductions	(14.001)	(15.466)
Provision for current taxes	53,999	78.166
Provision for deferred taxes	(7.688)	(4.251)
Continuing operations tax provision	46.311	73.915

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

#### 10. Explanations on net income/loss from continued and discontinued operations:

The Bank has not any discontinued operations. Net income for the period has been realized as TL 263.920 (December 31, 2015; TL 376.778) by deducting tax provision expense amounting to TL 46.311 (December 31, 2015; TL 73.915) from profit from continued operations amounting to TL 217.609 (December 31,2015; TL 302.863).

#### 11. Explanations on net income/ loss:

a) The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b) The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None

c) Income / loss of minority interest:

None.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### IV. Explanations and notes related to the statement of income (continued):

## 12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period			
Member firm-POS fees and commissions	37.212	22.040			
Clearing room fees and commissions		33.618			
Commissions on money orders	18.604	15.482			
Appraisal fees	11.184	10.602			
	11,151	8.808			
Insurance and brokerage commissions	9.569	8.229			
Other	15.539	12.842			
Total	103.259	89.581			
Other Fees and Commissions Paid	Current Period	P-i Pii			
	Ourient Fellog	Prior Period			
Funds borrowed fees and commissions	27.320	18,385			
Credit cards fees and commissions	8.645	8.002			
Member firm-POS fees and commissions	14.398				
Fees and commissions for Swift, EFT and money orders	· · · +	11.162			
Other	3.866	3.1 <del>6</del> 6			
one:	7.629	10.594			
Total	61.858	51,309			

### V. Explanations and notes related to the statement of changes in shareholders' equity:

- There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements.
  - Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.
- b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income.TL 24.059 decrease has occurred after the revaluation of available-for-sale securities (December 31, 2015; TL 876 increase).
- c) Revaluation funds related to tangible and intangible assets and foreign exchange differences arising from translation of tangible and intangible assets of foreign branch of the Bank are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.
- d) Foreign exchange differences arising from translation of income statement of foreign branch of the Bank are accounted in other capital reserves amounts to TL 7.606 as increase. (December 31, 2015: TL 4.368 increase).

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VI. Explanations and disclosures related to the statement of cash flows:

- Components of cash and cash equivalents and accounting policy applied in their determination: "Cash" is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.
  - (i) Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period	
Cash	1,895.062	737.011	
Cash in TL/foreign currency	408.213	194.922	
Cash in transit	414,294	*	
CBRT	1.072.555	542.089	
Cash equivalents	1.912.992	1,171.537	
Domestic banks	1,486,902	767.242	
Foreign banks	426.090	404.295	
Total cash and cash equivalents	3.808.054	1.908.548	

#### (ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	1.917.036	1.895.062
Cash in TL/foreign currency	271.404	408.213
Cash in transit	388.688	414.294
CBRT	1.256.944	1.072.555
Cash equivalents	1.547.447	1.912.992
Domestic banks	1.276.485	1,486,902
Foreign banks	270,962	426.090
Total cash and cash equivalents	3.464.483	3.808.054

Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:

Restricted time deposits held at the Central Bank of Turkey and blockaged amount arising from POS are not considered as cash and cash equivalent items.

3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:

The "Others" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 534.157 (December 31, 2015: TL 178.518) mainly comprises other operating expenses excluding personnel expenses and amortization expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 335.488 (December 31, 2015: TL 191.238) mainly comprises changes in miscellaneous payables, other liabilities and taxes and other duties payable.

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately as TL 329.943 as of December 31, 2016 (December 31, 2015: TL 124.317).

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VII. Explanations related to the risk group of the Bank:

Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds
collected and income and expenses related to the period:

#### a) Current period:

Risk Group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		shareholders of the		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash		Non-cash
Loans and other receivables						
Balance at the beginning of the period	-	-	47.906	65,512	41	28
Balance at the end of the period  Profit share and commission income	-		35.550	24.249	714	28
received	1.993	-	2.016	301	78	*

#### b) Prior period:

Risk Group of the Bank <sup>(r)</sup>			sharehold		Other real or legal persons included in the risk group		
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash	
Loans and other receivables							
Balance at the beginning of period	-	-	50.229	69.492	15	-	
Balance at end of period  Profit share and commission income	-	-	47.906	65.512	41	28	
received	2.326	-	1.857	391	•	-	

<sup>(\*)</sup> Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

#### c.1) Information on current and profit sharing accounts of the Bank's risk group:

Risk Group of the Bank <sup>(*)</sup>			Direct and shareholds Bar	ers of the	Other real or legal persons included in the risk group		
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	
Current and profit sharing accounts							
Balance at the beginning of period	7,810	1.594	268.530	252,274	3.134	1.423	
Balance at the end of period	10.496	7.810	470.674	268,530	5.476	3.134	
Profit share expense	476	521	4.810	12.173	153	91	

<sup>(\*)</sup> As of December 31, 2016 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 79, 171,095 and EUR 127,196,602 (December 31,2015; USD 125,440,079 and EURO 90,816,893). The profit share expense relating to such borrowings for the period between January 1, 2016 — December 31, 2016 is TL 8,563 (December 31, 2015; TL 12,345). The Bank has issued Sukuk in the amounts of USD 350,000,000 and TL 175,000,000 through "Bereket Variik Kiralama A.Ş." which exists in the risk group of the Bank. The total expense for the related issues is TL 82,328 as of December 31, 2016 (December 31, 2015; TL 61,491).

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VII. Explanations related to the risk group of the Bank (continued):

c.2) Information on forward and option agreements and other similar agreements with related parties:

The Bank does not have forward and option agreements with the risk group of the Bank.

For the period ended December 31, 2016; the Bank has paid TL 20.263 (December 31, 2015; TL 12.014) to top management.

- VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:
  - 1. Information on the domestic and foreign branches and representative offices of the Bank:

	Number	Number of Personnel			
Domestic Branches	212	3.780			
			Country		
Foreign Representation Office		-	_		
				Total Assets (Thousand TL)	Statutory Share Capital
Foreign Branches	1	16	panl	232.887	Iraq Dinar 21.282.905.265
Off-Shore Branches					

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:

In 2016, the Bank did not open any branches.

#### IX. Explanations related to subsequent events:

The Bank has completed the process to make its subordinated loan in line with Basel III requirements following approvals of the investors. Along with this transaction, the mentioned subordinated loan, which has 10 years maturity and amounts to USD 200 million, will be able to added to the capital calculation.

#### **SECTION SIX**

I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:

None.

#### **SECTION SEVEN**

Independent Audit report

#### Explanations on audit report:

The Bank's unconsolidated financial statements as of and for the period ended December 31, 2016 have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the audit report dated February 20, 2017 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.



#### Albaraka Türk Katılım Bankası Anonim Şirketi

Unconsolidated financial statements and related disclosures at September 30, 2016 together with limited review report (Convenience translation of the limited review report and financial statements originally issued in Turkish see section three Note XXIII)

2 November 2016

This report contains "Limited Review Report" comprising 2 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 83 pages.



Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşəvirlik A.Ş. Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No:29 Beykoz 34805 İstanbul Tel +90 (216) 681 90 00 Fax +90 (216) 681 90 90 www.kpmg.com.tr

Convenience Translation of the Limited Review Report
Originally Prepared and Issued in Turkish to English (See Note XXIII in Section Three)

#### LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş.;

#### Introduction

We have reviewed the unconsolidated statement of financial position of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") at 30 September 2016 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, Itogether referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Albaraka Türk Katılım Bankası A.Ş. at 30 September 2016 and of the results of its operations and its cash flows for the nine-month-period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

#### Other Matter

The unconsolidated financial statements of the Company as at and for year ended 31 December 2015 and as at and for the nine months period ended 30 September 2015 were audited and reviewed by another auditor who expressed an unmodified opinion/conclusion on those statements on 22 February 2016 and 5 November 2015, respectively.

#### Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim annual report in Section VIII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member firm of KPMG International Cooperative

Alper Güvenç Partner, SMMM

2 November 2016 İstanbul, Turkey

#### Additional paragraph for convenience translation to English:

The accounting principles summarized in Note XXIII Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.



#### UNCONSOLIDATED INTERIM FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.S. AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016

Bank's headquarter address

: Sarav Mah. Dr. Adnan Büyükdeniz Cad. No:6

34768 Ümranive / İstanbul

Bank's phone number and facsimile

: 00 90 216 666 01 01 - 00 90 216 666 16 00

Bank's website

: www.albarakaturk.com.tr

Electronic mail contact info

: albarakaturk@albarakaturk.com.tr

The unconsolidated interim financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- LIMITED REVIEW REPORT
- INTERIM REPORT

The unconsolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency Regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been reviewed and presented as attached.

November 2, 2016

Adnan Ahpaed Yusuf ABDULMALEK

Chairman of the Board of Directors

Meliktah UTNU

Acting General Madage

Turgut SİMİTCİOĞLÜ

Assistant General Manager

unus AHLA Budget and Financial Reporting Manager

Hamad Abdulla A. EQAB

Chairman of the Audit Committee

Mitat AKTAS

Member of the Audit Committee

Hood Hashem Ahmed HASHEM

Member of the Audit Committee

Muhammad Zarrug M. RAJAB ember of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title

: Bora SIMSEK / Budget and Financial Reporting / Vice Manager

Telephone

: 00 90 216 666 05 59

Facsimile

: 00 90 216 666 16 11

Table o	of contents	<b>m</b>
Section		Page
	al information	
I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	1
11.	Shareholding structure, shareholders having direct or indirect, joint or individual control over the management of the Bank and disclosures on related changes in the	·
111.	current year, if any Explanation on the chairman and members of board of directors, members of audit	1
	committee, general manager and assistant general managers, their areas of	_
	responsibility and their shares in the Bank, if any	2
IV.	Information on the Bank's qualified shareholders	2
٧.	Summary on the Bank's service activities and field of operations	3
VI.	Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and	
	institutions which are deducted from equity or not included in these three methods	3
VII,	The existing or potential, actual or legal obstacles on immediate transfer of equity or	
	reimbursement of liabilities between the Bank and Its subsidiaries	3
Section	n two	
	nconsolidated financial statements	
1.	Balance sheet (Statement of financial position)	5
11.	Statement of off-balance sheet	7
111.	Statement of income	8
IV.	Statement of income and expense items accounted under shareholders' equity	9
٧.	Statement of changes in shareholders' equity	10
VI.	Statement of cash flows	12
Sectio	n three	
	nting policies	
1.	Explanations on basis of presentation	13
II.	Explanations on strategy of using financial instruments and foreign currency	
	transactions	14
111.	Explanations on forward, option contracts and derivative instruments	14
IV.	Explanations on profit share income and expenses	14
٧.	Explanations on fees, commission income and expenses	15 15
VI.	Explanations on financial assets	16
VII.	Explanations on impairment of financial assets	17
VIII.	Explanations on offsetting of financial instruments  Explanations on sale and repurchase agreements and lending of securities	17
IX.	Explanations on assets held for sale and discontinued operations and liabilities related	• • • • • • • • • • • • • • • • • • • •
Х.	to these assets	17
XI.	Explanations on goodwill and other intangible assets	18
XII.	Explanations on tangible assets	18
XIII.	Explanations on leasing transactions	19
XIV.	Explanations on provisions and contingent liabilities	20
XV.	Explanations on liabilities regarding employee rights	20
XVI.	Explanations on taxation	21
XVII.	Additional explanations on borrowings	22
XVIII.	Explanations on issued share certificates	22
XIX.	Explanations on acceptances and availed drafts	22
XX.	Explanations on government grants	22
XXI.	Explanations on segment reporting	22
XXII.	Explanations on other matters	22
XXIII.	Additional paragraph for convenience translation	22

Sect	ion four	
Info	rmation on financial structure and risk management	
1.	Explanations on the capital adequacy standard ratio	23
11.	Explanations on credit risk	31
111.	Explanations on currency risk	31
IV.	Explanations on position risk of equity securities in banking book	33
٧.	Explanations on liquidity risk	33
۷ĭ,	Explanations on leverage ratio	37
VII.	Explanations on presentation of financial assets and liabilities at fair values	37
VIII.	Explanations regarding the activities carried out on behalf and account of other persons	37
IX.	Explanations on risk management	38
X.	Explanations on business segments	39
Secti	ion five	
	anations and notes on the unconsolidated financial statements	
I.	Explanations and notes related to assets	40
Ï.	Explanations and notes related to liabilities	40
III.	Explanations and notes related to off-balance sheet commitments	53
IV.	Explanations and notes related to the statement of income	62
٧.	Explanations and notes related to the statements of changes in shareholders' equity	64
VI.	Explanations and notes related to the statement of cash flows	71
VII	Explanations related to the risk group of the Bank	71
VIII.	Explanations related to domestic, foreign, off-shore branches or investments and	72
* *****	foreign representative offices	
IX.	Explanations related to subsequent events	73
		73
	on six	
	r explanations	
l.	Other issues that have significant effect on the balance sheet or that are ambiguous	
	and/or open to interpretation and require clarification	74
Sectio	on seven	
Limit	ed review report	
1	Explanations on limited review report	74
l.	Other notes and explanations prepared by the independent auditors	74
	on eight .	
nteri	m report	
	General Information	75
B	Financial Information and evaluations on the Bank	7R

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION ONE**

#### **GENERAL INFORMATION**

History of the Bank including its incorporation date, initial legal status and amendments to legal ı.

Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks 'published in the Official Gazette dated November 1, 2006 numbered 26333 and the Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983,

The decision regarding the change in the title of the Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Bank's head office is located in Istanbul and is operating through 212 (December 31, 2015: 212) local branches and 1 (December 31, 2015: 1) foreign branch and with 3.795 (December 31, 2015: 3.736) staff as of September 30, 2016,

Shareholding structure, shareholders having direct or indirect, joint or individual control over 11. the management and supervision of the Bank and the disclosures on related changes in the current year, if any:

As of September 30, 2016, 54,06% (December 31, 2015: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 24,84% (December 31, 2015: 24,80%) of the shares are publicly traded and quoted at Borsa Istanbul.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Bank, if any:

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
Chairman of the Board of Directors (BOD)	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	£ 0,0000
Members of BOD	Yalçın ÖNER	Vice Chairman of BOD	Master	
	Ibrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	F) 0,8000
	Osman AKYÜZ	Executive Member of BOD	Bachelor	-
	Bekir PAKDEMİRLİ	Member of BOD	Master	
	Mitat AKTAS	Member of BOD	Master	0,0000
	Hamad Abdulla A. EQAB	Member of BOD	Bachelor	0,0000
	Fahad Abdullah A. ALRAJHI	Member of BOD	Bachelor	0,0000
	Hood Hashem Ahmed HASHEM	Member of 80D	Master	° 0,0000
	Muhammad Zarrug M. RAJAB	Member of BOD	Bachelor	•
	Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	
	Dr .Fahrettin YAHŞi	Executive Member of BOD	Doctorate	•
Acting General Manager (**)	Metikşah UTKU	Member of 800 / Acting General Manager	Master	
Assistant General Managers	Mehmet Ali VERÇİN	Corporate Marketing, Treasury Marketing, Investment Projects, Financial Institutions, Investor Relations,	Bachelor	-
	Nihat BOZ	Legal Advisory, Legal Follow-up	Bachelor	
	Temel HAZIROĞLU	Human Values, Training & Organisation, Performance & Career Management, Administrative Affairs, Construction and	Master	0,0342
	Bülent TABAN	Real Estate, Corporate Communication Alternative Distribution Channels, Retail Marketing, Retail Products Management, Commercial Marketing, Commercial	Master	-
	Turgut SİMİTCİOĞLU	Products Management, Regional Offices Credit Operations, Banking Services Operations, Foreign Affairs Operations, Payment Systems Operations, Risk Follow-up, Financial Affairs, Budget &	Master	
	All TUĞLU	Financial Reporting, Core Banking Applications Development, Customer & Channel and Analytical Applications, IT Support, IT Strategy &	Master	
	Mahmut Esfa EMEK	Governance Corporate Credits, Commercial Credits, Retail Credits	Bachelor	٠
Audit Committee	Hamad Abdulla A. EQAB	Chairman of Audit Committee	Bachelor	<sup>r)</sup> 0,0000
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	(1,0,0000
	Mitat AKTAS	Member of Audit Committee	Master	17 0,0000
	Muhammad Zarrug M. RAJAB	Member of Audit Committee	Bachelor	

 $<sup>\</sup>ensuremath{\Gamma}$  The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Bank's share capital (December 31, 2015: 0,0342%).

#### IV. Information on the Bank's qualified shareholders:

The Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below.

Name / commercial name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486,523	54,06%	486.523	_



<sup>(&</sup>quot;)Appointed in the Board Meeting dated on October 19, 2016 instead of Dr. Fahrettin Yahşi.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### V. Summary on the Bank's service activities and field of operations:

The Bank operates in accordance with the principles of interest-free banking as a participation bank. The Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under five different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included) and one year and more than one year (with monthly, quarterly, semiannual and annual profit share payment).

The Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Bank operates as an insurance agency on behalf of Işik Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik ve Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services.

Moreover, the Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:

The Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiralama A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş. the subsidiaries of the Bank, through equity method and full consolidation method, respectively. Moreover, ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the bank and its subsidiaries:

There is no immediate transfer of equity between the Bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.



#### Section Two

#### The unconsolidated financial statements

- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet
- III. Statement of income
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

İ				Reviewe	Audited		•		
	ASSETS	Notes Section				PRIOR PERIO		~	
L		Five-I)	TL 300	FC FC	2016 Total	TL De	cember 31,		_
			<del> </del>	<del>  -:</del>	10(81	<del></del>	FC	Total	
ii.	CASH AND BALANCES WITH THE CENTRAL BANK FINANCIAL ASSETS AT FAIR VALUE THROUGH	(1)	573.233	3.917.44	4.490.676	894.20	4.010.594	4.904,798	ţ
l.,	PROFIT AND LOSS (Net)	(2)	1.523	5.55	3 7.076	1.427	20.856	22.283	Į
2.1	Trading Financial Assets Public Sector Debt Securities		1,523	5.55					
2 1 7	Equity Securities	ĺ		:	-	· [ .	.ļ .	.]	J
2.1.3	Derivative Financial Assets Held for Trading		837		837			790	ı
2.1.4	Other Marketable Securities		406	. 1			20.822		ı
2.2	Financial Assets at Fair Value Through Profit and	1	280	] 2	307	637	34	671	Ì
1	LOSS		_		.i .		1	i	I
2.2.1	Public Sector Debt Securities			.]	] [		1 .	·  •	1
2.2.2	Equity Securities	ļ	. ]				] :	] '	ļ
Z.Z.3	Loans	ı	-		.  .	] ,	.	] [	İ
12.2.4 III.	Other Marketable Securities		ļ -	1 .	-	1.			ĺ
1V.	BANKS	(3)	649,327	601,488	1.250.815	599.970	1.887.644	2.482.614	ļ
v.	MONEY MARKET PLACEMENTS FINANCIAL ASSETS-AVAILABLE FOR SALE (net)				-	-			ŀ
5.1	Equity Securities	(4)	915.981			•		1.051.566	ı
5.2	Public Sector Debt Securities	1	15						ļ
5.3	Other Marketable Securities		903.286 12.680						
VI.	LOANS AND RECEIVABLES	(5)	15 2 5 7 5 4 7	32.718	45.398 19.435.541	17.539	134,005	151.544	ı
6.1	Loans and Receivables	'''	15.337.472	7 421 501	18.959.063	15,302,083	3,205.882	18.557.965	Į
6.1.1	Loans to Risk Group of The Bank		7.346			9.424	3.205.054 38.523		ĺ
	Public Sector Debt Securities	1 1			10,100	2.72.4	30.323	47.947	ı
6.1.3			15.330.126	3.592.784	18.922.910	15.155.921	3.166.531	18.322,452	ı
6.Z 6.3	Non-performing loans		938.807	2.560		467.256	1,157	468.413	
VII.	Specific Provisions (-) INVESTMENTS HELD TO MATURITY (net)	l l	463.767	1.122	464.889	280.518			
VIII.	INVESTMENTS IN ASSOCIATES (net)	(6)	580.236	-	580.236	762.890	-	762.890	
8.1	Accounted for under Equity Method	(7)	4.719	•	4.719	4.719	-	4.719	
8.2	Unconsolidated Associates	1 1	4 240				+	-	
	Financial Associates		4.719	-	4.719	4.719	•	4.719	
	Non-Financial Associates	1 1	4.719	٠	4.719	4,719	-	4.719	
	SUBSIDIARIES (net)	(8)	5.250		5.250	5.250	-		
9.1	Unconsolidated Financial Subsidiaries	] ''' ]	5.250		5.250	5.250		5,250	
9.2	Unconsolidated Non-Financial Subsidiaries			-	7.2.5	3.230	- 1	5.250	
X. 10.1	JOINT VENTURES (net)	(9)	20.000	-	20,000	15.500	.1	15.500	
	Accounted for under Equity Method Unconsolidated	1 1	-	- ]	-		-	14.000	
	Financial Joint Ventures	i I	20.000	-	20.000	15.500	- 4	15.500	
10.2.2	Non-Financial Joint Ventures		20.000	-	20.000	15.500	-1	15.500	
XI.	LEASE RECEIVABLES (net)	(10)	895.714	-			-	-1	
	Finance Lease Receivables	ן יייי	1.015,492	-1	895.714	947.427	-]	947.427	
11.2	Operational Lease Receivables		1.013,492		1.015.492	1.090.063	-1	1.090.063	
	Other		.]		[]	1	-]	-	
	Jnearned Income (-)	J	119.778		119,778	142.636	1	143 437	
	DERIVATIVE FINANCIAL ASSETS FOR HEDGING	1	1	- 1		172.030	1	, 142,636	
	PURPOSES	(11)	-[	-[	-	_			
	air Value Hedge Cash Flow Hedge	·	- 1	-	-		.	- ]	
	ledge of Net Investment Risks in Foreign	- 1	-	•	-1	-	- 1	-	
, m	Operations Transmission Research Processing			1			-	i	
	ANGIBLE ASSETS (net)	14.71	475,949				-	-	
dv. i	NTANGIBLE ASSETS (net)	(12) (13)	38.606	809	476.758	499.803	1.336	501.139	
4.1 (	ioodwill	1,37	34.000	313	38,919	43.796	476	44.272	
4.2 (		- 1	38.606	313	38.919	43.796	47.		
	NVESTMENT PROPERTY (net)	(14)	33.005	":]	33.717	43,/30	476	44.272	
	'AX ASSET	(15)	20.501		20.501	20.495	1	20.495	
	urrent Tax Asset	1	3.514	-	3.514	5.324		5.324	
	eferred Tax Asset		16.987	-	16.987	15.171	.]	15.171	
(VII. A	SSETS HELD FOR SALE AND ASSETS OF				1		1		
	ssets Held for Sale	(16)	103.326	239	103.565	22.574	245	22.819	
	ssets of Discontinued Operations		103.326	239	103.565	22.574	245	22.819	
VIII. O	THER ASSETS	(17)	76,853	****	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				
_	· · · · · · · · · · · · · · · · · · ·	(17)	10.801	10.085	B6.938	216.018	2.244	218,262	
	OTAL ASSETS								



# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 SEPTEMBER 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

				Reviewed			Audited RIOR PERIOD	
	LIABILITIES	Notes		URRENT PERIO			ember 31,20	
	Crystal City	(Section Five-II)	TL Se	stember 30,20 FC	Total	n.	FC FC	Total
***************************************	<u> </u>		1		20.108.581	44 774 474	9.010.002	20.346.17
l.	FUNDS COLLECTED	(1)	11.541.131	8,567,450 367,435	381.090	126.867	152.607	279.47
1_1	Funds from Risk Group of The Bank		13.695		19.727.491	11,209.309	8,857.395	20,066,70
1.2	Other		11.527.476	8.200.015	8.276	11,209.309		20.000,70
lt.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	15	8,261 3,784,611		I	4,104,688	4.104.68
雠.	FUNDS BORROWED	(3)	187.163	1./54.211	3,780,774	770.959	4, 154,000	770.95
١٧,	BORROWINGS FROM MONEY MARKETS	1	* 1	•	1 .	370.929	_	'''
V.	SECURITIES ISSUED (net)	1	658,313	48.927	707.240	633,312	53.074	686.38
VI.	MISCELLANEOUS PAYABLES	ł	030.315	40.747	307.240	033,312	1 22,013	1 000
VII.	OTHER LIABILITIES	(4)	'		]			•
VIII.	LEASE PAYABLES	(5)	Ī .		]	1		1
B.1	Finance Lease Payables	l	]			i .	] .	1
8.2	Operational Lease Payables	1	1					1
6.3	Other			i	1 .			l
8,4	Deferred Finance Lease Expenses ( - )	1	1 '	_			1	i
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	(6)	1 -		l .	_	-	I
	PURPOSES	[ <sup>10)</sup>		]				Į.
9.1	Fair Value Hedge				١ .			
9.2	Cash Flow Hedge Net Foreign Investment Hedge	ļ		] .	-			l
9.3	PROVISIONS	(7)	214.831	47.163	261.994	216,049	35,810	251.89
х.		1 "	146,701	32.231	178.932	140,016	30,869	170.8
10.1	General Provisions Restructuring Reserves	I	1,10,761	44,031	1		-	1
10.2		Ì	39,603		39.603	53.033		53.03
10.3	Reserve for Employee Benefits Insurance Technical Reserves (net)	1	27,003					
10.4		1	28,527	14,932	43,459	23,000	4,941	27.94
10.5	Other Provisions TAX LIABILITY	(6)	40,234	36	1	55.695	2,763	58.45
XI.		1 '"'	40.234	36		55.693	2,763	58.45
11.1	Current Tax Liability	1	1	7.	, w. 1.2.7 -			
11.2	Deferred Tax Liability LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS	1					i	
XII.	OF DISCONTINUED OPERATIONS (net)	(9)	l -	-				1
12.1	Assets Held for Sale	"	i .					
12.2	Assets of Discontinued Operations	1	l .	,	-			
XIII.	SUBORDINATED LOANS	(10)	-	1.318.291	1,318,291	.	1.239.557	
XIV.	SHAREHOLDERS' EQUITY	(11)	2.223.011	(1.902)		2,097.426	6.488	2.103.91
14.1	Paid-in Capital	ļ , <b>,</b>	900,000		900,000	900,000		900.00
14.2	Capital Reserves		194,717	(1,902)	192,815	194,422	6.488	200.91
14.2.1		Į		1				1
	Share Cancellation Profits		-		-	-		1
1472	Marketable Securities Valuation Reserve	1	9,487	(1.902)	7.585		6.488	10.6
	Revaluation Reserve on Tangible Assets	1	181.562	1	181.567	189.092	١ ،	189.09
	Revaluation Reserve on Intangible Assets		ļ	٠ .	-		*	
14.7.8	Investment Property Revaluation Reserve	i		-	-		1 .	
14 2 7	Bonus Shares From Associates, Subsidiaries and	1	1		1	1	1	1
, 4-4-1	Jointly Controlled Entitles	1			1 -	1 -		
14 7.8	Hedging Funds (Effective Portion)	1		-	•	1 .		
1479	Accumulated Valuation Differences on Assets Held For		1	l	1	1 .	1	
e Tello	Sale and Assets of Discontinued Operations	1		•		1 .	i -	I .
4 2 10	Other Capital Reserves		3.668		3.668		-	1,1
14.3	Profit Reserves	1	946.332		946.332			696.5
	Legal Reserves		97.615	-	97.815	84.774		84,7
14.3.2	Status Reserves	1				1	} ·	
	Extraordinary Reserves	1	848.517		848.517	611.757	j -	611.7
	Other Profit Reserves	1	1			1 .	"	1
14.4	Profit or Loss		181,962	-	181.962		] -	306.4
	Prior Years Profit / (Loss)		3,695		3.095			3.6
	Current Year Profit / (Loss)	[	178.867		178.867	302,863		302.86
14.5	Minority Shares	1		1	·I ·	·  -	1 .	l
	ATTICATE BUY THE ME		ļ	1	ļ	L		<u> </u>
	TOTAL LIABILITIES	1	14,859,698	13,772,837	28.632.535	15.109.617	14,452,382	29,561.9



#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF 30 SEPTEMBER 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

		Notes	ļ	Reviewed	in	<u> </u>	Audited	
	STATEMENT OF OFF-BALANCE SHEET	(Section		connent pent aptember 30,2		١,	PRIOR PERIO December 31,2	
		Flv#-fit	TL		7	7		
A.	OFF BALANCE SHEET COMMITMENTS (1+11+111)	(1)	5.546.716	5,430,423			4.916,466	· · · · · · · · · · · · · · · · · · ·
<b>\$</b> ,	GUARANTEES AND SURETIES	1"	4.253,403	4.307.518				
1.1.	Letters of Guarantees		4.235.085				3,460,810	
1.1.1.			363.754				23.832	
1.1.2.			18.411	783.592	802.003			
1.1.3.			3.852.920	2,699,870			2.620.534	6,630,530
1.2. 1.2.1.	Bank Loans Import Letter of Acceptances	1	-	33,390			28.324	
1.2.2.	Other Bank Acceptances		1 .	33.390	33.390	-	28.324	28.324
1.3.	Letter of Credits		2.073	581.179	583.252	1 -		
1.3.1.		1	2.073	301.1/9	303.132	1 :	639.592	639.592
1.3.2.	Other Letter of Credits		2.073	581,179	583.252		639.592	639.592
1.4	Prefinancing Given as Guarantee					•	077.572	V27.27.
1.5.	Endorsements				-	-		1 .
1.5.1.	Endorsements to the Central Bank of Turkey	Į	-	-		-	-	
1.5.Z. 1.6.	Other Endorsements Other Guarantees		1		·	1 *	-	
1.7.	Other Collaterals		1.185	176.798		1.877	245,719	247.596
11.	COMMITMENTS	(1)	15.060	5.441		4.047	14.210	18.257
2.1.	Irrevocable Commitments	, "	1,291,468	114,549 114,549	1,406.017	1.218,669	110.806	1.329.475
2.1.1,	Asset Purchase and Sale Commitments	l	89.679	114,549	204.228	1.218.669 76.526	110.806	1,329,475
2.1.2.	Share Capital Commitment to Associates and	ŀ	1 ""	1177.477	1 204.720	70.320	110.806	187.332
	Subsidiaries					1 .	1 .	
2.1.3.	Loan Granting Commitments		115.789		115.789	116.862	:	116,862
2.1.4.	Securities Underwriting Commitments				-	*	] .	1
2.1.5.	Commitments for Reserve Deposit Requirements					-	-	1 -
Z. 1.6. 2.1.7.	Payment Commitment for Cheques Tax And Fund Liabilities from Export		555.209		555.209	500.882	-	500.882
6.1.7.	Commitments		7.00			1		1
2.1.8.	Commitments for Credit Card Expenditure Limits		2.665 496.251		2.665 496.251	2.035	-	2.035
2.1.9.	Commitments for Promotions Related with		470.231		498.231	521.562		521,562
	Credit Cards and Banking Activities	l	610	! .	810	599	}	599
2.1.10	Receivables From Short Sale Commitments of		1	İ	1 "	] ""	•	399
	Marketable Securities						l .	
2.1.11	Payables for Short Sale Commitments of	1	ļ		İ		ļ	
	Marketable Securities	ĺ	-		-		-	
2.1.12 2.2.	Other Irrevocable Commitments Revocable Commitments		31.065	-	31.065	203		203
1. Z. 2, Z. ‡.	Revocable Loan Granting Commitments	ļ				-	-	1
1.2.2.	Other Revocable Commitments			*	1 -			-
¥.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	1.845	1.008.356	1.010.201	•	447000	
1.1.	Derivative Financial Instruments for Hedging	12,	1.043	1,000,1350	1.0:0.201	•	417.005	417,005
	Purposes				l .		_	
.1.1.	Fair Value Hedge		_			i -		i
.1.2.	Cash Flow Hedge		-			_		_
.1.3.	Hedge of Net Investment in Foreign Operations		^		-		-	
.2. .2.1	Held for Trading Transactions		1.845	1.008.356	1,010,201		417.005	417,005
7 1 1	Forward Foreign Currency Buy/Sell Transactions Forward Foreign Currency Transactions-Buy		1.845	918.596	920.441		417.005	417.005
2.1.7	Forward Foreign Currency Transactions-bey		923 922	457.388	458,311		219.089	219.089
.2.2.	Other Forward Buy/Sell Transactions		477	461.208 89,760	462.130	- 1	197.916	197.916
.3.	Other	i		69,700	89.760	^	•	•
	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		44.042.675	6.288.915	50.331.590	38.754.719	5.866.824	44.621.543
Į,	ITEMS HELD IN CUSTODY		1.883.852	1.063.310	2.947.162	1.671.504	932.158	2.603.662
.1.	Assets Under Management		- [	* .			, , , , , ,	*
. 2.	Investment Securities Held in Custody		72	•	72	72		72
.3.	Cheques Received for Collection		1.268.975	134.768	1.403,743	1.135.253	140.774	1.276.027
,4. .5.	Commercial Notes Received for Collection Other Assets Received for Collection		583.395	25.552	608,947	509.767	23.015	532,782
	Assets Received for Public Offering	1	103		103	103	*	103
.7.	Other Items Under Custody		1.497	159,409	******	-		
ß,	Custodians		29.810	743.581	160,906	999	280.573	281,572
	PLEDGED ITEMS	ļ	42.158.823	5.225,605	773.391 47.384.428	25.310 37.083.215	487.796 4.934.666	513,106
.1.	Marketable Securities	1	2.524.783	1.471.762	3,996,545	2,526,159	1.260.176	42.017.881 3.786.335
2.	Guarantee Notes	l	1.493.063	183.222	1.676.285	1.792,505	166.731	1.959.236
3.	Commedity	- }	1.816.193	817,606	2.633,799	1.671.688	750.681	2.422.369
4.	Warranty	- 1	-		- 1	, ]	-	
5.	Properties Other Pladend barre	ŀ	34.846.051	1.434.092	36.280.143	29.631.293	1.227.662	30.858.955
6. 7.	Other Pledged Rems		1.331.008	1.315.973	2.646,981	1.372.083	1.526.355	2.898.438
, ,	Pledged items-Depository ACCEPTED INDEPENDENT GUARANTEES AND		147.725	2.950	150.675	89.487	3.061	92.548
	WARRANTIES	1	_		l	ľ		l
		1	7	- 1	• 1	•	* [	*
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		49.589.391	11.719.338	61.308.729	44.248.790	10.783,290	55.032.080



## ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

			Reviewed	Reviewed	Reviewed	Reviewed
			CURRENT	PRIOR	CURRENT	PRIOR
		Notes	PERIOD	PERIOD	PERIOD	PERIOD
	INCOME AND EXPENSE ITEMS	(Section	January 1-	January 1-	July 1-	July 1-
		Five-IV)	September	September	September	September
	1		30,2016	30,2015	30,2016	30,2015
~~~~			, , , , , , , , , , , , , , , , , , ,			<u> </u>
		14.				
ŧ.	PROFIT SHARE INCOME	(1)	1.635.408	1,409.456	541.199	498,181
1.1	Profit Share on Loans		1.449.412	1,254,498	477,364	443.016
1.2	Income Received from Reserve Deposits		14.773	5.579	4.068 281	2.548
1.3	Income Received from Banks		312	36	201	(50)
1.4	Income Received from Money Market Placements		116.870	97,253	42.134	34.056
1.5	Income Received from Marketable Securities Portfolio		110.070	97,233	42.134	34.030
1.5.1	Held-For-Trading Financial Assets			l	1	1 :
1.5.2	Financial Assets at Fair Value Through Profit and Loss Available-For-Sale Financial Assets		65.019	49,963	24.742	17.518
1.5.4	Investments Held to Maturity	İ	51.831	47.290	17.392	16.538
1.6	Finance Lease Income		53.128	51.201	17,343	18.574
1.7	Other Profit Share Income		913	889	9	37
<b>₩</b> .	PROFIT SHARE EXPENSE	(2)	878.358	766,830	298.221	265,430
2.1	Expense on Profit Sharing Accounts	\ <b>-</b> */	648,511	604,177	216.606	209.514
2.2	Profit Share Expense on Funds Borrowed		182.878	119.267	66,549	43,945
2.3	Profit Share Expense on Money Market Borrowings		43,649	34,221	14.606	11.971
2.4	Profit Share Expense on Securities Issued			-		-
2.5	Other Profit Share Expense		3.320	9.165	460	
181.	HET PROFIT SHARE INCOME (I - II)		757.050	642.626	242.978	232,751
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		105,191	94.198	34.896	22.326
4.1	Fees and Commissions Received		150.630	130.490	50.713	36.076
4.1.1	Non-Cash Loans		76.319	66,423	26.288	16.710
4,1.2	Other	(12)	74.311	64.067	24.425	19.366
4.2	Fees and Commissions Paid		45,439	36,292	15.817	13.750
4.2.1	Non-Cash Loans		225	162	73	3
4.2.2	Other	(12)	45,214	36,130	15,744	13.747
٧.	DIVIDEND INCOME	(3)		10		
VI.	TRADING INCOME/LOSS(net)	(4)	51,750	30.971	20.314	(10.424)
6.1	Capital Market Transaction Income / (Loss)		71	2.222	15	(2)
6.2.	Profit / (Loss) from Derivative Financial Instruments		(21.258)	50,184	12.182	35,650
6.3	Foreign Exchange Income / (Loss)		72.937	[21,435]	8,117	(46.072)
VII.	OTHER OPERATING INCOME	(5)	82,120	94.174	17.109	32.535
Allf.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	1.50	996.111	861.979	315.297	277.188
ix.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6) (7)	227.124	123.102	52.944	35.098
Х.	OTHER OPERATING EXPENSES (-)	(/)	547.336	473.701	171.878	154,559
XI.	HET OPERATING INCOME/(LOSS) (VIII-IX-X)		221.651	265,176	60.475	87.531
XII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER		-	-	1 :	
XIII.	PROFIT / (LOSS) ON EQUITY METHOD					_
XIV.	PROFIT / (LOSS) ON NET MONETARY POSITION		•	•	•	Ť
XV.	PROFIT / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES	461	221,651	265,176	60,475	87.531
U. 10	(Xi++XiV)	(8) (9)	42.784	53,315	10.158	16,109
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±) Provision for Current Texes	17}	46.902	55.874	6,508	13.343
16,1 16.2	Provision for Deferred Taxes		[4.118]	(2.559)	3.650	2.766
XVII.	NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	178.867	211.861	50.317	71.422
XVIII.	INCOME FROM DISCONTINUED OPERATIONS	(10)			"",	
18.1	Income from Assets Held For Sale	1777		-	١ .	
18.2	Income from Sale Of Associates, Subsidiaries And Jointly Controlled				1	
15.2	Entities (Joint Vent.)		-			
18.3	Income from Other Discontinued Operations					
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)					
19.1	Loss from Assets Held for Sale					
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entitles					
	(Joint Vent.)			-	-	
19,3	Loss from Other Discontinued Operations			-		-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES					[
	(XVIII-XIX)		•		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)			•		-
21.1	Provision for Current Taxes		-		-	•
21.2	Provision for Deferred Taxes			•	-	•
XXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	i	-	•	~	
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(11)	178.867	211.861	50.317	71.422
23.1	Group's Profit/Loss		178.867	211.861	50.317	71.422
23.2	Minority shares (-)					
	Earnings Per Share (Full TL)		0, 199	0,235	0,056	0,079



## ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOMEREXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

		Reviewed	Reviewed	Reviewed	Reviewed
ETAT	EMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS'	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
21A;	EMENT OF INCOME AND EXPENSE HEAD ACCOUNTED BIDER SHAREHOLDERS	January 1-	January 1-	July 1-	July 1-
	eQuit 1	September	September	September	September
		30,2016	30,2015	30,2016	30,2015
1.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM				
•"	AVAILABLE FOR SALE FINANCIAL ASSETS	(3.883)	(5.000)	(2.862)	(1.264)
tl.	TANGIBLE ASSETS REVALUATION DIFFERENCES	,	•	,	
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES		-		
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	7.18	5.981	1.574	4.735
٧.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW				-
	HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	•			
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF				[
	net investment in foreign operations (effective portion of fair				
	VALUE DIFFERENCES)	-	•		•
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING				
	POLICIES	-	•	•	•
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE				
	WITH TAS				*
ŧx.	DEFERRED TAX ON VALUATION DIFFERENCES	777	1,000	573	253
Х.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (1+11++1X)	(2.888)	1.981	(715)	3.724
XÍ.	PROFIT/LOSS	178.867	211,861	50.317	71.422
11.1	Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	•	*	-	
11.2	Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and				
	presented in Income Statement	•	•	•	
\$1,3	Part of Hedge of Net Investments in Foreign Operations reclassified and	j			
	presented in Income Statement	(45.0/7	211.861	50,317	71.422
11.4	Other	178.867	211.861	30,317	/1.422
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X&XI)	175.979	213,842	49,602	75.146



ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

	Notes		Effect		Share					Current	Year	Markatable	intanethie	Sarker		Vanderon Differences	
Changes in shareholders' equity (Reviewed)	Section Five-V	Patto en		Share	Cancellation Profits	Legal	Status Reserves	Status Extraordinary parves Reserves	Other Reserves <sup>77</sup>	Mar Secome (focuses)	Wet broome / Cossi	Securitita Valuation Reserve	æ	Shares	Hecking	For Sales and	7otal
PRIOR PERIOD January 1- September 30, 2015																100	
Begirning halance	8	900,000	٠	•	٠	71,744	•	398,393	(2.973)	252,631	7.943	9.990	153,179	•	t	•	1,790,927
Changes in Period																	
increase Thecrease Related to Merger		•	•	•	٠	•	•	•	•	٠	•	•	,				
Markelatke Sociatives Valuation Inforences		٠	•	•	•	٠	٠	٠	•	,	•	(4 000)		, ,			• 000 17
reaging runas (tillective Portion)		•	•	•	•	•	•	•	•	•	•	1	•	4	•		fam't
		y	•	•	•	١	•	•	*	٠	•	•	*	•	١	•	
Hedge Of Het investment in Foreign Operations		•	•	٠	•		•	٠	٠	•	•	•	•	•		• •	
language Assets the calculation (Miterespies		٠	,	•	•	•	•	•	•	•	•	•	•	•	4	•	
Miangsie Assets Revaluation Offerences Bonix Shares Offerioxed from		•	•	•	•	•		•	•	٠	•	٠	•	•	•	٠ ،	
Associates, Subsidiaries and Jointly Controlled																	
Operations		٠	•	•	•	٠	•	٠	,	,	,	٠	•	•	•	1	
rottign thatbangs Differences		•	•	•	1	•	,	•	5.981	,	٠	•	•	•	•		A 00 M
Changes related to the tasposal Of Assets Changes Related to the Reclarification of		•	•	•	*	٠	,	•	•	٠	,	•	•	•	•		
Assets		¥	•	,	•												
The Effect of Change in Associate's Equity		•	٠	• •	. 1			•		•	•	•	•	*	•	•	•
		•	•	٠			•	•	•		٠	•	•	•	•	•	١
		٠	•	•	٠,			,			•	•	•	•	•	•	•
12.2 Internal Sources		•	•	•	•		. ,	•			•	*	•	•	•	•	•
		•	ť		•		•		•	•	•	•	•	•	+	•	•
XiV. Share Cancellation Profits		•	•	•	•	•	•	•	• 1	•	•	•	•	•	•	•	•
		*	•	•	٠	•	•	•		•	•		•	•	•	٠	
-		•	•		•	٠	•	•	2		1 7.65	•	1 22 2 9 2	•	•	•	* ;
		1	•	4	•	•		•	•	144 044	7.70		(4.341)	•	1	•	(1.741)
		•	•	•	•	13.030	•	713 364	•	053 470	12 8621	•	•	•	,	•	23 1.861
		•	•	•	•	'	•	•	•	£140.4041	ישטר אבז	•	•	•	•	•	(34.200)
18.1 Transfers to Reserves		•	•	•		13.030	•	213,364	, ,	•	(276.196)	* •		• 1		1	(34,200)
1		-		,	•	•		•		(252,631)	252.631	•	•			•	
CHOSING BALLANCE (1+11+111++XVI+XVII+XVII)		950 000				7 2 2	l		-			_				•	•



BAĞIMSIZ DENETİM VE SEREEST MÜNASEPECI MALI MÜNASEPECI

ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

	CHANGES IN SHAREHOLDERS - EQUITY  (Parveous)	Notes  Section Five-V	Paich in Capitas	Effect of inflation Accounting on Capital	Share	Share Certificate Cancellation Profits	(ega)	Natur Reserve	Extraordinary Street	Other Constant	Current Period Net Sucome /	Prior Years Net Distore	Attributable Securities Veloation	Tangshie and Interphie Aners Revaluation	Buture Shares from	Hedging	Accumulated Valuetion Differences on Assets this For Sale and	T. September 1
	CURRENT PERIOD Jamesy 1- September 30, 2016						1					14,20,53	46.44	X	Investore and	torces	CHE OF	(day)
<b></b>	Beginning balance	( <del>)</del>	\$00,000	•	•	•	84.774	٠	611,757	1.127	302.863	3.610	10,691	189,092	,	•	•	2,403,916
	Changes in Pariod																	
<b>#</b>	harease/Decrease Related to Merger		٠	•	•	٠	•	٠	٠	٠	•	•						
# <u>;</u>	Marketable Securities Valuation Differences		+	•	٠	•	٠	•	•	•	. ,		13 1961	•	•		•	* :
ž	Hedging Funds (Effective Poetion)		•	•	•	١	•	٠	•	•	, ,	• •	(50)	•	•	•	•	(3.100)
÷.	Cash-flow Hedge		•	•	٠	•		•	,	•		• •	•		• •	, ,	• •	1 :
7.4	resign of rec investment in toreign Operations																	•
>	Totalite Sector Sandanes Different		•	•	•	•	•		٠	٠	•	•	•	•	•	t	٠	٠
× 5±	interettle Assets Revaluation Milerenese			•		•	٠	•	٠	•	•	•	•	•	•	•	,	•
¥	Bons Shares Obtained from Associator		•	•	•	•	٠	•	1	•	•	•	•	•	٠	•	•	•
	Subsidiaries and Jointly Controlled																	
	_		1	•	•		1	٠	٠	•	•	٠	٠	•	•	1	1	
Ĕ,			•	•	•	•	,	•	•	22.5	•	•	•	• •	•			1 20 7
د ځ	Changes Related to the Disposal Of Assets		•	•	•	•	•	•	•	,	•	•	•	. ,			•	25.2
é	Inalysis Related to the Heciasiffication of Acosts													•	•	•	•	•
×	The Effect of Chance in Associate's Courts		•	•	٠	•	•	•	•	¥	•		•	•	•	•	•	٠
X	Carried by the see			• 1		•		•	•	•	•	1	•	•	•	•	•	*
17.1			•	• •		•	•	•	•		•	•	•	•	•	•	•	В
12,2			•	•	•		• •		•	•	•	•	•	•	•	•	•	•
2課	Share Issue Premium		•	,	•	•	•		• •		• •	•	•	•	•	•	•	•
XIV.	Share Cancellation Profits		•	•	r	•	٠	•	•				•	•	٠	•	•	
\$			٠	•	•	•	•	•	•	,				Ŧ	•	•	•	•
ž	-		•	,	•	•	(7,822)	,	12 4501	4 47 4		300.4	•	1000	•	•	•	
Ž			•	•	٠	•	•	*	inter-pri	,	178 821	3.673	•	17.336)	•	•	•	(8.384)
## \$₹	Profit Distribution		٠	•	,		15 863	•	340 240	1 1	120.071	, 4401	•	•	•	•	•	1/8.84/
18.1			•	٠	•	•	, ,	•	,			(5,010)	,	,	•	1	•	(30,400)
18.3			ŧ	٠	•	•	15,863	•	240 250			(20.400)	•	•	•	•	•	(50+'nc)
18.3	- 1		٠		•	•	'	,	*	•	(303 867)	203 843	,	•	•	•	•	•
	Closing Salance (1-N+iii++XVI+XVII+XVIII)		900 000				170					rom you				'	•	1
ť	Comment of the control of the contro		2				77.033	،	848.517	3,656	178.857	3.095	7,585	181.562	•	,		2,221,109

CAS per Repurchase Programme accepted at the General Assembly on March 25, 2015 repurchased shares amount to TL 3,005 between January 18, 2016 and July 12, 2016 is represented under other reserves.

<del>---</del>-

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

			Reviewed	Raviewa
			CURRENT	PRIC
			PERIOD	PERIC
	STATEMENT OF CASH FLOWS	Notes	January 1-	January
		(Section	September30.	September 3(
		Five-VIII)	7016	201
A,	CASH FLOWS FROM BANKING OPERATIONS	····		
1.1			1	
	Operating Profit Before Changes in Operating Assets And Liabilities		816.007	927.84
1.1.1	Profit Share Income Received		1,428,062	1,213.00
1.1.2	Profit Share Expense Paid		(789.803)	(707.199
1,1.3	Dividend Received	į .	,	1, 2, , , , ,
1.1.4	Fees and Commissions Received		150.630	130,49
1.1.5	Other income		58.861	87.44
1.1.6	Collections from Previously Written Off Loans		120,147	50.48
1.1.7	Payments to Personnel and Service Suppliers	i l	(309,440)	(263.586
1.1.8	Taxes Paid		(73.942)	(100.440
1,1,9	Others	i	231.492	517.63
1.2	Changes in Operating Assets And Liabilities		(1.227.965)	{279.165
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets		15,207	(15.490
1.2.2	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	1		1,21,470
1.2.3	Net (Increase) Decrease in Due From Banks and Other Financial Institutions	1 1	(91.015)	(675.861
.2.4	Net (Increase) Decrease in Loans	1 1	(1,091,347)	(2.658.670
1.2.5	Net (Increase) Decrease in Other Assets	1	87.359	(262.582
.2.6	Net Increase (Decrease) in Funds Collected From Banks	1 1	1.251,231	397.31
.2.7	Net Increase (Decrease) in Other Funds Collected	1 1	(1,755,462)	2,317.80
.2.8	Net Increase (Decrease) in Funds Borrowed	1	(10.034)	111.77
.2.9	Net Increase (Decrease) in Payables		,	******
.2.10	Net Increase (Decrease) in Other Liabilities	1	366.096	506,54
	Nat Cash Flow From Banking Operations		(411,958)	648.679
š.	CASH FLOWS FROM INVESTING ACTIVITIES			
١.	Net cash flow from investing activities		18.522	(265,580)
.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries			
• •		1	(4.500)	(10.000)
.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries	ļ		•
3	Fixed Assets Purchases	1	• ]	
4	Fixed Assets Sales	1 1	(21.738)	(46.242
5	Cash Paid for Purchase of Financial Assets Available for Sale	1	51.410	6.741
6	Carl Obtained from Tale of Financial Assets Available for Sale	] [	(680.721)	(452, 177)
7	Cash Obtained from Sale of Financial Assets Available for Sale Cash Paid for Purchase of Investment Securities	i l	439.586	151.081
8	Cash Obtained from Sale of Investment Securities		(184.555)	(391.427)
9	Other		419.040	476.444
	CASH FLOWS FROM FINANCING ACTIVITIES			•
-	Net Cash Flow From Financing Activities		(1.546.538)	1,008,498
1	Cash Obtained from Funds Borrowed and Securities Issued		1.090.346	
2	Cash Used for Repayment of Funds Borrowed and Securities Issued	ļ l		5,408,564
3	Issued Capital Instruments	į l	(2.586,484)	(4.365,866)
4	Dividends Paid		(50,460)	
5 5	Payments for Finance Leases Other		(30.480)	(34,200)
	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		44.500	-
	Het (Decrease) Increase in Cash and Cash Equivalents		61.709	250,792
	· · · · · · · · · · · · · · · · · · ·		(1.878.065)	1.642.389
•	Cash and Cash Equivalents at the Beginning of the Period		3.808.054	2,383.932
	Cash and Cash Equivalents at the End of the Period	i	1.929.989	4.026.321



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION THREE**

#### **ACCOUNTING POLICIES**

- 1. Explanations on basis of presentation:
- a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities and revalued real estates carried at fair value.

## b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2015. The aforementioned accounting policies and valuation principles are explained in Notes II to XXII below.

TAS/TFRS changes which are effective from January 1, 2016 do not have a significant effect on the Bank's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective, except TFRS 9 financial instruments, do not have a significant effect on the Bank's accounting policies, financial position or performance.

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after 31 December 2017) "Financial Instruments" before January 1, 2018. Since the Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The preparation of the unconsolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

#### c. Restatement of the financial statements according to the current purchasing power of money:

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### II. Explanations on strategy of using financial instruments and foreign currency transactions:

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency non-performing loans which were funded from these accounts is evaluated at current foreign exchange rates. The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.

Since the Bank provides full specific provision (except foreign branch) for the Bank's portion of risk of foreign currency non-performing loans and receivables funded from profit sharing accounts and for the risk of foreign currency non-performing loans and receivables funded by equity, such loans and receivables are translated to Turkish Lira at the current exchange rates instead of exchange rates prevailing at the date of transfer of the balances to non-performing portfolio. Such implementation does not have a positive or negative impact on trading income/loss of the Bank.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

#### III. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Bank consist of forward foreign currency and swap agreements. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The Bank's derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

#### IV. Explanations on profit share income and expenses:

#### Profit share income

Profit share Income is accounted in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations on profit share income and expenses (continued):

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

#### Profit share expense

The Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

#### V. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered 8.02.1.8DK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related cash and non-cash loans commissions directly as income.

#### VI. Explanations on financial assets:

The Bank categorizes and records its financial assets as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale", "Loans and Receivables" or "Financial Assets Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management taking into consideration the purpose of the investment.

#### Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of September 30, 2016, the Bank has not any financial assets classified as financial assets at fair value through profit or loss except for trading financial assets (December 31, 2015: None).



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VI. Explanations on financial assets (continued):

#### Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

#### Loans and receivables:

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

#### Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under "Loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

#### VII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VII. Explanations on impairment of financial assets (continued):

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

#### VIII. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in available for sale and subordinated loan accounts.

#### IX. Explanations on sale and repurchase agreements and lending of securities:

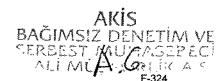
Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available-for-sale" and "held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Bank has not any securities lending transactions.

### X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discounted operations to tangible assets.



17

(Thousand of Turkish Lira (TL) unless otherwise stated)

## X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets (continued):

A discontinued operation is a part of the Bank's business which has been disposed of or classified as held-forsale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has not any discontinued operations.

#### XI. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights. The Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

#### XII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2015, the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve in accordance with TAS 16.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### XII. Explanations on tangible assets (continued):

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate (%)
Buildings Motor vehicles Furniture, fixture and office equipment Safe-deposit boxes Operational lease improvement costs (Leasehold improvements)	2 20 - 25 4 - 33 2 - 20 Leasing period - 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

#### XIII. Explanations on leasing transactions:

#### Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

#### Transactions as a lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### XIV. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

#### XV. Explanations on liabilities regarding employee rights:

#### i) Defined benefit plans:

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income.

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

As of September 30, 2016, actuarial loss amounts to TL 6.896 (December 31, 2015; TL 6.896 actuarial loss).

#### (i) Defined contribution plans:

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

#### iii) Short term benefits to employees:

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.



(Thousand of Turkish Lira (TL) unless otherwise stated)

### XVI. Explanations on taxation:

### Current tax:

The Bank is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are exempt from corporate tax if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax Law.

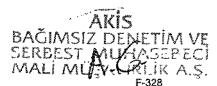
Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Bank. As of report date, there is no information or written report transmitted to the Bank.



(Thousand of Turkish Lira (TL) unless otherwise stated)

### XVI. Explanations on taxation (continued):

### Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

### Transfer pricing:

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

### XVII. Additional explanations on borrowings:

The Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Bank. The Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka Sukuk Limited.

The Bank has subordinated loan borrowed through sukuk issuance which has convertible nature to the shares.

### XVIII. Explanations on issued share certificates:

None.

### XIX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

### XX. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Bank.

### XXI. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note X.

### XXII. Explanations on other matters:

None.

### XIII. Additional paragraph for convenience translation:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.



ALBARAKA TÜRK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2016
(Thousand of Turkish Lira (TL) unless otherwise stated)

### **SECTION FOUR**

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

### 1. Explanations on capital adequacy standard ratio:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of September 30, 2016 the Bank's total capital has been calculated as TL 2.908.574, capital adequacy standard ratio is 12,74%. As of December 31, 2015, Bank's total capital amounted to TL 3.157.310, capital adequacy ratio was 15,27% calculated as per former regulations. This ratio is above the minimum ratio required by the legislation.

BRSA has accepted the proposal of Participation Banks' Association of Turkey regarding reducing alfa ratio from 70% to 50% being calculated in credit risk for participation funds based loans. Related application will enter into force from October 1, 2016.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital:

COMMON EQUITY TIER 1 CAPITAL  Paid-in capital following all debts in terms of claim in liquidation of the Bank Share issue premiums Reserves Gains recognized in equity as per TAS Profit  Current Period Profit Prior Period Profit Share sacquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period Common Equity Tier 1 Capital Before Deductions Deductions from Common Equity Tier 1 Capital Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS Improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Defined-benefit pension fund net assets Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank	900.000 946.332 202.282 181.962 178.867 3.095 2.230.576	36.704
Share issue premiums Reserves Gains recognized in equity as per TAS Profit Current Period Profit Prior Period Profit Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period Common Equity Tier 1 Capital Before Deductions Deductions from Common Equity Tier 1 Capital Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	946.332 202.282 181.962 178.867 3.095 2.230.576	36.784
Reserves Gains recognized in equity as per TAS Profit Current Period Profit Prior Period Profit Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period Common Equity Tier 1 Capital Before Deductions Peductions from Common Equity Tier 1 Capital Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	202.282 181.962 178.867 3.095 2.230.576	36.704
Gains recognized in equity as per TAS Profit Current Period Profit Prior Period Profit Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period Common Equity Tier 1 Capital Before Deductions Deductions from Common Equity Tier 1 Capital Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	202.282 181.962 178.867 3.095 2.230.576	36.704
Profit Current Period Profit Prior Period Profit Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period Common Equity Tier 1 Capital Before Deductions Deductions from Common Equity Tier 1 Capital Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	181,962 178,867 3,095 2,230,576 - 9,467 30,164	36.704
Current Period Profit Prior Period Profit Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period Common Equity Tier 1 Capital Before Deductions  Deductions from Common Equity Tier 1 Capital Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unreatized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	178.867 3.095 2.230.576 - 9.467 30.164	36.704
Prior Period Profit Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period Common Equity Tier 1 Capital Before Deductions Deductions from Common Equity Tier 1 Capital Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unreatized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	3.095 2.230.576 - 9.467 30.164	36.704
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period Common Equity Tier 1 Capital Before Deductions  Deductions from Common Equity Tier 1 Capital  Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks  Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability)  Other intangibles other than mortgage-servicing rights (net of related tax liability)  Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk  Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	9,467 30.164	36.704
Common Equity Tier 1 Capital Before Deductions  Deductions from Common Equity Tier 1 Capital  Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks  Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing  Goodwill (net of related tax liability)  Other intangibles other than mortgage-servicing rights (net of related tax liability)  Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk  Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unreatized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	9,467 30.164	36.704
Common Equity Tier 1 Capital Before Deductions  Deductions from Common Equity Tier 1 Capital  Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks  Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability)  Other intangibles other than mortgage-servicing rights (net of related tax liability)  Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk  Communiqué Related to Principles of the amount credit risk calculated with the internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	9,467 30.164	36.704
Deductions from Common Equity Tier 1 Capital Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unreatized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	9,467 30.164	36.704
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	30.164	36.704
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability)  Other intangibles other than mortgage-servicing rights (net of related tax liability)  Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk  Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	30.164	36.704
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	30.164	36.704
reserves and losses reflected in equity in accordance with TAS improvement costs for operating leasing Goodwill (net of related tax liability)  Other intangibles other than mortgage-servicing rights (net of related tax liability)  Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk  Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	30.164	36.704
Improvement costs for operating leasing Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unreatized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	30.164	36.704
Goodwill (net of related tax liability) Other intangibles other than mortgage-servicing rights (net of related tax liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	•	36.704
Other intangibles other than mortgage-servicing rights (net of related tax liability)  Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk  Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	22.022	36,704
liability) Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	22.022	36.704
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk  Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	22.022	36.704
temporary differences (net of related tax liability) Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk Communique Related to Principles of the amount credit risk calculated with the internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unreatized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of		
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk  Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	:	
to hedge of cash flow risk  Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unreatized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision  Gains arising from securitization transactions  Unrealized gains and losses due to changes in own credit risk on fair valued liabilities  Defined-benefit pension fund net assets  Direct and indirect investments of the Bank in its own Common Equity  Shares obtained contrary to the 4th clause of the 56th Article of the Law  Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	:	
Internal Ratings Based Approach, total expected loss amount exceeds the total provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	:	
provision Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	-	
Gains arising from securitization transactions Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contarry to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	:	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	•	
liabilities Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of		
Defined-benefit pension fund net assets Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of		
Direct and indirect investments of the Bank in its own Common Equity Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	•	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank  Portion of the total of net long positions of investments made in equity items of	•	
banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of	-	
owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank Portion of the total of net long positions of investments made in equity items of		
Equity of the Bank Portion of the total of net long positions of investments made in equity items of		
Portion of the total of net long positions of investments made in equity items of		
	•	
owns 10% or more of the issued common share capital exceeding 10% of Common		
Equity of the Bank		
Portion of mortgage servicing rights exceeding 10% of the Common Equity	•	
Portion of deferred tax assets based on temporary differences exceeding 10% of	•	
the Common Equity		
Amount exceeding 15% of the common equity as per the 2nd clause of the	-	
Provisional Article 2 of the Regulation on the Equity of Banks	_	
Excess amount arising from the net long positions of investments in common	-	
equity items of banks and financial institutions outside the scope of consolidation		
where the Bank owns 10% or more of the issued common share capital	_	
Excess amount arising from mortgage servicing rights	_	
Excess amount arising from deferred tax assets based on temporary differences		
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I	-	
Capital or Tier il Capital		
Total Deductions From Common Equity Tier 1 Capital		······································
Total Common Equity Tier 1 Capital 2	61,653	



(Thousand of Turkish Lira (TL) unless otherwise stated)

# 1. Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital (continued):

ADDITIONAL TIER I CAPITAL	
Preferred Stock not included in Common Equity and the Related Share Premiums	
Debt instruments and premiums approved by BRSA	<u>.</u>
Debt instruments and premiums approved by BRSA(Temporary Article 4)	,
Additional Tier I Capital before Deductions	***************************************
Deductions from Additional Tier I Capital	*
Direct and indirect investments of the Bank in its own Additional Tier I Capital	
Investments of Bank to Banks that invest in Bank's additional equity and	
components of equity issued by financial institutions with compatible with Article	
7.	•
Total of Het Long Positions of the investments in Equity Items of Unconsolidated	
Banks and Financial Institutions where the Bank Owns 10% or less of the Issued	
Share Capital Exceeding the 10% Threshold of above Tier I Capital	•
The Total of Net Long Position of the Direct or Indirect Investments in Additional	
Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank	
Owns more than 10% of the Issued Share Capital	•
Other items to be defined by the BRSA	•
Transition from the Core Capital to Continue to deduce Components	•
Goodwill and other intangible assets and related deferred tax liabilities which will	<del>/////////////////////////////////////</del>
not deducted from Common Equity Tier 1 capital for the purposes of the first sub-	
paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	14.682
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1	
capital for the purposes of the sub-paragraph of the Provisional Article 2 of the	
Regulation on Banks' Own Funds (-)	•
Deductions to be made from common equity in the case that adequate Additional	
Tier I Capital or Tier II Capital is not available (-)	•
Total Deductions From Additional Tier I Capital	*
Total Additional Tier I Capital	-
Total Tier   Capital (Tier   Capital=Common Equity+Additional Tier   Capital)	2,154,241
TIER II CAPITAL	
Debt instruments and share issue premiums deemed suitable by the BRSA	676,192
Debt Instruments and share issue premiums deemed suitable by BRSA (Temporary	
Article 4)	•
Provisions (Article 8 of the Regulation on the Equity of Banks)	84.131
Tier II Capital Before Deductions	760,323
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	•
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity	
issued by financial institutions with the conditions declared in Article 8.	
	•
Portion of the total of net long positions of investments made in equity items of	•
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank	•
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common	•
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I	
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation	•
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding	· •
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	•
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)	
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-)  Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank  Other items to be defined by the BRSA (-)  Total Deductions from Tier II Capital	
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital	760.323
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital)	760.323 2.914.564
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of	
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law	
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the	
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the Issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the Issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue	2.914.564
Portion of the total of net long positions of investments made in equity Items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank Other items to be defined by the BRSA (-) Total Deductions from Tier II Capital Total Tier II Capital Total Capital (The sum of Tier I Capital and Tier II Capital) Deductions from Capital Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>th</sup> Article of the Law Net Book Values of Movables and Immovables Exceeding the Limit Defined in the	



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital (continued):

· · · · · · · · · · · · · · · · · · ·		
In transition from Total Core Capital and Supplementary Capital (the	······································	**************************************
capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10%		
of Banks Common Equity) in the capital of banking, financial and insurance		
entities that are outside the scope of regulatory consolidation, where the bank		
does not own more than 10% of the issued common share capital of the entity		
which will not deducted from Common Equity Tier 1 capital, Additional Tier 1		
capital, Tier 2 capital for the purposes of the first sub-paragraph of the		
Provisional Article 2 of the Regulation on Banks' Own Funds	•	
The Sum of net long positions of investments in the Additional Tier 1 capital and		
Tier 2 capital of banking, financial and insurance entities that are outside the		
scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from		
Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the		
purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation		
on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking,		
financial and insurance entities that are outside the scope of regulatory		
consolidation, where the bank does not own more than 10% of the issued common		
share capital of the entity, mortgage servicing rights, deferred tax assets arising		
from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2		
of the Regulation on Banks' Own Funds		
TOTAL CAPITAL		<del></del>
Total Capital	2.908.574	
Total risk weighted amounts	22.831.382	
Capital Adequacy Ratios	***************************************	
Core Capital Adequacy Ratio (%)	9,50	
Tier 1 Capital Adequacy Ratio (%) Capital Adequacy Ratio (%)	9,44	
SUFFERS	12,74	
Total buffer requirement (%)	0,63	***************************************
Capital conservation buffer requirement (%)	0,63	
lank specific counter-cyclical buffer requirement (%)	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by		
he first paragraph of the Article 4 of Regulation on		
Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets  %)	w	
mounts below the Excess Limits as per the Deduction Principles	5,00	
ortion of the total of net long positions of investments in equity items of		<del></del>
inconsolidated banks and financial institutions where the bank owns 10% or less		
of the issued share capital exceeding the 10% threshold of above Tier I capital	*	
fortion of the total of investments in equity items of unconsolidated banks and		
inancial institutions where the bank owns 10% or less of the issued share capital		
xceeding the 10% threshold of above Tier I capital	•	
mount arising from deferred tax assets based on temporary differences	-	
imits related to provisions considered in Tier II calculation imits related to provisions considered in Tier II calculation	28.338	
eneral provisions for standard based receivables (before ten thousand twenty		~~~
ive (imitation)		
p to 1.25% of total risk-weighted amount of general reserves for receivables	-	
/here the standard approach used	84,131	
xcess amount of total provision amount to credit risk Amount of the Internal		
atings Based Approach in accordance with the Communiqué on the Calculation	-	
xcess amount of total provision amount to 80,6 of risk weighted receivables of		
redit risk Amount of the Internal Ratings Based Approach in accordance with the ommunique on the Calculation		
ebt instruments subjected to Article 4	•	
ebt instruments subjected to Article 4 (to be implemented between January	······································	
2018 and January 1, 2022)		
pper limit for Additional Tier I Capital subjected to temporary Article 4	•	
mounts Excess the Limits of Additional Tier I Capital subjected to temprorary		
rticle 4	•	
pper limit for Additional Tier II Capital subjected to temporary Article 4	•	
mounts Excess the Limits of Additional Tier II Capital subjected to temporary rticle 4		
Amounts in this column represents the amounts of items that are subject to	•	
ansition provisions.		
·	* ** ** **	



# ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

### Ì, Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital (continued):

	December 31 2015 <sup>(1)</sup>
Tier I capital	
Paid-in Capital to be Entitled for Compensation after All Creditors Share Premium	900.000
Share Cancellation Profits	-
Reserves	+
Other Comprehensive Income according to TAS	696.531
Profit	206.427
Current Period Profit	306.473
Prior Period Profit	302,863
General Reserves for Possible Losses	3.610
General reserves for POSSIBLE LOSSES	88
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Tier I capital before deductions	
they a repliet belone deductions	2.109,519
Deductions from tier I capital	***************************************
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	
	5.517
Leasehold Improvements on Operational Leases (-)	36.383
Goodwill and Other Intangible Assets and Related Deferred Taxes (+)	16.742
Net Deferred Tax Asset/Liability (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and indirect Investments of the Bank on its own Tier I Capital (-)	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
INSTRUCTIONS Where the bank Owns 10% or less of the issued Share Capital Eveneding the 10% Threshold of	
above Her i Capital (-)	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
institutions where the bank Liwis 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
adaka lisi radital (-)	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	
NET Deferred Tax Assets arising from Temporary Differences Eveneding the day Throughold of Time Comments	
ANDUM EXCEEDING INC 10% INTESHOLD OF HIP I CARDIAL AS NOT the Article 7 Clause 7 of the Domitation we	
measurement and assessment of Labital Adequacy Ratios of Ranks (.)	-
The Portion of Net Long Position of the investments in Faulty Items of Uncorrelidated Banks and	
rinancial institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from	
ite i vapitat (-)	
Mortgage Servicing Rights not deducted (-)	_
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	_
Total deductions from tier I capital	58,642
Total tier I capital	2,050,877
Additional core capital	1,030,017
Preferred Stock not included in Tier I Capital and the Related Share Premiums	
vent instruments and the Related Issuance Premiums Dafinad by the Roca	-
(Issued of Obtained after 1.1.2014)	
Debt instruments and the Related Issuance Premiums Defined by the BRSA	•
(ISSUED OF Obtained before 1.1.2014)	
Additional core capital before deductions	-
Deductions from additional core capital	•
Direct and indirect investments of the Bank on its own Additional Core Capital (1)	•
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Reals and Elements	•
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
apove tiet ( Fabitat (-)	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of	•
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share	
Capital (-)	
Other items to be Defined by the BRSA (-)	•
Deductions from Additional Core Capital In cases where there are no adequate Tier II Capital (-)	*
Total deductions from additional core capital	w
Total additional core capital	
	<u> </u>



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

### a) Information on Capital (continued):

Deductions from core capital	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of	***************************************
Banks (-)  Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	25.113
Total core capital	2.025.764
Tier il capital	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Pleaged Assets of the Shareholders to be used for the Bank's Capital Increases	642.166 420.300
General Provisions	74,819
Tier II capital before deductions	1.137.285
Deductions from tier ii capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital(-)	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier If Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued	•
Share Capital Exceeding the 10% Threshold of Tier   Capital (-)	
Other Items to be Defined by the BRSA (-)	
Total deductions from tier    capital	÷
Total tier II capital	1.137.285
Capital	3.163,049
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than	
Five Years (-)	
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated	2.459
Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital	•
Adequacy Ratios of Banks (-)	
Other items to be Defined by the BRSA (-)	3.280
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	J.KDO
Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	
The Portion of Total of Net Long Positions of the Investments in Fourity Itams of Unconsolidated Ranks and	-
Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10%	
Investigation above ther I Capital not deducted from Additional Core Capital or Tier II Capital at nor the	
Temporary Article 2. Clause 1 of the Regulation (-)	_
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial	-
INSURUTIONS Where the Bank Uwns 10% or more of the issued Share Capital of the Not Deformed Tay Access	
ansing from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as nor	
the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	
FdattA	3.157.310
Amounts lower than excesses as per deduction rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	
rinancial institutions where the Bank Owns 10% or less of the Issued Share Capital	_
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and	
Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital Remaining Mortgage Servicing Rights	•
Net Deferred Tax Assets arising from Temporary Differences	
Contract and Assets along from reinporary officerances	18.922

<sup>(\*)</sup> Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date March 31, 2016, the information given in the prior period column has been calculated as per former regulation.



ALBARAKA TÜRK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2016
(Thousand of Turkish Lira (TL) unless otherwise stated)

I. Explanations on capital adequacy standard ratio (continued):

- ci este in the contract of the
- b) Information on reconciliation of total capital and equity.

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provisions and debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, general provision up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

### c) Details on Subordinated Liabilities

1	
Issuer	Albaraka Sukuk Ltd.
Unique Identifier	XS1301525207
Governing Law(s) of the instrument	English Law
Special Consideration in the Calculation of Equity	
As of January 1, 2015 consideration to be subject to a 10%	
reduction application status	No
Eligible at Unconsolidated / Consolidated	Unconsolidated / Consolidated
Instrument Type	Sukuk Wakala
Amount recognized in regulatory capital (as of most recent	
reporting date)	TL 676, 192
Par Value of Instrument	TL 676.192
Accounting Classification	Subordinated Loan
Original date of Issuance	November 30, 2015
Perpetual or dated	Dated
Maturity date	November 30, 2025
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: 30.11.2020
	Total Repayment Amount of Profit
	Share: USD 131.250.000.
	Repayment Period: 6 months
	Principal Payment: USD 250.000.000
Subsequent call dates	+
Profit Share / Dividends	14
Fixed or floating profit share / dividend	Fixed
Profit share rate and any related index	10,50 %
	As per BRSA regulations and
Existence of a dividend stopper	Communiqués it is payable
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	
Noncumulative or cumulative	Noncumulative
Convertible or Non-convertible	Provideriorative
	As per BRSA regulations and
If convertible, conversion trigger	Communiqués it is convertible
	As per BRSA'a approval it is
If convertible, fully or partially	convertible fully or partially
	As per BRSA'a approval it is
If convertible, conversion rate	convertible and the rate may be
	determined.
If convertible, mandatory or optional conversion	Subject to BRSA's approval.
If convertible, specify instrument type convertible into	Share certificate
If convertible, specify issuer of instrument it converts into	*
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	~
If write down, permanent or temporary	
If temporary write-down, description of write-up mechanism	
	After all and the said and the
	After all creditors and participation
In compliance with article number 7 and 8 of "Own fund	fund owners
	No
Details of incompliances with article number 7 and 8 of "Own	110
	No
	1.74



(Thousand of Turkish Lira (TL) unless otherwise stated)

# II. Explanations on credit risk:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# III. Explanations on currency risk:

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

- a) The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position / shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b) The Bank does not have any derivative financial instruments held for hedging purposes.
- As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.
- c) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

	USD	EUR
As of September 30, 2016 - Balance sheet evaluation rate	2,992	3.359
As of September 29, 2016	2,990	3.359
As of September 28, 2016	2,978	3,334
As of September 27, 2016	2,977	3,332
As of September 26, 2016	2,975	3,348
As of September 23, 2016	2,949	3,304

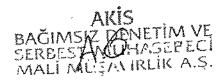
d) The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 2,960 for 1 USD (December 2015: TL 2,883), TL 3,317 for 1 EURO (December 2015: TL 3,145).

### Foreign currency sensitivity:

The Bank is mainly exposed to EUR and USD currency risks.

The following table details the Bank's sensitivity to a 10% change in the USD and EURO rates. A negative amount indicates a decrease effect in profit/loss or equity of the 10% value change of USD and EUR against TL.

	% Change in foreign currency rate	Effect on profi	t / loss	Effect on ed	guity
**		Current Period	Prior Period	Current Period	Prior Period
USD USD EURO EURO	10% increase 10% decrease 10% increase 10% decrease	(5.066) 5.066 2.715 (2.715)	1.547 (1.547) 4.264 (4.264)	(190) 190 -	(210) 210 859 (859)



(Thousand of Turkish Lira (TL) unless otherwise stated)

### III. Explanations on currency risk (continued):

### Information on currency risk of the Bank:

Current Period	EUR	USD	Other FC <sup>(*)</sup>	Total
Assets				
Cash (cash in vault, foreign currency, money in transit,				
cheques purchased) and balances with the Central Bank of				
Republic of Turkey	703.051	2.468.890	745,502	3.917.443
Banks	277.452	244.077	79.959	601.488
Financial assets at fair value through profit and loss	*	5.553	-	5.553
Money market placements		*	-	-
Available-for-sale financial assets	139	299,707	-	299.846
Loans and financial lease receivables(")	3.016.530	6.032.988	1.994	9,051,512
Subsidiaries, associates and joint ventures	-	-	•	-
Held-to-maturity investments	-	-	-	
Derivative financial assets for hedging purposes	•		4	•
Tangible assets	-	•	809	809
Intangible assets		•	313	313
Other assets (**)	1.433	8,009	1.471	10.913
Total assets	3.998,605	9.059.224	830,048	13.887.877
Liabilities				
Current account and funds collected from banks via	may r (1)	242.845	3.874	1.123.262
participation accounts	876.543		354,103	7,444,188
Other current and profit sharing accounts	2.060.269	5.029.816	334,103	7,444,100
Money market borrowings	•	•	-	-
Funds provided from other financial institutions and	867 327	4 • 65 563		5,102,902
subordinated loans	997.320	4,105,582	•	3. [02.702
Marketable securities issued		40.664	254	48.927
Miscellaneous payables	8.612	40.061	234	NQ.72/
Derivative financial liabilities for hedging purposes		47 40 4	63	14.968
Other liabilities	1.711	13,194		13,734,247
Total liabilities	3,944.455	9,431,498	358,294	13./34.44/
Net balance sheet position	54,150	(372,274)	471.754	153,630
Net off balance sheet position	(26.998)	321.616	(461,219)	(166,601)
Derivative financial instruments assets(***)	3,863	468.599	5.690	478.152
Derivative financial instruments liabilities(***)	30.861	146.983	466.909	644.753
Non-cash loans (""")	1.448,596	2.826.773	32.149	4.307.518
Prior Period				
Total assets	3.432.222	10,426,828	630.020	14,489,070
Total liabilities	3.372.658	10.622.240	420.127	14.415.025
total habitises	3.372.530	10108222474		•
Net balance sheet position	59,564	(195.412)	209.893	74.045
the state of the s	(16.929)	210,880	(191,644)	2.307
Net off balance sheet position	8.320	249,140	7.599	265,059
Derivative financial instruments assets			199.243	262.752
Derivative financial instruments liabilities	25.249	38.260 3.054.388	35.294	4,388,655
Non-cash loans	1.298.973	3,434.368	33,474	7,300,033

TL 733.569 (December 31, 2015: TL 446.121) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 7.939 (December 31, 2015: TL 39.682) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 285.425 (December 31, 2015: TL 294.008) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

Opes not have any effect on the net off-balance sheet position.



The balance includes foreign currency indexed loans and financial lease receivables of TL 5.428.483 (December 31, 2015; TL 5.068.133).

Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 589 (December 31, 2015; TL 431) is included in other assets.

In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 20,764 (December 31, 2015; TL 45,969) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 93,785 (December 31, 2015; TL 64,837).

(Thousand of Turkish Lira (TL) unless otherwise stated)

### IV. Explanations on position risk of equity securities in banking book:

The Bank does not have any associate and subsidiary quoted at Borsa Istanbul.

### V. Explanations on liquidity risk:

Liquidity Risk is managed by Asset and Liability Committee (ALCO) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

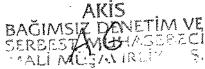
Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

in the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Risk Management Contingency Funding Plan" in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators in each stress.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# V. Explanations on liquidity risk (continued):

### Liquidity Coverage Ratio:

		Rate of "Percentage to be taken into account" not implemented Total value(*)		Rate of "Percentage be taken into accoun implemented Total value")	
	Current Period	TL+FC	FC	TL+FC	FĆ
	HIGH QUALITY LIQUID ASSETS			***************************************	<del></del>
1	HIGH QUALITY LIQUID ASSETS (HQLA)			5.047.403	3.147.720
L	CASH OUTFLOWS				
2	Retail and Small Business Funds Collected	10.923.510	4.023.190	950.060	402.319
3	Stable Funds Collected	2.845.820	- 1	142,291	***************************************
4	Less stable Funds Collected	8.077,690	4.023.190	807.769	402,319
5	Unsecured Funding other than Retail and Small Business				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
١.	Customers Deposits	5.503.927	3.114.811	3.221.741	1.754.627
6	Operational Funds Collected	342,536	341,444	85.634	85.361
7	Non-Operational Funds Collected	3.036.058	1.628.122	1.591.003	938,917
8	Other Unsecured Funding	2.125.333	1.145.245	1.545.104	730,349
9	Secured funding				
10	Other Cash Outflows	267.935	259.737	267.935	259.737
11	Liquidity needs related to derivatives and market				
1	valuation changes on derivatives transactions	267.935	259.737	267.935	259.737
12	Debts related to the structured financial products		- [	-	
13	Commitment related to debts to financial markets		- 1		
14	and other off balance sheet liabilities Commitments that are unconditionally revocable at any	•	-	•	-
174	time by the Bank and other contractual commitments		ļ		
15	Other irrevocable or conditionally revocable	•	-	•	•
'	commitments	9,299,355	4.102.655	726.363	341.074
16	TOTAL CASH OUTFLOWS	//E///1333	4,102,033	5.166.099	2,757,757
	CASH INFLOWS			3.100.077	2.737.737
17	Secured Lending Transactions	·			
18	Unsecured Lending Transactions	2.357.491	830.568	1,797,038	776,426
19	Other contractual cash inflows	264.852	93,196	264,852	
20	TOTAL CASH INFLOWS	2.622,343	923.764	2.061.890	93.196
		A. G.L., 343	723.704		869,622
21	TOTAL HOLA			Upper limit app	
22	TOTAL NET CASH OUTFLOWS		_	5.047.403	3.147.720
			_	3,104,209	1.888.135
23	Liquidity Coverage Ratio (%)			162,60	166,71

<sup>(1)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

Liquidity Coverage Ratio (%)	Curren	Current Period		
	TL+FC	FC		
Lowest	158,65	150,17		
Week	18 September 2016	28 August 2016		
Highest	246,41	335,93		
Week	17 July 2016	17 July 2016		
Average (%)	197,77	198,36		



(Thousand of Turkish Lira (TL) unless otherwise stated)

# V. Explanations on liquidity risk (continued):

1		Rate of "Perc	entage to be	Rate of "Bor.	entage to be
		taken into a	ccount" not	taken into	eilease to be
F	Bulling	Implemented	Total value(*)	Implemented	Total value(1)
	Prior period	TL+FC	FĆ	TL+FC	
ļ	HIGH QUALITY LIQUID ASSETS			16754	FC
<u> </u>	HIGH QUALITY LIQUID ASSETS (HQLA)		ininkishiran makarete	1 / 1 / 1 / 1 / 1	
	CASH OUTFLOWS			4.646.672	3.219.811
2	Retail and Small Business Funds Collected	11.185.760	4 **** ***		
3	Stable Funds Collected	11,163,700	4.553.060	1.118.576	455.306
4	Less stable Funds Collected	11,185,760	4 555 840		
5	Unsecured Funding other than Retail and Small Business	11,103,700	4.553.060	1.118.576	455.306
	Customers Deposits	E 457 334	* **	i	
6	Operational Funds Collected	5.457.231	2.634.109	1	1.411.013
7	Non-Operational Funds Collected	138.796	137,828	T 41.077	34,457
8	Other Unsecured Funding	2.740.796	1.270.374	1.467.273	782.629
9	Secured funding	2.577.639	1.225,907	1,304,274	593.927
10	Other Cash Outflows				-
11	Liquidity needs related to derivatives and market	93.544	64.836	93,544	64.836
	valuation changes on derivatives transactions				
12	Debts related to the structured financial products	93.544	64.836	93.544	64.836
13	Commitment related to debts to financial markets	•	-	•	41,050
	and other off balance sheet liabilities				J
14	Complements that are sensel traditions	•	-		_ [
• • •	Commitments that are unconditionally revocable at any		*		- [
15	time by the Bank and other contractual commitments	•	_ ]		. 1
16	Other irrevocable or conditionally revocable commitments	8.582.626	3.943.011	753.816	370.595
-10	TOTAL CASH OUTFLOWS			4.772.182	2.301.750
77	CASH INFLOWS			1,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	4.301./30
	Secured Lending Transactions	-			
18	Unsecured Lending Transactions	3.881.434	2.240,888	* ***	
19	Other contractual cash inflows	155.463	102,406	2.982.449	1.874.782
20	TOTAL CASH INFLOWS	4.036.897		155.463	102.406
		7,030,677	2.343.294	3,137,912	1,977,188
21	TOTAL HQLA			Upper limit appi	
22	TOTAL NET CASH OUTFLOWS			4.646.672	3.219.811
23	Liquidity Coverage Ratio (%)			1.634,270	575.438
	e of the last three months of the diding			284,33	559,54

<sup>(1)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2015 are as follows.

Liquidity Coverage Ratio (%)	<u> </u>	rior period
Lowest	TL+FC	FC
Week	276,20	314,95
Highest	11 November 2015	D6 October 2015
Week	387,85	570,73
Average (%)	18 December 2015	30 November 2015
7.75	327,59	460.32



(Thousand of Turkish Lira (TL) unless otherwise stated)

# V. Explanations on liquidity risk (continued):

Presentation of assets and liabilities according to their remaining maturities:

			***************************************				Unallocated	Total
urrent Period	Demand	Up to 1 month	1-3 months	3-12 menths	1-5 years	Over 5 years		30(0)
15 <b>0</b> 13								
ash (cash in vault, foreign								
urrency, money in transit,								
neques purchased) and								
alances with the Central Bank	1 307 647	3.133.710				-	•	4,490,676
f Republic of Turkey	1.356.966	610,484	69.330		-	•	•	1.250.815
anks , _ ,	571,001	910,404	40.334					
inancial Assets at Fair Value	637	713		5,526	-	-	-	7.076
hrough Profit and Loss	764	719		#	-	•	•	,
loney Market Placements	•							
vailable-for-Sale Financial	5,395	5	13.272	341.182	823.285	32.688		1,715.827
Assets	2,372	1.873.615	2,609,686	5.982.731	8.012.396	1,211.846	640,981	20.331.295
pansi's		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		395.840	184.396			580.236
Held-To-Maturity Investments	-		ç	2,328	2.663	•	751.650	756.650
Other Assets								20 / 22 5 25
Total Assets	1,934,199	5.618.527	2.692.297	6,727.607	9.022.740	1.244.534	1.392.631	28.632.535
1964	****							
Jabilities								
Current account and funds								
collected from banks via	342,534	445.723	316.416	20,168	-	•		1,174.84
participation accounts	342,334	7773.713	3.0					
Other current and profit sharing	3,662,402	11,326,343	2,800,716	1.188.324	5.955	-	•	18,983.74
accounts	3,002,402	11,420,4						
Funds provided from other financial institutions and								5,285,065
subordinated loans		639,606	379,723	1,758,430	1.232.713	1,274,593	-	3,203,00
Money Market Borrowings	_	-	•		-	•	•	
Marketable securities issued				-	-		474.745	707.24
Miscellaneous payables		174,315	45.116	13.064	•	•	7,488,166	2,531.64
Other liabilities	-	32.408	11.075		-	•	2.400,100	21341147
Ceres righteres				2.979.986	1,238,668	1.274.593	2,962.911	28.632.53
Total Liabilities	4.004.936	12.618.395	3.553.046	7.7/7.700	1,230.000			
Net Liquidity Gap	(2,070.737)	(8,999.868)	(860.749)	3.747.621	7.784.072	(30.059)	(1.570.280)	
NET LIGHTLY COP								(93.579
Net Off-balance sheet Position	-	(93.519)	(5,476)	5.416				458.31
Financial Derivative Assets		72.433	126.488	259,390	-		_	551.89
Financial Derivative Liabilities	-	165.952	131,964	253.974	261,556	16.467		8,550,92
Non-cash Leans	7,880,609	17.024	117.888	267.377	201,000	10.701		
FE								30 511 00
Prior period Total Assets	3.834.227	5.332,964	2.533.007	6.987.596	8.520.891	1,177,188	1,176,126	29,561,99 29,561,99
Total Liabilities	4,261,191		3,785,861	2.085.824	2.572.262	1.226.880	2.868.706	27,351.77
(Office Clausines	-1.60					(49,692)	(1,692.580)	
Net Liquidity Gap	(426.964)	(7.428.311)	(1.252.854)	4.901.772	5,948,629	(49.692)	(1,072.300)	
		*		21,173	**************************************			21.17
Net Off-balance sheet Position	<del> </del>			219.089	-	-	•	219.08
Financial Derivative Assets		•		4				446
Financial Derivative				197.915		÷		197.91
Liabilities	4,533,680	596.383	935,430		1,086,8\$5	39.796	-	8.664.05

Leasing receivables are included under loans. Unallocated amount represents the amount arising from advances granted for leasing receivables and net non-performing loans.



Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here.

The unallocated other liabilities column consists of equity, provisions and deferred tax liabilities.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### VI. Explanations on leverage ratio:

As of September 30, 2016, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 5,46% (December 31, 2015: 5,03%). Leverage ratio is required to remain minimum 3% as per Communiqué on Measurement and Evaluation for Leverage Ratios of Banks. The reason for the difference in leverage ratio between current and previous period is the average increase ratio of core capital is more than the average increase ratio of total risk amount.

### Disclosure of Leverage ratio:

ance sheet assets ance sheet assets (excluding derivative financial assets and credit vatives, including collaterals)	September 30, 2016 <sup>(*)</sup>	December 31, 2015"		
ince sheet assets (excluding derivative financial assets and credit vatives, including collaterals)	75.20.10			
vatives, including collaterals)	75 716 447			
and the control of th	29.045.446	28,936,499		
ets deducted from Core capital)		(79.053)		
al risk amount of balance sheet assets (sum of lines 1 and 2)	28,976,550	28.857.446		
of replanishment for derivative financial assets and credit derivatives	1.990	20.043		
Il risk amount of derivative financial assets and credit derivatives (sum of	1.635	4.913		
s 4 and 5)	3,625	24.956		
encing transactions secured by marketable security or commodity				
amount of financing transactions secured by marketable security or modity (excluding Balance sheet)	161.417	139,204		
amount arising from intermediary transactions		•		
il risk amount of financing transactions secured by marketable security or modity (sum of lines 7 and 8)	161,417	139.204		
balance sheet transactions				
s notional amount of off-balance sheet transactions	9.995.385	9,880,604		
rection amount due to multiplication with credit conversion rates)				
i risk of off-balance sheet transactions (sum of lines 10 and 11)	9.995.385	9.880.604		
		**************************************		
Capital	2.135.413	1.955.492		
trisk amount(sum of lines 3, 6, 9 and 12)	39.136.977	38.902.210		
		Marin and a second a second and	5,46	5,03
	ets deducted from Core capital) al risk amount of balance sheet assets (sum of lines 1 and 2) Evatives financial assets and credit derivatives of replemishment for derivative financial assets and credit derivatives ential credit risk amount of derivative financial assets and credit derivatives ential credit risk amount of derivative financial assets and credit derivatives ential credit risk amount of derivative financial assets and credit derivatives ential credit risk amount of derivative financial assets and credit derivatives ential credit risk amount of derivative financial assets and credit derivatives ential credit risk amount of derivative financial assets and credit derivatives ential credit risk amount of financing transactions secured by marketable security or entity (sum of lines 7 and 8) balance sheet transactions entional amount of off-balance sheet transactions erection amount due to multiplication with credit conversion rates) it risk of off-balance sheet transactions (sum of lines 10 and 11) tal and total risk  Capital it risk amount(sum of lines 3, 6, 9 and 12) erage ratio rage ratio (%)	al risk amount of balance sheet assets (sum of lines 1 and 2)  28.976,550  Evatives financial assets and credit derivatives  1.990  Initial credit risk amount of derivative financial assets and credit derivatives  1.635  Initial credit risk amount of derivative financial assets and credit derivatives  1.635  Initial risk amount of derivative financial assets and credit derivatives (sum of 4 and 5)  28.976,550  1.990  1.635  3.625  Initial credit risk amount of derivative financial assets and credit derivatives (sum of 5 and 5)  28.976,550  1.990  1.990  3.625  Initial credit risk amount of derivative financial assets and credit derivatives  3.625  Initial credit risk amount of financing transactions secured by marketable security or amount arising from intermediary transactions  1.635  1.6417  1.61.417  1.61		

<sup>(1)</sup> The arithmetic average of the last 3 months in the related periods

# VII. Explanations on presentation of financial assets and liabilities at fair value:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# VIII. Explanations regarding the activities carried out on behalf and account of other persons:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".



(Thousand of Turkish Lira (TL) unless otherwise stated)

### IX. Explanations On Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. The following tables which have to be presented on a quarterly basis have not been presented since the Bank does not use the standard approach for the calculation of capital adequacy:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

### Overview of Risk Weight Amount (RWA):

		Risk Weighte	d Amount	Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	21.064.962	19.138.134	1.685.197
2	Standardised approach (SA)	21.064.962	19.138.134	1.685.197
3	Internal rating-based (IRB) approach	-	-	•
4	Counterparty credit risk	6.541	11.507	523
5	Standardised approach for counterparty credit risk			
	(SA-CCR)	6.541	11.507	523
6	Internal model method (IMM)	•		•
7	Basic risk weight approach to internal models			
_	equity position in the banking account	•	•	•
8	Investments made in collective investment			
~	companies - look-through approach	•	•	•
9	Investments made in collective investment			
10	companies - mandate-based approach Investments made in collective investment	•	•	•
ţU	companies - 1250% weighted risk approach		_	
11	Settlement risk	•		
12	Securitization positions in banking accounts		_	-
13	IRB ratings-based approach (RBA)			
14	IRB Supervisory Formula Approach (SFA)	_	_	
15	SA/simplified supervisory formula approach (SSFA)			
16	Market risk	39,417	91,424	3.153
17	Standardised approach (SA)	39.417	91,424	3.153
18	Internal model approaches (IMM)	277.717	***************************************	323
19	Operational Risk	1.720.462	1,434,941	137.637
20	Basic Indicator Approach	1,720,462	1.434.941	137.637
21	Standard Approach			1071001
22	Advanced measurement approach	-		•
23	The amount of the discount threshold under the			
	equity (subject to a 250% risk weight)	_	_	_
24	Floor adjustment	<b>*</b>		
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	22.831.382	20,676,006	1.826.510



(Thousand of Turkish Lira (TL) unless otherwise stated)

### X. Explanations on business segments:

The Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

		Commercial and		<del></del>	···
Current Period	Retali	Corporate	Treasury	Undistributed	Total
Total Assets	2.952,059	18,557,059	2.214.811	4.908.606	28.632.535
Total Liabilities	13.097.918	7.745.557	5.218.978	348.973	26.411.426
Total Equity	•	-		2.221.109	2.221,109
Net profit share income/(expense)[*][*]	(232,651)	1.086,117	(96.416)	_	757,050
Net fees and commissions income/(expense)	13.502	114.418	(20.815)	(1.914)	105.191
Other operating income/(expense)	(82)	(145,440)	(65.444)	(202,500)	(413,466)
Provision for loan losses and other receivables	(23.416)	(147,202)	(**************************************	(56.506)	(227,124)
Profit/(loss) before tax	(242.647)	907.893	(182.675)	(260.920)	221.651
Provision for tax	•	-	(102.213,	(42.784)	(42.784)
Net profit / (loss) for the period	(242,647)	907.893	(182.675)	(303,704)	178.867
Prior Períod	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	2.772.567	17,685,898	2,263.190	6.840.344	29.561.999
Total Liabilities	13.119,733	8.367.686	5.570.834	399.832	27,458,085
Total Equity	*	•	***********	2,103,914	2.103.914
Net profit share income/(expense)[***	(250,096)	791.228	101.494		642,626
Net fees and commissions income/(expense)	10.536	99.784	(10.647)	(5.475)	94.198
Other operating income/(expense)	2.533	16.972	12.989	(381.040)	(348,546)
rovision for loan losses and other receivables	(2,697)	(55,495)	. ~	(64.910)	(123.102)
Profit/(loss) before tax	(239.724)	852,489	103,836	(451.425)	265.176
Provision for tax	*	•	,	(53.315)	(53.315)
Net profit / (loss) for the period	(239.724)	852,489	103.836	(504,740)	211.861

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.



(Thousand of Turkish Lira (TL) unless otherwise stated)

### SECTION FIVE

Explanations and notes on the unconsolidated financial statements

- I. Explanations and notes related to assets:
- 1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT):

	Current Po	eriod	Prior Pe	riod
	TL	FC	TL	FC
Cash / Foreign currency	115.218	129.133	124.648	283.565
CBRT	406.215	3.503.092	698,140	3.371.781
Other (*)	51.800	285.218	71.416	355.248
Total	573,233	3.917.443	894.204	4.010.594

<sup>&</sup>lt;sup>C1</sup> Includes precious metals amounting to TL 58.145 (December 31, 2015; TL 12.370) and cash in transit amounting to TL 278.873 (December 31, 2015; TL 414.294) as of September 30, 2016.

### b) Information related to CBRT:

	Current Po	eriod	Prior Pe	riod
	TL	FC	TL	FC
Unrestricted demand deposit	405.097	370.500	695.445	377.110
Unrestricted time deposit		•	-	-
Restricted time deposit (*)	1.118	3.132.592	2.695	2.994,671
Total	406.215	3.503.092	698,140	3,371.781

<sup>🖰</sup> As of September 30, 2016, the reserve requirement held in standard gold is TL 675.424 (December 31, 2015: TL 433.751).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of September 30, 2016, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 25% depending on maturity of deposits.

The Central Bank of Republic of Turkey has started to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.

2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

None (December 31, 2015: None).

b) Table of positive differences related to derivative financial assets held for trading:

As of September 30, 2016 positive differences related to derivative financial assets held for trading amount to TL 5.932 ( December 31,2015: TL 20.822).



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations and notes related to assets (continued):

### 3. a) Information on banks:

	Current P	eriod	Prior P	'eriod
***************************************	TL TL	FC	TL	FC
Banks				
Domestic (1)	649.327	355,884	599,970	1.456.406
Abroad	•	245.604		426.238
Foreign head offices and				720,230
branches	•	-	•	-
Total	649.327	601,488	599,970	1.882.644

<sup>(\*)</sup> Includes blockaged amount TL 619.647 (December 31, 2015: TL 569.474) booked under TL accounts arising from POS transactions.

# b) Information on foreign bank accounts:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# 4. Information on financial assets available-for-sale:

# a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

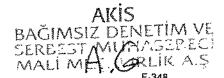
The Bank does not have any financial assets available for sale subject to repurchase transactions (December 31, 2015: TL 226.102).

As of September 30,2016, available for sale investments given as a guarantee or blocked amount to TL 222.488 (December 31, 2015: TL 34.132).

# b) Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	1.210.874	1.040.924
Quoted on a stock exchange(*) Unquoted	1.210.874	1.040.924
Share certificates	5.395	12.865
Quoted on a stock exchange Unquoted		
Impairment provision (-)	5.395	12.865
	442	2.223
Total	1.215.827	1.051.566

<sup>(\*)</sup> Includes debt securities quoted on a stock exchange which are not traded at the related period ends.



(Thousand of Turkish Lira (TL) unless otherwise stated)

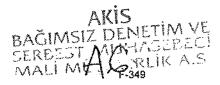
- I. Explanations and notes related to assets (continued):
- 5. Information on loans and receivables:
- a) Information on all types of loans and advances given to shareholders and employees of the Bank:

***************************************	Current Period		Pr	or Period
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	283	75.275	80.048	62.209
Corporate shareholders	_	74.925	79.771	61.859
Real person shareholders	283	350	277	350
Indirect loans granted to shareholders	35,157	21.668	47.906	65.512
Loans granted to employees	10.071	28	8.985	28
Total	45.511	96.971	136.939	127.749

 Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

Standard loans and other receivables				other receivables ( ose monitoring	under			
	Loans and			Loans and				
	other			other				
	receivables	Restructured	or	receivables	Restructured			
Cash loans	(Total)	rescheduled	1	(Total)	rescheduled	<u></u>		
		Extension of			Extension of			
		Repayment Plan	Other	······································	Repayment Plan	Othe		
Loans	17.544.779	297.621	16.259	1.414.284	84.629	3.046		
Export loans	464.275	16.076	-	25.681	•	-		
Import loans	1.348.840	13.626	938	27.192	1.956			
Business loans	9.276.460	222,499	11.601	1.029.225	67.539	789		
Consumer loans	2,848,097	6.785	3.616	50.997	4.908	271		
Credit cards	194.577	-		8.502				
Loans given to								
financial sector	16.021	-	-					
Other (*)	3,396,509	38.635	104	272.687	10.226	1.986		
Other receivables	•		•	+	-	•		
Total	17.544.779	297,621	16.259	1.414.284	84.629	3,046		
(1) Details of other loans	are provided below	7.						
Commercial loans v	vith installment	5			1.835	.289		
Other investment credits					723	723.359		
Loans given to abroad					483	483.483		
Profit and loss sharing investments (**)  Loans for purchase of marketable securities for customer					404	404.004		
						.426		
Other	mer extends 14 to the parents				25	.635		
Total	······································		·····		3,669	.196		

<sup>(\*\*)</sup> As of September 30, 2016, the related balance represents profit and loss sharing investment projects (12 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects are done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects are clarified and net profit of projects is determined once the project / stages of the project are completed, in case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. In the current period the Bank recognized TL 62.108 (September 30, 2015; TL 31.335) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.



(Thousand of Turkish Lira (TL) unless otherwise stated)

### 1. Explanations and notes related to assets (continued):

### 5. Information on loans and receivables (continued):

	Extension of Repayment Plan				
	Standard loans and other receivables	Loans and other receivables under close monitoring			
1 or 2 times	296.639	84.629			
3, 4 or 5 times Over 5 times	982	~			

Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 months	40.362	20.115
6 - 12 months	54.790	29.647
1 - 2 years	74.624	22.191
2 - 5 years	77.021	12.676
5 years and over	50.824	•

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated December 30, 2011 and numbered 28158, information related to the loans granted to maritime, tourism and energy sector:

As of September 30, 2016, the Bank has loan receivables amounting to TL 9.983 arising from rescheduled loans from maritime sector within the scope of related Communiqué.

As of September 30, 2016, the Bank does not have not any toan receivables from tourism sector within the scope of related Communiqué.

As of September 30, 2016, the Bank has loan receivables amounting to TL 1.132 arising from rescheduled loans from energy sector within the scope of related Communiqué.

### c) Maturity analysis of cash loans:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".



(Thousand of Turkish Lira (TL) unless otherwise stated)

- 1. Explanations and notes related to assets (continued):
- c) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

		Medium and	<del></del>
	Short-term	long-term	Tota
Consumer loans-TL	29.360	2,863,970	2.893.330
Housing loans	4,428	2.610.121	2.614,549
Vehicle loans	3,626	106.146	109,772
Consumer toans	21,306	147.703	169,009
Other	7	•	
Consumer loans-FC indexed	-	_	_
Housing loans	•	•	
Vehícle loans	•		
Consumer toans	•		
Other	_	_	
Consumer loans-FC	*		
Housing loans	-		
Vehicle loans	-	-	
Consumer Loans	**	_	
Other			
Retail credit cards-TL	63.575	-	63,575
With installment	24.056		24.056
Without installment	39,519	-	39,519
Retail credit cards-FC	•	-	
With installment	-		_
Without installment		-	
Personnel loans-TL	3.867	1.897	5.764
Housing loans	35	176	211
Vehicle loans	170	1.241	1.411
Consumer Loans	3.662	480	4.142
Other	•	•	
Personnel loans-FC indexed	-	-	-
Housing loans	-	-	
Vehicle loans	•	-	
Consumer Ioans			
Other	· -		
Personnel loans-FC	•		
Housing loans	-	_	
Vehicle loans			
Consumer toans	-	-	
Other	•		
Personnel credit cards-TL	4,307	_	4,307
With installment	2.055	_	2,055
Without installment	2.252		2.252
Personnel credit cards-FC	-	_	~
With installment		-	
Without-installment		-	
Overdraft account-TL(real person)	•		
Overdraft account-FC(real person)	•	-	•
Total	101,109	2.865.867	2.966,976
		*********	4,,00,,70



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations and notes related to assets (continued):

# d) Information on commercial loans with installments and corporate credit cards:

	Medium and		
**************************************	Short-term	long-term	Total
Commercial installment loans-TL	115.574	1.128,145	1.243,719
Business loans	1. <del>6</del> 45	315.469	317.114
Vehicle loans	12,995	258,463	271.458
Consumer loans	100,934	554.213	655.147
Other	•	-	•
Commercial installment loans-FC indexed	2.454	537,028	539,492
Business toans	128	234.809	234.937
Vehicle loans	2.336	79,368	81.704
Consumer toans	•	222.851	222.851
Other	•	•	-
Commercial installment Loans-FC	-	52.078	52.078
Business loans	-		•
Vehicle loans		•	•
Consumer loans	•	52.078	52.078
Other	•	-	
Corporate credit cards-TL	135.197	-	135,197
With installment	33.750		33.750
Without installment	101.447		101.447
Corporate credit cards-FC		•	
With installment	•		•
Without installment	•		-
Overdraft account-TL (legal entity)	•		-
Overdraft account-FC (legal entity)	-	m	<del></del>
Total	253.235	1.717.251	1.970.486

### e) Allocation of loans by customers:

Not prepared in compliance with the Article 25 of the Communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans Foreign loans	18.475.580 483.483	17.879.660 490.739
Total	18.959.063	18.370.399

# g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.



(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### ğ) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	47.811	20.420
Loans and receivables with doubtful collectability	99.176	56.714
Uncollectible loans and receivables	302.371	192.801
Total	449.358	269.935

In addition to specific provision for loans amounting TL 449.358 (December 31, 2015: TL 269.935), provision amounting to TL 15.531 (December 31, 2015: TL 10.912) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 464.889 (December 31, 2015: TL 280.847), Specific provision for loans amounting to TL 255.708 (December 31, 2015: TL 179.220) represents participation account share of specific provisions of loans provided from participation accounts.

# h) Information on non-performing loans and receivables (net):

# h.1) Non-performing loans and receivables which are restructured or rescheduled:

	III. Group	IV. Group	V, Group
	Loans and eceivables with limited collectibility	Loans and eceivables with doubtful collectibility	Uncollectible loans and receivables
Current period			
(Gross amount before specific provisions)	<del></del>	2.441	15,018
Restructured loans and other receivables	•	2.441	15.018
Rescheduled loans and other receivables	•	•	•
Prior period			
(Gross amounts before specific provisions)	155	633	14,712
Restructured loans and other receivables	155	633	14.712
Rescheduled loans and other receivables	*	*	- ,

### h.2) Movements of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Closing balance of prior period	123.599	112.602	221,300
Additions in the current period (+)	546,275	10,309	29.104
Transfers from other categories of non-performing loans (+)	•	346.167	161.829
Transfers to other categories of non-performing loans (-)	346.167	161.829	•
Transfers to standard loans (-)	•		•
Collections in the current period (-)	41.914	27.758	47,635
Write offs (-)	37	1	8
Corporate and commercial loans	34	•	8
Retail loans	3	1	*
Credit cards	•	-	-
Other	-	-	•
Closing balance of the current period	281.756	279.490	364.590
Specific provisions (-)	47.811	99.176	302.371
Net balance at the balance sheet	233,945	180.314	62.219



(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

# h) Information on non-performing loans and receivables (net) (continued):

Non-performing loans and receivables in the amount of TL 925.836 (December 31, 2015: TL 457.501) comprise TL 497.957 (December 31, 2015: TL 281.719) of participation account share of loans and receivables provided from participation accounts. In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 15.531 (December 31, 2015: TL 10.912). In the current period, collections from fees, commissions and other receivables with doubtful collectability amounted to TL 2.840.

# h.3) Non-performing loans and other receivables in foreign currencies:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	receivables	receivables	Uncollectible
	with limited	with doubtful	loans and
	collectibility	collectability	receivables
Current period:			
Period end balance	41.075	2.016	25.408
Specific provision (-)	4,383	729	18.644
Net balance on balance sheet	36.692	1.287	6.764
Prior period:			
Period end balance	1.219	17,175	8,872
Specific provision (-)	337	7.525	8.378
Net balance on balance sheet	882	9,650	494

# h.4) Gross and net non-performing loans and other receivables per customer categories:

	III. Group	IV, Group	V. Group
	Loans and	Loans and	······································
	receivables	receivables	Uncollectible
	with limited	with doubtful	loans and
	collectibility	collectability	receivables
Current period (net)	233.945	180,314	62.219
Loans to individuals and corporates (gross)	281.756	279,490	364.485
Specific provision (-)	47.811	99.176	302.266
Loans to Individuals and corporates (net)	233.945	180.314	62,219
Banks (gross)	-		105
Specific provision (-)	*	-	105
Banks (net)	-		172
Other loans and receivables (gross)	-	*	
Specific provision (-)	_		
Other loans and receivables (net)	*	_	-
Prior period (net)	103,179	55.888	28,499
Loans to individuals and corporates (gross)	123,494	112.602	221,300
Specific provision (-)	20,399	56.714	192.801
Loans to individuals and corporates (net)	103.095	55,888	28,499
Banks (gross)	105		
Specific provision (-)	21	-	-
Banks (net)	84		
Other loans and receivables (gross)	*	-	
Specific provision (-)			
Other loans and receivables (net)			

(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### 1) Liquidation policy for uncollectible loans and receivables:

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

### i) Information on "Write-off" policies:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 6. Information on held-to-maturity investments:

# a.) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of September 30, 2016, The Bank does not have any held to maturity investments given as a guarantee / blocked /subject to repurchase transactions (December 31, 2015: Held to maturity investments given as a guarantee or blocked amount to TL 80.576, held to maturity investments subject to repurchase agreements amount to TL 553.490).

# b.) Information related to government securities held to maturity:

	Current Period	Prior Period
Government Bonds		
Treasury Bills	-	•
Other Government Securities (*)	580.236	762.890
Total	580.236	762,890

<sup>(\*)</sup> Consists of Sukuk certificates issued by Undersecretariat of Treasury of Turkey.

# c.) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	580.236	762.890
Quoted on a stock exchange (*)	580.236	762.890
Unquoted	•	•
Impairment provision(-)	•	•
Total	580.236	762.890

Uncludes debt securities quoted on a stock exchange which are not traded at the related period ends.

### c.) Movement of held-to-maturity investments:

	Current Period	Prior Period
Balance at beginning of period	762,890	783.309
Foreign currency differences on monetary assets	-	•
Purchases during period	184.555	391.427
Disposals through sales and redemptions	(419.040)	(476.442)
Impairment provision (-)	•	-
Income accruals	51.831	64.5 <del>96</del>
Closing balance	580.236	762.890



(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- 7. Associates (net):

303,701

a) Information on unconsolidated associates:

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and have significant influence over this associate, it has not been consolidated.

Name		Address (City/ Country)		If diffe	are percentage- erent voting entage (%)	Bank's risk group share percentage (%)	
Kredi Gara	nti Fanu A.Ş.	Anka	ıra / Turkey		1,69	-	
The halar	YOS OF VENER CON	nti Ennu	. C ======	~			
The balar audited f	nces of Kredi Gara inancial statemen	nti Fonu / ts as of D	A.Ş. presente ecember 31,	ed in the table 2015.	e below have b	peen obtained i	from t

5.483

b) Information on consolidated associates:

299.527

As of balance sheet date, the Bank does not have any consolidated associates.

5.692

- 8. Information on subsidiaries (net):
- a) Information on unconsolidated subsidiaries:

As of balance sheet date, the Bank does not have any unconsolidated subsidiary.

- b) Information on consolidated subsidiaries:
  - 1) The balances of Bereket Varlik Kiralama A.Ş. presented in the table below have been obtained from the not reviewed financial statements as of September 30, 2016.

lame .		e Address e (City/ Country)		If differe	e percentage- ent voting tage (%)	Risk share percentage of othe shareholders (%)	
Bereket Varlık	Kiralama A.Ş.	Istanbul / Turkey 100,00					
Total assets	Shareholders'	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
1.247.584	56	4		-	(50)	(144)	

Ii) In the Board of Directors meeting dated February 25, 2015, the Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The balances of Albaraka Gayrimenkul Portföy Yönetimi A.Ş. presented in the table below have been obtained from the not reviewed financial statements as of September 30, 2016.



(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

Name				Address cy/ Country)	Bank's shar percentage If different voting percentage (	<ul> <li>Risk sh</li> <li>percental</li> <li>other</li> </ul>	ige of
Albaraka	a Gayrimenkul Po	rtföy Yö	n. A.Ş. İsta	inbul / Turkey	100,00	+	
Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
4.449	4,381	8	-	•	(364)	(255)	

### 9. Information on investments in joint-ventures:

The Bank founded Katılım Emeklilik ve Hayat A.Ş. ("Company") - a private pension and insurance company-through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company was registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. The financial statement from not reviewed financial statements as of September 30, 2016 are below.

Joint- Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non- Current Assets	Long Term Debts	Income	Expense
Katılım Emekli ve Hayat A.Ş.	lik 50,00	50,00	49.709	504.913	509.631	28.806	28.129

Investment in joint venture in the unconsolidated financial statements is carried at cost.

### 10. Information on lease receivables (net):

# a) Presentation of remaining maturities of funds lent under finance lease method:

	Сигге	Current Period		
VIII.	Gross	Net	Gross	Net
Less than a year	370.927	302.646	325.587	257.672
1 to 4 years	519,584	472.701	577.191	523.390
More than 4 years	124.981	120.367	187.285	166.365
Total	1.015.492	895.714	1.090.063	947.427



(Thousand of Turkish Lira (TL) unless otherwise stated)

### 1. Explanations and notes related to assets (continued):

# b) Information on net investments through finance lease:

	Current Period	Prior Period
Gross finance lease receivables	1.015.492	1.090,063
Unearned finance lease receivable (-)	119.778	142.636
Net receivable from finance leases	895.714	947.427

### c) General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

		Standard loans and Other receivables			Loans and other receivable under close monitoring		
	Loans and other receivables	Restructured or rescheduled		Loans and other receivables	Restruc resche	or	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other	
Finance lease receivables (Net)	770.698	32,572	9.888	125.016	69.546	•	

# 11. Information on derivative financial assets for hedging purposes:

None (December 31, 2015: None).

### 12. Information on tangible assets:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# 13. Information on intangible assets:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# 14. Information on investment property:

None (December 31, 2015: None).



(Thousand of Turkish Lira (TL) unless otherwise stated)

### I. Explanations and notes related to assets (continued):

### 15. Information related to deferred tax asset:

As of September 30, 2016, the Bank calculated net deferred tax asset of TL 16.987 (December 31, 2015: TL 15.171) by netting off deferred tax asset of TL 45.015 (December 31, 2015: TL 44.887) and deferred tax liability of TL 28.028 (December 31, 2015: TL 29.716) on all tax deductible/ taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

	Current	Prior
	Period	Period
Rediscount on profit share and prepaid fees and commission income		
and unearned revenues	33.591	33.064
Provisions for retirement and vacation pay liabilities	7.921	10.607
Difference between carrying value and tax base of tangible assets	2.670	736
Provision for impairment	772	414
Other	61	66
Deferred tax asset	45.015	44.887
Revaluation difference of property	17.320	18.130
Financial assets available for sale valuation difference	1.896	2.673
Trading securities valuation difference	•	-
Rediscount on profit share	4.881	1.404
Other	3.931	7.509
Deferred tax liability	28.028	29.716
Deferred tax asset (net)	16.987	15.171

### 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing toans and are accounted in the unconsolidated financial statements in accordance with the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale".

_	Current Period	Prior Period
	renoa	renou
Opening Balance	22.819	27.678
Additions	114,434	37.242
Disposals	(25.889)	(18.246)
Transfers (1)	(8,094)	(23.549)
Impairment Provision(-)/Reversal of Impairment Provision	295	(306)
Net closing balance	103.565	22.819

The balance has been transferred from assets held for sale tangible assets to assets to be sold.

As of September 30, 2016, TL 99.751 (December 31, 2015: TL 22.539) of the assets held for sale is comprised of real estates, TL 3.814 (December 31, 2015: TL 280) is comprised of other tangible assets.

The Bank has not any discontinued operations and assets of discontinued operations (December 31, 2015; None).

### 17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 86.938 (December 31, 2015: TL 218.262) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities:
- 1. Information on funds collected:
- a) Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 manths	Up to 1 year	Dver I year	Accumulated participation accounts	Tot
I. Real Persons Current									
Accounts Non-Trade TL	057,279					-	_		857.27
II Real Persons Participation								-	427.44
Accounts Hon-Trade TL		1.422.137	5.004.830	81.435		88.680	546,859	920	7.144.86
III. Current Account other-TL	1.180.137	-		_		_	*		1,180.13
Public Sector	32.321								32.32
Commercial Institutions	1.080.764								1.080.76
Other Institutions	65,095	-		_	_				
Commercial and Other	021272		-	_	_	-	•	•	65.09
Institutions	868								86
Banks and Participation	244				-	-	•	•	pq
Banks	1.089								1.98
Central Bank of Turkey	,,,,,,	_	_				•	•	1.00
Domestic Banks	13	_		-	•	•	•	*	_
Foreign Banks	1.046	-	•	•	•	•	•	-	1
		•		•		-		-	1.04
Participation Banks	30	•	•	•	-	4	-	+	3
Other	_				-	•	-	-	
IV. Participation Accounts-TL	•	292,889	1.941.965	51.277	•	17.627	55.095	1	2.358,85
Public Sector		1	14						1
Commercial Institutions	-	273.949	1.744.444	39.456	-	16.010	53.654	1	2,127,51
Other Institutions	-	17.017	158.083	11,821	-	1.617	1,441		189.97
Commercial and Other							1,,,,,		107.77
Institutions		1.927	38.934					_	40.85
Banks and Participation									40.0.
Sanks	-		490				_	_	49
V. Rest Persons Current									~,
Accounts Non-Trade FC	793.773				-		_		793.77
Vi. Real Persons Participation									******
Accounts Non-Trade FC		799.521	2,463,403	86,224		152,806	568,878	-	4,070.83
VII. Other Current Accounts FC	1.069,289					,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	300.27	_	1,069,28
Residents in Turkey-									1,502,40
Corporate	630.582								630.58
Residents Abroad-Corporate	97.262								97.26
Banks and Participation						•	-	•	97.20
Banks	341,445			_	_	_	_		341.44
Central Bank of Turkey	* 1		_	_		-	Ţ.	•	341.44
Comestic Banks		-	•	-	•	•	•	•	
Foreign Banks	341.280	•	•	•	•	•	•	~	
		•	•	•	-	•	•	•	341.28
Participation Banks	165	-		•	-	-	*	-	16
Other	•	*	-			•	~		
VIII. Participation Accounts									
ather- FC	-	192,242	1.920,312	136.588	•	48.675	50.314		2.348.13
Public sector		•				-			
Commercial Institutions	-	157.873	941.858	10.637	-	46,971	7.110		1,164.44
Other institutions		4,246	51.972	1.816		14			58.04
Commercial and Other						• •	_	·	30.04
Institutions	•	185	295.722	3.015		1.690	43,204		343.81
Banks and Participation								=	343.01
Banks	•	29.938	630,760	121,119			-	_	781.81
K. Precious Metals Deposits	104.458	30.534	138,045	3.090		3.829	5,469	_	285.42
. Participation Accounts	, m W		1 11 40 411 7 11	2.012	-	3.427	J, ~ # 7	•	\$4,EG\$
pecial Fund Pools YL			•	_		_	_		
Residents in Turkey		-	-			•	-	•	
Residents Abroad		-	•	-	•	-	*	-	
LParticipation Accounts	•	•	•	•	•	-		•	
pecial Fund Pools - FC	_								
	•	•	•	-	-	*	-	-	
Residents in Turkey	•	•	•	•	-	•	•	•	
Residents Abroad		•	-	•	•	•	•	•	



(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- a) Information on maturity structure of funds collected (continued):

Prior Feriod	Demand	Up to	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Tata
<del></del>					•				
I. Real Persons Current	771.214		_	_	_		_		771.21
Accounts Non-Trade TL	771.214	•	•	•	-	-	-	-	113.21
ii. Real Persons Participation	_	418,623	5,626,949	84,267	_	91.904	533,772	_	6.755.51
Accounts Non-Trade TL	1.236.070	410.423	2.44.0.273	27,807		71,704	2221174		1,236.07
III. Current Account other-TL	38.481			-		-			38,48
Public Sector		•	-	•	-		•	•	1.138.35
Commercial Institutions	1.136.310	•	•	•	*	*	-	•	57.25
Other Institutions Commercial and Other	52,254	•	•	•	•	•	•	•	22.23
Institutions	6.056								6.05
Banks and Participation	u.034								4.24
Sanks assistant particul	969								96
Central Bank of Turkey	.**-		-				_		
Domestic Banks	2								
Foreign Banks	947	_	_	_		_	_	_	94
	20	·		_					2
Participation Banks	20	Ţ.	·	·		· ·		-	•
Other		128,900	2,253,037	67.236	•	22,997	106.211	_	2.573.38
IV. Participation Accounts TL	-	120,900		62.230	•	22,797	100.411	-	
Public Sector	•	****	2.114		•		407 707	•	2.13
Commercial Institutions	•	127.370	1.899.813	48.471	+	21.761	102.397	•	2,199.81
Other Institutions	-	1.528	162,999	13.765	•	1.236	3.814	•	183.34
Commercial and Other		_							
Institutions	•	2	170.828		-	•	•	•	170.83
Sanks and Participation									47 74
Banks	•	-	17.283	-	•	-	•	*	17.22
V.Real Persons Current									1 000 00
Accounts Non- Trade FC	1.005.988	•	•	•	-	-	•	•	1.005.98
VI. Real Persons Participation		259.827	3,269,145	BC 191		176,141	558,294		4.349.09
Accounts Non-Trade FC		139.817	3.207.143	85.684	-	374,141	238,234	•	
VII. Other Current Accounts FG	1,142,114								1,142.11
Residents in Turkey	701 103								796.42
Corporate	796,423	•	•	•	•	•	•	•	170.47
Residents abroad-	207.863								207.86
Corporate	207.003	-	-	-	•	•	•	•	207.00
Banks and Participation	137.828		_	_			_		137.82
Banks	137.020	•	-	•	•	•	•		1,37.02
Central Bank of Turkey	*	*	•	-	-	•	•	•	
Domestic Banks	404 777	-	•	•	•	•	•	•	407.33
Foreign Banks	106,227	•	•	•	•	•	•	•	106.22
Participation Banks	31.601	•	-	-	-	•	•	•	31.60
Other	•	•	-	-	-	-	-	•	
VIII, Participation Accounts									
other- FC	•	109.229	1,805,612	164,175	•	55.447	84.33\$	-	2.216.60
Public Sector	-		•		•			•	**
Commercial Institutions	•	77.065	1.087.442	84.549	-	34,474	16.457		1,299,98
Other Institutions		106	231.702	•	•	2.986	-	-	235.58
Commercial and Other									
Institutions	-	995	237.658	4.087	•	2,201	67.881	-	312.82
Banks and Participation	*								
Banks	•	30.268	248.810	75.539	>	15.792	•	•	370.40
IX. Precious Metals Deposits	105,805	41,027	132.729	7.025	-	3.736	3.686		294,00
X. Participation Accounts									
Special Fund Pools TL	•	•	•	•	•	-	-	•	
Residents in Turkey	-	-		•	*	•	-	-	
Residents abroad		-	-	-	-	-	•	<b>w</b>	
Xi, Participation Accounts									
Special Fund Pools -FC			•	•	-	-	•		
Residents in Turkey	•			-	-	-	-		
Residents abroad	-							-	
	4,261,191	957,606	13.087,468	403,387		350,225	1.286,301		20,346.17

(Thousand of Turkish Lira (TL) unless otherwise stated)

# II. Explanations and notes related to liabilities (continued):

# b) Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

# b.1) Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the gu Insura		Exceeding the of Insura	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions				
Turkish Lira accounts	4.438.875	4.031,698	3,563,266	3,495,029
Foreign currency accounts Foreign branches' deposits subject to foreign	1.522.994	1.556.831	3.590.181	4.115.302
authorities insurance Off-shore deposits under foreign authorities'	•	-	•	-
insurance	-	•	•	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

# b.2) Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts" Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	21.655	21.595
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care		•
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no: 5237 dated 26.09.2004	8.166	8.825
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities		



(Thousand of Turkish Lira (TL) unless otherwise stated)

# II. Explanations and notes related to liabilities (continued):

### Information on derivative financial liabilities held for trading:

	Currei	Current Period		Prior Period		
	TL	FC	TL	FC		
Forward transactions	15	8.261	*			
Swap transactions	•	•	-	•		
Futures transactions	•	*	•	•		
Options	•	₩	-	-		
Other	•	-	•	-		
Total	15	8,261				

### 3. Information on borrowings:

I'l Regresegged in full amount

The Bank has obtained a Syndicated Murabaha Loan from international markets amounting to USD 458.500.000 and EUR 56.250.000 with maturity of more than one year (December 31, 2015: one year maturity: USD 87.500.000 and EUR 98.250.000, more than one year maturity: USD 458.500.000 and EUR 56.250.000).

As of September 30, 2016, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 56.883.528 and EUR 184.927.528 (December 31, 2015: USD 161.448.187 and EUR 112.419.953).

The table below respresents the sukuk issued by Bank through its subsidiary Bereket Varlık Kiralama A.S. to collect funds from various investors:

Issue Date	Amount(*)	FC	Maturity	Profit Share % ( Yearly)	Profit Share % ( for 179 days)
30 June 2014 08 April 2016 28 June 2016	350,000,000 100,000,000 75,000,000	USD TL TL	5 Years 179 Days 179 Days		5,30 5,07

# a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	ΤL	FC
Loans from CBRT	-			-
Loans from domestic banks and institutions	182.163	1,313,943	_	1.158.248
Loans from foreign banks, institutions and funds	•	2.470.668	•	2,946.440
Total	182.163	3,784.611	#	4.104.688

### b) Maturity analysis of funds borrowed:

	Current Period		Prior Period		
	TŁ	FC	TL	FC	
Short-Term Medium and Long-Term	182.163	987.721 2.796.890		884.552 3.220.136	
Total	182.163	3.784.611		4.104.688	

# c) Additional disclosures on concentration areas of Bank's liabilities:

The Bank does not have concentration on customer or sector group providing funds.

4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None (December 31, 2015: None).



(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- 5. Lease payables:
- a) Information on finance lease transactions:
- a.1) Information on financial lease agreements:

The Bank has no obligation from finance lease operations as of balance sheet date.

- a.2) Explanations on the changes in agreements and new obligations originating from these changes:
- a.3) Explanations on the obligations originating from finance leases: None.

#### b) Explanations on operational leases:

The Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year 1 to 4 years Over 4 years	42.832 115.626 107.968	40.057 103.291 96.642
Total	266.426	239,990

## 6. Information on hedging derivative financial liabilities:

None (December 31, 2015; None).

#### 7. Information on provisions:

## a) Information on general provisions:

	Current Period	Prior Period
General provision for	178,932	170 005
I. Group loans and receivables (Total)	133.034	170.885
Participation Accounts' Share	78.859	142.268
Bank's Share		87.710
Others	54.175	54.558
Additional provision for loans and receivables with		-
extended maturities for loans and receivables in Group I	3.409	8,270
Participation Accounts' Share	1.889	3.586
Bank's Share	1.520	4.684
Others	***************************************	7.007
II. Group loans and receivables (Total)	29.616	14,436
Participation Accounts' Share	15.942	8.356
Bank's Share	13.674	6.080
Others	131014	0.050
Additional provision for loans and receivables with		
extended maturities for loans and receivables in Group II	2.930	3,494
Participation Accounts' Share	1.044	2.692
Bank's Share	1.886	802
<u>Others</u>		20%
Non-cash loans	16.282	14.181
Others	.41.402	174 IU t



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### II. Explanations and notes related to liabilities (continued):

# b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of September 30, 2016, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 3.226 (December 31, 2015; TL 27.874) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

#### c) Information on specific provisions for non-cash loans that are not indemnified:

As of September 30, 2016, the Bank has provided specific provisions amounting to TL 30.122 (December 31, 2015; TL 22.394) for non-cash loans that are not indemnified.

#### c) Other provisions:

#### ç.1) Information on general reserves for possible losses:

	Current Period	Prior Period
General Reserves for Possible Losses (*)	15	88
Total	15	88

 $<sup>^{</sup>m Cl}$  The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

#### c.2) Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to		
profit sharing accounts(1)	8.371	40
Provision for unindemnified letter of guarantees	23,835	18.469
Payment commitments for cheques	6.287	3.925
Provision for promotions related with credit cards and		
promotion of banking services		80
General reserves for possible losses	14	88
Financial assets at fair value through profit and loss	44	429
Other (**)	4.908	4.910
Total	43.459	27.941

Fi Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communique "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

BAĞIMSIZ DENETIM VE SERBEST MÜHAGƏP ECI YALI MAÇTAPIRLIK A.S.

58

fill Indicates other provision amount for possible losses in loan portfolio.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

## d) Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 33.835 (December 31, 2015; TL 30.235), vacation pay liability amounting to TL 5.768 (December 31, 2015; TL 7.048) totaling to TL 39.603 (December 31, 2015; TL 53.033). Provisions for performance premium has not been allocated in the current period (December 31, 2015; TL 15.750). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%) Estimated increase rate of salary ceiling (%) Rate used in relation to possibility of retirement (%) (*)	8,40 6,90 62,26	8,40 6,90 62,26

<sup>(\*)</sup> The rate has been calculated depending on the years of service of the employees; the rate presented in the table represents the average of such rates.

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance Provisions made in the period Actuarial gain/(loss) Paid during the period	30.235 7.206 (3.606)	26,201 6,480 358 (2,804)
Balance at the end of the period	33.835	30.235

## 8. Information on taxes payable:

## a) Explanations on current tax liability:

## a.1) Explanations on Tax Provisions:

As of September 30, 2016, the Bank's corporate tax payable is TL 6.508 (December 31, 2015: TL 21.165) after offsetting prepaid corporate tax.

#### a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	6.508	21,165
Banking insurance transaction tax	8.575	11.775
Taxation on securities income	11.384	11.747
Value added tax payable	537	895
Taxation on real estate income Foreign exchange transaction tax	772	665
Other	* * * * * * * * * * * * * * * * * * * *	-
	5.567	6.130
Total	33.343	52.377



(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

#### a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	3.024	2,645
Social security premiums-employer	3.262	2.876
Bank pension fund premium- employees	•	•
Bank pension fund premium- employer	•	•
Pension fund membership fees and provisions-employees	•	•
Pension fund membership fees and provisions- employer	-	•
Unemployment insurance-employee	214	187
Unemployment insurance-employer	427	373
Other	•	-
Total	6.927	6.081

## b) Information on deferred tax liability:

None (December 31, 2015: None).

## 9. Liabilities for assets held for sale and discontinued operations:

None (December 31, 2015: None).

# 10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current Period		Prior	Period
	TL	FC	TL	FC
Loans from Domestic Banks		-		
oans from other Institutions	•	•		*
oans from Foreign Banks		•	•	*
Loans from other Foreign Institutions	•	1.318.291	•	1.239.557
Total	п	1.318.291	<del>.</del>	1.239.557

The Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity Albaraka Türk Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of five years with 10 years total maturity' was determined as 7,75%.

The Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Bank has repurchased the sukuk issued in the amount of USD 24.000.000 and this amount is offset in available for sale assets and subordinated loans.

#### 11. Information on shareholders' equity:

#### a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock Preferred stock	900.000	900.000



(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Bank has taken a resolution on transition to registered capital system. The Bank's application to the Capital Markets Board on the same date was approved on March 7, 2013 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2017.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500.000

c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

There is no capital increase in the current period.

c) Information on share capital increases from capital reserves during the current period;

There is no share capital increase from capital reserves during the current period.

d) Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.

e) Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

f) Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

g) Information on marketable securities valuation reserve:

	Current Period		Prior F	Prior Period	
	TL.	FC	TL	FC	
From investments in associates, subsidiaries, and joint ventures					
Valuation difference (*) Foreign exchange difference	9.487	(1.902)	4.203	6.488	
Total	9.487	(1.902)	4.203	6 4RR	

The amount represents the net balance after deferred tax liability.



# ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016 The statement of Turkish Lists (TI) unless otherwise statement

(Thousand of Turkish Lira (TL) unless otherwise stated)

- III. Explanations and notes related to off-balance sheet:
- 1. Explanations on off balance sheet:
- a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	496.251	521.562
Payment commitments for cheques	555.209	500.882
Asset purchase and sale commitments	204.228	187.332
Loan granting commitments	115.789	116.862
Tax and funds liabilities arising from export commitments	2.665	2.035
Commitments for promotions related with credit cards and banking activities	810	599
Other irrevocable commitments	31.065	203
Total	1,406,017	1,329.475

- b) Type and amount of possible losses and commitments arising from off-balance sheet items:
- b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Guarantees	7.745.795	7.730.288
Bank loans	33.390	28.324
Letters of credit	583.252	639.592
Other guaranties and sureties	198.484	265.853
Total	8,560.921	8,664.057

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	7.745.795	7.730.288
Long standing letters of guarantees	4.883.757	4.956.813
Temporary letters of guarantees	260.795	293.937
Advance letters of guarantees	233,309	278.642
Letters of guarantees given to customs	240.343	247.773
Letters of guarantees given for obtaining cash loans	2,127,591	1.953.123
Sureties and similar transactions	198.484	265.853
Total	7,944,279	7.996.141



(Thousand of Turkish Lira (TL) unless otherwise stated)

# III. Explanations and notes related to off-balance sheet (continued):

## c) Within the Non-cash Loans

#### c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans With original maturity of 1 year or less With original maturity of more than 1 year Other non-cash loans	2.127.591 618.560 1.509.031 6.433.330	1.953.123 441.733 1.511.390 6.710.934
Total	8,560,921	8.664.057

## c.2) Sectoral risk concentration of non-cash loans:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## c.3) Information on the non-cash loans classified in Group I and Group II:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 2. Explanations on derivative transactions:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 3. Explanations on contingent assets and liabilities:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 4. Explanations on services rendered on behalf of third parties:

The Bank has no operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.



63

(Thousand of Turkish Lira (TL) unless otherwise stated)

- Explanations and notes related to the statement of income: IV.
- Information on profit share income: 1.
- Information on profit share income received from loans: a)

Illioi mation on protection	Current P	eriod	Prior Pe	riod
	TL	FC	TL	FC
Profit share received from loans (*) Short Term Loans Medium and Long Term Loans Profit Share on Non-Performing Loans	339.700 953.932 10.305	17.413 128.062	314,998 799,996 4,496	14.990 120.012 6
Total	1.303.937	145.475	1.119.490	135.008

 $<sup>(\ )</sup>$  Includes fees and commission income on cash loans.

#### Information on profit share income received from banks: b)

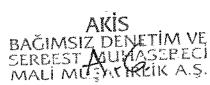
mormation on profit share means to	Current Per	riod	Prior Peri	od
	TL	FC	TL	FC
- 5 <del>1</del> T	5.750	9.023	4.013	1.566
BRT	•	281	•	-
Oomestic Banks		31	•	36
Foreign Banks Head Offices and Branches Abroad	•	-	•	-
Total	5.750	9.335	4.013	1.602

#### Information on profit share income received from marketable securities: c)

mornation on profit 2001	Current Per	iod	Prior Perio	od
	TL	FC	TL	FC
From financial assets held for trading	•	-		
From financial assets at fair value through profit or loss From financial assets available-for-sale From held-to-maturity investments	57.363 51.831	7.676	45.310 47.290	4.653
Total	109.194	7.676	92.600	4,653

#### Information on profit share income received from associates and subsidiaries: Ç)

Hillothiación, on pr	Current Per	hod	Prior Period		
		FC	TL	FC	
Profit shares income received from associates and subsidiaries		1,353		1.346	
Total	pt.	1,353		1.346	



# ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

- IV. Explanations and notes related to the statement of income (continued):
- 2. Explanations on profit share expenses:
- a) Information on profit share expense paid to funds borrowed:

	Currer	Current Period		Period
	TL	FC	TL	FC
Banks	-	38.806		38,592
CBRT	-			
Domestic banks	•	4.327	_	2.281
Foreign banks	•	34.479	-	36,311
Head offices and branches abroad	-	•	-	-
Other institutions	7.163	136.909	•	80.675
Total	7.163	175.715	<del></del>	119 767

b) Profit share expense paid to associates and subsidiaries:

	Curren	t Period	Prior Period		
	TL.	FC	7L	FC	
Profit share paid to Investments in Associates and Subsidiaries	7.485	48.141	240	45.966	
Total	7,485	48.141	240	45.966	

c) Profit share expenses paid to marketable securities issued:

None (September 30, 2015: None).

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

# c) Distribution of profit share expense on funds collected based on maturity of funds collected:

Account name    Up to 1   Up to 3   Up to 6   Up to 9   Up to 1   More than 1 year   Accountated profit sharing accounts	Current Period			Prof	it sharing ac	counts			
TL Funds collected from banks through current and profit sharing accounts (2.588) 105.099 (2.761) 9.09 (3.83) 100 (123) 123 (125) 125.885 (3.91) 100 (123) 1								profit sharing	Total
Funds collected from banks through current and profit sharing accounts (1.588 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 122 1258 105,099 2.761 969 5.834 144,984 145 77 1051 125 125 125 125 125 125 125 125 125 1									
through current and profit sharing accounts									
tharing accounts Real persons' non-trading profit sharing accounts  Total									
Real persons' non-trading profit sharing accounts Profice Period Prior		-	930			-	•	•	930
### Second   Second							10.017		427.511
Accounts   34   62		68.077	309.018	5.623	•	5.704	39.027	7	ML1.311
Commercial sector profit   12,588   105,099   2.761   969   5.834   122   15,885   103,099   100   123   123   123   123   124   1		7.8	67			-	-	4	96
sharing accounts  772 15.885 B91 . 100 123 . 1  Total 81.471 430.994 9.275 - 6.831 444.984 4 57.  FC  Real persons' non-trading profit sharing accounts  7,404 10.282 1.107 . 2.034 7.813 . 4  Public sector profit sharing accounts  7,404 10.282 1.107 . 2.034 7.813 . 4  Public sector profit sharing accounts  Commercial sectors profit sharing accounts  1,782 10.938 196 . 606 124 . 1  Other institutions profit sharing accounts  1,782 10.938 196 . 606 124 . 1  Total 10.135 50.648 2.351 . 2.882 8.936 . 7.  Grand total 91.606 481.642 11.626 . 9.713 53.920 4 64.  Prior Period Period Period Up to 1 Up to 3 Up to 5 Up to 9 Up to 1 More than months who who was months who was months accounts  Account name Up to 1 Up to 3 Up to 5 Up to 9 Up to 1 More than months who was months who was months accounts  TL  Funds collected from banks through current and profit sharing accounts  Real persons' non-trading profit sharing accounts  86.334 253.610 6.742 4.786 29.736 . 38  Public sector profit sharing accounts  Commercial sector profit sharing accounts  16.672 84.398 4.443 501 6.556 . 11  Total 104.582 353.094 14.942 5.365 30.569 . 31  FC  FC  FC  FC  FC  FC  FC  FC  FC  F		41	L-a.						
Total		12.588	105,099	2.761		969	5.834	•	127.251
Total			AR NOT			100	133		17.771
Prior   Perior   Prior   Perior   Profit sharing accounts   Up to 1   Up to 3   Up to 9   Up to 1   Up to 3   Up to 9   Up to 1   Up to 1   Up to 1   Up to 3   Up to 9   Up to 1   Up to 1   Up to 3   Up to 9   Up to 1   Up t	accounts	112	15.883	871	•	100	16.3	-	*****
Process	Total	81.471	430.994	9.275		6,831	44,984	4	573.559
Banks   298   2.543   940   98   -   -	***************************************								
Sants   Sant			2 7 12	5.45		60		_	3,879
sharing accounts Prior Period  Tup to 1 Up to 1 Up to 3 Up to 6 Up to 9 Up to 1 More than 1 year  Tusharing accounts  Tusharin		298	2.543	940	•	75	-		3,677
Public sector profit sharing accounts   1,782   10.838   196   606   124   7   1   1   1   1   1   1   1   1   1		7.404	30.828	1,107		2.034	7.813		49,186
Accounts   Sector profit   Sharing accounts   Sec			201000						
Sharing accounts   1,782   10,838   196   686   124		•	•	-	•	•	•	•	•
1.00		4 ****	40.000	100		204	124		13.546
Seconts   269   5.063   56   57   58   57   58   57   58   57   58   57   58   57   58   58	sharing accounts	1,782	10.538	130	•	\$20	144		13.210
Precious metals deposits   382   1.376   52   - 57   88   -		269	5,063	56		87	911		6.386
Prior Period   Profit sharing accounts   P					-	57	58	•	1,955
Prior Period   Profit sharing accounts   P			20 5 40	2 264		2 687	8 936		74,952
Prior Period	Total	10.133	30.044	2.331					
Account name	Grand total	91.606	481.642	11.626	-	9.713	53.920	4	648.511
Account name							······		
Account name	Prior Period			Pro	fit sharing a	ccounts			
TL   Funds collected from banks   The triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of the triangle of triang		46.0	11	11- 5- 4	lin to O	the day of	Hara than		
TL. Funds collected from banks through current and profit sharing accounts									Total
Funds collected from banks through current and profit sharing accounts - 3.694 2.914 - 6	ACCOURT SHIPE	11101101	27/204114						
through current and profit sharing accounts Real persons' non-trading profit sharing accounts Public sector profit sharing accounts Commercial sector profit sharing accounts Other institutions profit sharing accounts  Poblic sector profit sharing accounts  Total  104.582  104.582  104.582  105.316  104.582  105.316  104.582  105.316  104.582  105.316  104.582  105.316  104.582  105.316  104.582  105.316  104.582  105.316  104.582  105.316  104.582  105.316  105.316  106.556  117  107  107  108  108  108  108  108	TL								
sharing accounts         3.694         2.934         6         - <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>									
Real persons' non-trading profit sharing accounts  Real persons' non-trading profit sharing accounts  Other institutions profit sharing accounts  Total 104.582 353.094 14.942 - 5.365 36.569 - 51  FC Banks Real persons' non-trading profit sharing accounts  12.171 35.276 1.815 - 1.984 8.686 - 5  Public sector profit sharing accounts  Other institutions profit sharing accounts  Total 104.582 353.094 14.942 - 5.365 36.569 - 51  FC Banks  Real persons' non-trading profit sharing accounts  12.171 35.276 1.815 - 1.984 8.686 - 5  Public sector profit sharing accounts  Commercial sector profit sharing accounts  Other institutions profit sharing accounts  2.471 11.173 385 - 1.421 169 - 1  Other institutions profit sharing accounts  Other institutions profit sharing accounts  522 2.738 52 - 56 440 - 6  Precious metals deposits 585 1.971 110 - 30 81			7 594	7 G5A			-	-	6.614
sharing accounts         86.334         253.610         6.742         - 4.786         29.736         38           Public sector profit sharing accounts         354         403	sharing accounts	•	3.074	4.717				4	
Public sector profit sharing accounts         354         403         -		B6.334	253,610	6.742	-	4.786	29.73 <del>6</del>	-	381.208
accounts									757
sharing accounts         16.672         84.398         4.443         501         6.556         18           Other institutions profit sharing accounts         1,222         10.989         843         72         277         1           Total         104.582         353.094         14.942         5.365         36.569         51           FC         Banks         968         5.316         611         594         -         -           Real persons' non-trading profit sharing accounts         12.171         35.276         1.815         -         1.984         8.686         -         5           Public sector profit sharing accounts         -		354	403	•	*	•	-	•	131
Other institutions profit sharing accounts  1,222 10.989 843 - 72 277 - 1  Total 104.582 353.094 14.942 - 5.365 36.569 51  FC Banks Real persons' non-trading profit sharing accounts 12.171 35.276 1.815 - 1.984 8.686 - 5  Public sector profit sharing accounts 2.471 11.173 385 - 1.421 169 - 1  Other institutions profit sharing accounts 522 2.738 52 - 56 440 - 5  Precious metals deposits 585 1.971 110 - 30 81		16 677	808 A8	4 442		501	6,556		112.570
1,222   10,989   843   - 72   277		10.07 %	07.270	44.14					
FC Banks 968 5.316 611 594 - SAME SHAPE SH		1,722	10. <del>9</del> 89	843	-	72	277	•	13.403
FC Banks	Tatyl	104 582	353.094	14,942	<u> </u>	5.365	36.569	*	514,552
Banks   968   5.316   611   594   584   588	1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			<u></u>					
Banks Real persons' non-trading profit sharing accounts 12.171 35.276 1.815 1.984 8.686 - 5 Public sector profit sharing accounts 2.471 11.173 385 1.421 169 - 1 Commercial sector profit sharing accounts 2.471 11.173 385 1.421 169 - 1 Other institutions profit sharing accounts 522 2.738 52 56 440 -  Accounts 585 1.971 110 30 81						E0.4		•	7,489
sharing accounts         12.171         35.276         1.815         1.984         8.666           Public sector profit sharing accounts         2.471         11.173         385         1.421         169         1           Commercial sector profit sharing accounts         2.471         11.173         385         1.421         169         1           Other institutions profit sharing accounts         522         2.738         52         56         440         -           Precious metals deposits         585         1.971         110         30         81         -		968	5.316	613	•	234	•	-	7,-407
Public sector profit sharing accounts Commercial sector profit sharing accounts 2.471 11.173 385 1.421 169 1 Other Institutions profit sharing accounts 522 2.738 52 56 440 2 accounts 585 1.971 110 30 81		17 171	35 276	1.815		1.984	5.686		59.932
accounts Commercial sector profit sharing accounts Other Institutions profit sharing accounts 522 2.738 52 56 440 - Precious metals deposits 585 1.971 110 30 81		14	55.276	114.2					
Sharing accounts         2.471         11.173         385         - 1.421         169           Other institutions profit sharing accounts         522         2.738         52         - 56         440         - 240           Precious metals deposits         585         1.971         110         - 30         81         - 30		-	•	•	•	-	•	•	•
Sharing accounts   2-77   Color institutions profit sharing   2-738   52   56   440   6   6   6   6   6   6   6   6   6	Commercial sector profit			***		4 494	440	_	15.619
accounts 522 2.738 52 - 56 440 - Precious metals deposits 585 1.971 110 - 30 81 -		2.471	11,173	385	•	1,441	104	•	1,1,211
Precious metals deposits 585 1,971 110 - 30 81 -		577	7 738	57		56	440	-	3.808
-								-	2,777
					,,				68 435
Total 16.717 56.474 2.973 - 4.085 9.376 - 8	Total	16.717	56,474	2.973	······································	4.085	9.376		89.625
Grand total 121.299 409.568 17.915 - 9.450 45.945 - 60	Grand total	121.299	409.568	17.915		9,450	45.945		604.177



(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations and notes related to the statement of income (continued):

## 3. Information on dividend income:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 4. Explanations on trading income/loss (net):

	Current Period	Prior Period	
Income	5.276.349	5.315.911	
Income from capital market transactions	75	2.242	
Income from derivative financial instruments	34,688	55.304	
Foreign exchange income	5.241.586	5.258.365	
Loss (-)	5.224.599	5,284,940	
Loss on capital market transactions	4	70	
Loss on derivative financial instruments	55,946	5.120	
Foreign exchange losses	5.168.649	5.279.800	
Trading Income/Loss (net)	51.750	30.971	

## 5. Explanations related to other operating income:

Current Period	Prior Period
41.814	76,569
19.295	12.511
3.160	2.787
1.280	
925	605
15.646	1.702
82,120	94.174
	41.814 19.295 3.160 1.280 925

<sup>(1)</sup> Visa Inc has purchased Visa Europe Ltd. on June 21, 2016. Following this transaction, TL 8.692 has been transferred to bank accounts and accounted as "Other Operating Income".



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### Explanations and notes related to the statement of income (continued): IV.

#### Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	197.773	86.106
Loans and receivables in III. Group	49.091	29,813
Loans and receivables in IV, Group	84.779	28,715
Loans and receivables in V. Group	57.103	24.300
Doubtful commission, fee and other receivables	6.800	3.278
General provision expenses	10.673	24.839
Provision expenses for possible losses	*	-
Impairment losses on marketable securities	77	141
Financial assets at fair value through profit and loss	77	141
Financial assets available for sale	•	•
Impairment losses on associates, subsidiaries, joint ventures		
and held to maturity investments	•	•
Associates	•	•
Subsidiaries	•	•
Joint ventures	*	-
Held to maturity investments	•	•
Other	18.601	12.016
Total	227.124	123.102

TL 86.588 (September 30, 2015: TL 49.817) of the total specific provisions provided for loan and other receivables amounting to TL 197.773 (September 30, 2015: TL 86.106) is the participation accounts portion of specific provision provided for loans and other receivables.



TL 1.290 (September 30, 2015: TL 13.080) of the total general loan loss provisions provided for loan and other receivables amounting to TL 10.673 (September 30, 2015: TL 24.839) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations and notes related to the statement of income (continued):

## 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	309.440	263,586
Provision for retirement pay liability	3.600	4,846
Deficit provision for pension fund	3,000	4.040
Impairment expenses of tangible assets	•	•
Depreciation expenses of tangible assets	29,418	30 En4
Impairment expenses of intangible assets	27,410	29.584
Impairment expense of goodwill	-	•
Amortization expenses of intangible assets		47.074
Impairment provision for investments accounted for under equity	17.797	12.970
method		
Impairment expenses of assets to be disposed	2 400	
Depreciation expenses of assets to be disposed	2.188	115
Impairment expenses of assets held for sale and assets of discontinued	875	1,279
oberations or assert them to, sale and assert of discourtified	<b>P</b> Pr	
Other operating expenses	55	1.000
Operating lease expenses	115.885	97,987
Maintenance expenses	44.582	39.267
Advertisement expenses	8.958	6.824
Other expenses	13.553	6.727
	48.792	45.169
Loss on sale of assets	505	295
Other <sup>(*)</sup>	67.573	62.039
Total	547,336	473,701

<sup>(1)</sup> Details of other balance are provided as below:

	Current Period	Prior Period
Saving Deposit Insurance Fund	26.879	24,188
Taxes, Duties, Charges and Funds	19.387	17.486
Expertise and Information Expenses	9,194	9.397
Audit and Consultancy Fees Vacation Pay Provision Expense	6.074	5.253
Other		1.621
W 0124	6.039	4.094
Total	67.573	62.039

## 8. Explanations on income/loss from continued operations before taxes:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".



(Thousand of Turkish Lira (TL) unless otherwise stated)

- IV. Explanations and notes related to the statement of income (continued):
- 9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	221.651	265.176
Tax calculated with tax rate of 20%	44,330	53,035
Other additions and disallowable expenses	12,836	18.385
Deductions	(10,264)	(15.546)
Provision for current taxes	46.902	55.874
Provision for deferred taxes	(4,118)	(2.559)
Continuing operations tax provision	42.784	53.315

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

10. Explanations on net income/loss from continued and discontinued operations:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

- 11. Explanations on net income/ loss:
- a) The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b) The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None.

c) Income / loss of minority interest:

None.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IV. Explanations and notes related to the statement of income (continued):

#### Components of other items which constitute at least 20% of the total of other items, if the total 12. of other items in income statement exceed 10% of the total of income statement:

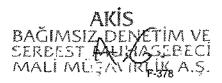
Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS fees and commissions	28.554	24.347
Clearing room fees and commissions	13.573	
Commissions on money orders	7.844	10.742
Appraisal fees		7.727
Insurance and brokerage commissions	6.845	6.521
Other	6.929	5.945
out.	10.566	8.785
Total	74.311	64,067
Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed fees and commissions	20,402	10.930
Credit cards fees and commissions	5.928	5.986
Member firm-POS fees and commissions	9.478	7.170
Other	9.406	12.044
Total	45,214	36.130

# V. Explanations and notes related to the statement of changes in shareholders' equity:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## VI. Explanations and disclosures related to the statement of cash flows:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VII. Explanations related to the risk group of the Bank:

1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

#### Current period:

Risk Group of the Bank (*)	Investment i associates, su and joint ver (business pa	ibsidiaries ntures	sharehold	d indirect ers of the nk	Other real persons inc the risk	luded in
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables Balance at the beginning of the						
period	-	-	47.906	65.512	41	28
Balance at the end of the period Profit share and commission income	**	-	35.157	21,668	996	28
received	1.353	•	1.579	257	59	-

#### b) Prior period:

Risk Group of the Bank <sup>(*)</sup>	Investm associates,s and joint (business pa	ubsidiaries ventures	sharehold	ers of the	Other real persons inc the risk	luded in
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables			50,229	69,492	15	_
Balance at the beginning of period Balance at end of period	-		47.906	65.512	41	28
Profit share and commission income received	1.346	-	1,142	156		•

C) Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on

#### c.1) Information on current and profit sharing accounts of the Bank's risk group:

Risk Group of the Bank (*)	Investme associates, su and joint ve (business part	bsidiaries entures	shareholde	rs of the	Other real of persons included the risk g	udeď in
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and profit sharing accounts						
Balance at the beginning of period	7.810	1,594	268.530	252.274	3.134	1.423
Balance at the end of period	4,940	7.810	372,148	268,530	4.002	3.134
Profit share expense	438	339	4.241	8.334	126	52

<sup>(1)</sup> As of September 30, 2016 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 52.383.529 and EURO 155.627.528 (December 31,2015: USD 125.440.079 and EURO 90.816.893). The profit share expense relating to such borrowings for the period between January 1, 2016 - September 30, 2016 is TL 6.785 (September 30, 2015: TL 10.670). The Bank has issued Sukuk in the amounts of USD 350.000.000 and TL 175.000.000 through "Bereket Varlik Kiralama A.S." which exists in the risk group of the Bank. The total expense for the related issues is TL 55.304 as of September 30, 2016 (September 30, 2015: TL 45.966).



ALBARAKA TÜRK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2016
(Thousand of Turkish Lira (TL) unless otherwise stated)

- VII. Explanations related to the risk group of the Bank (continued):
- 1.2) Information on forward and option agreements and other similar agreements with related parties:

The Bank does not have forward and option agreements with the risk group of the Bank.

For the nine-month-period ended September 30, 2016; the Bank has paid TL 12.894 (September 30, 2015; TL 9.740) to top management.

VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

IX. Explanations related to subsequent events:

The Bank's subsidiary Bereket Varlik Kiralama A.Ş. has taken a resolution in its Board of Directors numbered 2016/28 to increase its capital from TL 250 to TL 400. The Bank has added TL 150 to the related company's capital in October 2016.



ALBARAKA TÜRK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2016
(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION SIX**

 Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:

None.

SECTION SEVEN

Limited review report

I. Explanations on limited review report:

The Bank's unconsolidated financial statements as of and for the period ended September 30, 2016 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the limited review report dated November 2, 2016 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors: None.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION EIGHT**

Information on Interim Report

#### 1. General Information

## 1. Summary Information about Albaraka Türk Katılım Bankası A.Ş:

Albaraka Turk Participation Bank, the first and the leading financial institution in interest free banking field in Turkey, has completed its establishment in 1984 and entered into service as of the beginning of the year of 1985. Albaraka Turk is continuing its activities subject to the Banking Law No. 5411. In the partnership structure of Albaraka Banking Group (ABG), one of the leading groups of Middle East, Islamic Development Bank (IDB) and Albaraka Turk, established under the leadership of a domestic industrial group serving to Turkish economy for more than a half century, share of the foreign partners is 66,00%, share of the domestic partners is 9,16% and publicly held share is 24,84%. Partnership structure of Albaraka Turk is the guarantee of the respect and trust we bear.

Albaraka Turk, collecting funds through current accounts and participation accounts and gaining the funds it contributes to the economy of the country by products as individual financing, corporate finance, financial leasing and profit-loss partnership on the basis of a project, is entitled to offer a variety of finance and banking services by interest free banking application. Albaraka Turk, started with the vision of being the best regional bank in offering financial products and services in Gulf, Middle East and North Africa geographies where its main partner ABG is carrying out business, is rendering fast, qualified and safe foreign trade (import, export and foreign exchange) services to its customers in 80 countries from Singapore to England, South Africa to Morocco, Australia to Kazakhstan, by the wide correspondent net it has established with 1000 banks. Albaraka Turk, also ambitious in Retail Banking area, is an international Participation Bank adopted the mission of adding value to its customers, partners, employees and Turkey.

#### 2. Capital and Shareholders's Structure:

Albaraka Turk's paid-up capital is TL 900.000 as of September 30, 2016.

Shareholders' Structure	Share amount (TL)	Ratio (%)
Foreign Shareholders	593.953	66.00
Albaraka Banking Group	486,523	54,06
Islamic Development Bank	70.574	7,84
Alharthy Family	31.106	3,46
Others	5.750	0.64
Local Shareholders	82.469	9.16
Publicly Listed	223,578	24,84
Total	900.000	100.00

3. The amendments in the articles of association during period of January 1, 2016 - September 30,

There is no change during the period.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### Information on Interim Report (continued):

#### 4. Branch and Personnel Information:

As of September 30, 2016, total number of branches of the Bank is 213 and the total number of personnel is 3,795. Albaraka Türk carries out its activities with 212 domestic branches extended throughout the country and 1 branch abroad in Erbil.

#### 5. Board of Directors Chairman and Members:

		Educational	,
Administrative Function	Name and surname	Degree	Start Date
Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	2005
Yalçın ÖNER	Vice Chairman of BOD	Master	1985
Osman AKYÜZ	Executive Member of BOD	Bachelor	1996
İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	2005
Mitat AKTAŞ	Member of BOD	Master	2008
Hamad Abdulla A. EQAB	Member of BOD	Bachelor	2008
Fahad Abdullah A. ALRAJHI	Member of BOD	Bachelor	2008
Hood Hashem Ahmed HASHEM	Member of BOD	Master	2011
Prof.Dr.Kemal Varol	Member of BOD	Doctorate	2013
Muhammad Zarrug M. RAJAB	Member of BOD	Bachelor	2016
Bekir PAKDEMIRLI	Member of BOD	Master	2016
Dr.Fahrettin YAHŞİ	Executive Member of BOD	Doctorate	2009
Melikşah UTKU	Member of BOD	Master	2016

#### 6. Top Management(\*):

			······································
Name and Surname	Administrative Function	Degree	Start Date
Melikşah UTKU <sup>(**)</sup>	Acting General Manager	Master	2016
Mehmet Ali VERÇİN	Assistant General Manager	Bachelor	2005
Nihat BOZ	Assistant General Manager	Bachelor	2009
Temel HAZIROĞLU	Assistant General Manager	Master	2003
Bülent TABAN	Assistant General Manager	Master	2003
Turgut SİMİTÇİOĞLU	Assistant General Manager	Master	2009
Mahmut Esfa EMEK	Assistant General Manager	Bachelor	2011
Ali TUĞLU	Assistant General Manager	Master	2014

<sup>\*</sup> Ayhan Keser resigned on August 31, 2016.



<sup>\*\*</sup> Appointed as Acting General Manager on October 19, 2016.

(Thousand of Turkish Lira (TL) unless otherwise stated)

### Information on Interim Report (continued):

## 7. Committee Information After Distribution of Roles Among BOD

#### AUDIT COMMITTEE

Chairman

: Hamad Abdulla A.EQAB

Member

: Hood Hashem Ahmed HASHEM

Member

: Mitat AKTAS

Member

: Muhammad Zarrug M. RAJAB\*

Observer

: Yalçın ÖNER, İbrahim Fayez Humaid ALSHAMSI, Melikşah UTKU\*\*

#### CREDIT COMMITTEE:

Chairman

: Adnan Ahmed Yusuf ABDULMALEK

Member Member

: Osman AKYÜZ

Member

: Prof.Dr.Kemal VAROL : Melikşah UTKU\*\*

Reserve Member: Yalçın ÖNER, Bekir PAKDEMİRLİ\*

## CORPORATE GOVERNANCE COMMITTEE:

Chairman

: Prof.Dr.Kemal VAROL

Member Member : Ibrahim Fayez Humaid ALSHAMSI : Fahad Abdullah A. ALRAJHI

Member

: Mustafa ÇETİN

Observer

: Osman AKYÜZ, Melikşah UTKU\*\*

#### REMUNERATION COMMITTEE:

Chairman

: Adnan Ahmed Yusuf ABDULMALEK

Member

: Osman AKYÜZ

Member

: Melikşah UTKU\*\*

#### SOCIAL RESPONSIBILITY COMMITTEE:

Chairman

: Bekir PAKDEMIRLI\*

Member

: Ibrahim Fayez Humaid ALSHAMSI

Member

: Melikşah UTKU\*\*

<sup>\*</sup>Appointed in the Board Meeting dated on July 29, 2016.

<sup>\*\*</sup>Appointed in the Board Meeting dated on October 19, 2016 instead of Dr. Fahrettin Yahşi.

(Thousand of Turkish Lira (TL) unless otherwise stated)

## Information on Interim Report (continued):

#### II. Banks Financial Information and Evaluations:

#### 1. Main Financial Figures:

Earnings Per Share (Full TL)

ASSETS	Current Period	Prior Period
Cash and Balances with The Central Bank	4.490.676	4.904.798
Banks	1.250.815	2,482.614
Financial Assets- Available For Sale (Net)	1,215,827	1.051.566
Loans and Receivables	19.435.541	18.557.965
Financial Leasing Receivables	895.714	947,427
Others	1,343.962	1.617.629
TOTAL ASSETS	28,632,535	29.561.999
LIABILITIES	Current Period	Prior Period
Funds Collected	20.108.581	20,346,178
Funds Collected Funds Borrowed	3.966.774	4,104,688
Subordinated Loans	1.318.291	1,239,557
Shareholders' Equity	2.221.109	2,103,914
Others	1.017.780	1.767.662
TOTAL LIABILITIES	28,632,535	29,561.999
INCOME AND EXPENSE ITEMS	Current Period	Prior Period
Profit Share Income	1.635.408	1,409,456
Profit Share Expense	878.358	766.830
Net Profit Share Income/Expenses	757.050	642.626
Net Fees and Commissions Income/Expenses	105,191	94.198
Trading Income/Loss (Net)	51.750	30.971
Other Operating Income	82.120	94.174
Total Operating Income	996.111	861.979
Provision For Loan Losses and Other Receivables (-)	227.124	123.102
Other Operating Expenses (-)	547.336	473.701
Net Operating Income/ (Losses)	221.651	265.176
Tax Provision For Discontinued Operations (-+)	42.784	53,315
NET PROFIT/LOSSES	178.867	211.861
7 N. Change (#.31.71.)	A 100	0.235

0,199

0,235

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2016
(Thousand of Turkish Lira (TL) unless otherwise stated)

Information on Interim Report (continued):

## 2. Message from the Chairman of the Board of Directors:

Our Precious Stakeholders,

We have left behind the third quarter of the year of 2016 in which high volatility was dominating both the global and domestic markets. FED continues to give the message on an interest hike in December 2016 as in 2015, emphasizing specifically in the last monetary policy meeting the positive acceleration of economic activities and the improvement in employment data.

Interest hike signals of FED, steps of the Central Bank of Japan on expansionary policy, expansion decisions of the Central Bank of England on assets purchasing program in the third quarter after the decision of UK on leaving EU and political uncertainties within the country have been effective on credit rating agencies in reducing the notes in the third quarter of the year.

Central Bank of Turkish Republic has maintained its tight monetary policy stance with the developments in global markets and forecasts on uncertainties of fluctuations on monetary policies to continue; however it has dropped the upper band of the interest rate corridor to 8,25% with a decrease of 250 base points in the first nine months of the year to increase the resistance of the country economy against global shocks. Continuing decline in core inflation strengthens the thought on central bank to continue its steps in simplifying interest in short term.

Domestic consumption expenditures supporting economic growth also in the second quarter has enabled Turkey to reach to 3,9% economic growth performance in the first half of 2016, however investment expenditures have kept their weak course. Data before the figure of the third quarter growth which is not announced yet shows that downward acceleration in economic activities continues. New incentive programs on consumption expenditures have become a current issue for maintaining support of economic growth. After all, both domestic and overseas developments have caused Medium Term Program to be updated and with the new program announced, growth of year end of 2016 is revised as 3,2%.

Twelve month foreign trade deficit in Balance of Payments table has reached to 31 billion dollars as of the end of August. Decline in food prices and specifically decline continuing in core inflation have played an important role in inflation of the period end of the third quarter to be 7,3%.

In this respect, Albaraka Turk protects its position of being the flagship of its major partner Albaraka Banking Group ("ABG") for 30 years even in 2016 in which global and internal fluctuations have maintained their effects in every period. ABG is one of the pioneers of interest-free banking in the World performing activities in corporate, commercial, private and investment banking fields with its 586 branches in Jordan, Lebanon, Egypt, Tunisia, Algeria, Sudan, South Africa, Syria, Pakistan, Bahrain, Indonesia, Libya and Turkey, 11.458 employees and agents acting according to the interest-free banking principles. As of the year end of 2015, Albaraka Banking Group's total size of assets has reached to 24,6 billion dollars, collected funds have reached to 20,2 billion dollars and size of equity has reached to 2,1 billion dollars level.

As Albaraka Turk, we shall maintain to respond financial needs of our customers as we have done in 30 years by increasing the energy required for our growth with our management team professionalizing every day, our young and dynamic human resources and the organization we own, being conscious of and under the responsibility of being the first and the leading Participation Bank of Turkey. We'll continue our journey towards our goal of sustainable growth with our stakeholders, business partners, correspondents and employees with close cooperation and harmony. As it was yesterday, our Bank shall continue to take firm steps today and tomorrow with its vision of "being the World's Best Participation Bank".

Respectfully Yours.

Adnan Ahmed Yusuf ABDULMALEK Chairman of the Board of Directors

AKİS BAĞIMSIZ DENETIM VE SERBESTAMUHASEBEC MALI MÜSAVRUK A

(Thousand of Turkish Lira (TL) unless otherwise stated)

## Information on Interim Report (continued):

### 3. Message from the General Manager

Our Precious Stakeholders,

Despite difficult conditions of our country and global fluctuations in the third quarter we have left behind, we have always sustained to stand by our country and our people as Albaraka Turk.

According to our third quarter financial results, total assets of our Bank have been TL 28.632.535. In the same period, our total finance portfolio has reached to TL 19.435.541 with an increase of 4,73% compared to year end.

Funds collected through profit and loss participation accounts and private current accounts are TL 20.108.581. Approximately 42,61% of these funds are comprised of foreign currency type funds.

As of September 30, 2016, net profit of our Bank has realized as TL 178.867.

We have continued to be the participation bank breaking the grounds and signed the "Globe Trade Finance Program" agreement. Thus, we have signed an important agreement with Asian Development Bank established for contributing in development in Asia-Pacific Region. As Albaraka, we have been the first participation bank signing the "Globe Trade Finance Program" by this agreement.

As Albaraka Turk, we're aiming to increase our activities in Asia-Pacific countries in addition to Middle East and North Africa Region where we are specifically effective, within the scope of "Globe Trade Finance Program" agreement for increasing product variety and offer our customers the highest quality service. During this process, Asian Development Bank, having a credit note of AAA and providing financial support of up to 100 percent to 200 financial institutions and all their foreign trade customers in their foreign trade transactions shall make contribution to the growth of foreign trade.

Managing our customers' requests healthily through our banking activities is one of the primary subjects we would never make concessions of. Along with this, our Bank, intending to make contributions to development and productivity of Turkish public in all aspects, continues to serve the public for 30 years with the artistic activities it performs and cooperation is healthcare subjects. In this regard, a blood donation campaign is organized at the General Directorate building with the cooperation of "May be it's You" Organization in September to support being stem cell donor with the slogan of "3 Small Tubes for Life".

Albaraka, the first participation bank of Turkey, is maintaining its support to culture and art with a new project. Albaraka Calligraphy Collection, consisted of about 400 pieces and is revealed as a result of more than 10 years of study is getting ready to meet with the art lovers in 30 cities of Turkey. Our Calligraphy Collection shall be offered to art-lovers in 30 different cities, within the scope of "Abundance of Pencil: Calligraphy and Illumination Exhibition" we have determined Ordu as the first stop; we are honored for this collection we have been preparing since 2005 with great efforts to reach to hundred thousands of people throughout Turkey.

With our activities we have developed and increased in all fields, we, as Albaraka Turk, shall continue working meticulously and devotedly for the 15 percent market share which participation banking in our country aims to achieve in 2025. Our Bank shall continue its activities with the vision of "Being the best participation bank of the World" and maintain to be the pioneer in the sector and serve for sustainable growth and development in the following periods with its employees and stakeholders.

Restpectfully Yours,

Melikşah UTKU Acting General Manager



(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on interim Report (continued):

- 4. Activities in the Third Quarter of 2016:
- In the third quarter of 2016, our total assets have actualized as TL 28.632.535.
- In the third quarter of 2016, the funds our Bank has collected through "Special Current Accounts" and "Participation to Profit and Loss Accounts" has been TL 20.108.581 as of September 30, 2016. Approximately 42,61% of these funds are constituted of foreign currency funds.
- Participation accounts in the third quarter of 2016 has been TL 16.103.645. Our Bank's Fund Collecting Activities are carried out through our 213 branches, our bank's branches throughout the country and correspondent banks abroad.

TI and USB	Current Period		Prior Period		Change (%)	
TL and USD Equivalent	TL Equivalent	USD Equivalent	TL Equivalent	USD Equivalent	TL	USD
TL Funds Current Accounts Participation	11.541.131 2.037.416	3.857.330 680.955	11.336.176	3.936.172 696.973	1,81 1,50	(2,00) (2,30)
Accounts FC Funds Current Accounts Participation	9.503.715 8.567.450 1.967.520	3.176,375 2.863,452 657,594	9.328.892 9.010.002 2.253.907	3.239.199 3.128.473 782.607	1,87 (4,91) (12,71)	(1,94) (8,47) (15,97)
Accounts TOTAL	6.599.930 20.108.581	2.205.858 6.720.782	6.756.095 20.346.178	2.345.866 7.064.645	(2,31) (1,17)	(5,97) (4,87)

As of September 2016, our credits have reached to TL 19.435.541 with an increase of 4,73% compared to year end.

Ti	Current Period		Prior Period		Change (%)	
TL and USD Equivalent		USD Equivalent	TL Equivalent	USD Equivalent	T1	USD
Credits (*) Non-performing	19.854,777	6.635.955	19.317.826	6.707.579	2,78	(1,07)
Loans Provisions	941.367 (464.889)	314.628 (155.377)	468.413 (280.847)	162.643 (97.516)	100,97 65,53	93,45 59,34
TOTAL  The Financial leasing receives	20.331.255	6.795.206	19.505.392	6.772.706	4,23	0,33

The currency used in the preparation of the tables are as follows;

Balance Sheet Period	USD/TL
As of 30 September 2016 As of 31 December 2015	2,992
	2,880



(Thousand of Turkish Lira (TL) unless otherwise stated)

## Information on Interim Report (continued):

- 5. Evaluation on Financial Status, Profitability and Solvency:
  - Our Operating Income has been TL 996.111, increasing by 15,56% compared to the same period of the previous year.
  - Net Fee and Commission Revenues have been TL 105.191, increasing by 11,67%, our Net Profit Share has been TL 757.050, increasing by 17,81%, and Trading Income has been TL 51.750, increasing by 67,09%.
  - Personnel expenses has been TL 309.440, increasing by 17,40%, Credit and Other Receivables Allowance for Loss in Value has been TL 227.124, increasing by 84,50% and Depreciation Expenses have been TL 48.090, increasing by 9,71% compared to the same period of the previous year.
  - Our net profit has been TL 178.867 for the first 9 months of the year.
  - As of September 30, 2016, our capital adequacy ratio is actualized as 12,74%, over the legal obligation level.

Investor Relations presentation regarding our unconsolidated financial results for the first 9 months of 2016 can be found at investor Relations Tab in www.albaraka.com.tr.

- 6. Announcements regarding important developments during 1st January 2016-30th September 2016 period:
  - On April 22, 2016, JCR- Eurasia Rating evaluate Albaraka Turk Participation Bank Inc. in a high level of investment grade and it has confirmed Long-Term National Rating of 'AA (Trk), Long Term International Foreign and the local currency BBB- ', and the view is (Stable). Other notes and all the details are shown below:

Long Term International Foreign Currency: BBB- / (Stable Outlook)

Long Term International Local Currency: BBB- / (Stable Outlook)

Long-Term National Rating: AA (Trk) / (Stable Outlook)

Short Term International Foreign Currency: A-3 / (Stable Outlook) Short Term International Local Currency: A-3 / (Stable Outlook)

Short Term National Rating: A-1 + (Trk) / (Stable Outlook)

Support Rating: 3 Stand Alone: AB

- Within our Bank Buy-back program accepted Ordinary General Assembly held March 25, 2015, total TL 3.005 nominal value shares were bought by our Bank between 18th January 2016 and 22nd July 2016. With this transaction, our Bank's share of capital in Albaraka Türk Katılım Bankası A.Ş.'s Capital amounted to 0.3339% on July 22, 2016.
- On July 11, 2016, JCR- Eurasia Rating revised our CMB Corporate Governance Principles Compliance rating as (8,75) and the outlook as (Stable). The compliance levels issued through four main sections are presented in the following.

Overall Score: 8.75 (Stable)

Shareholders: 8,83 Public Disclosure: 9,04 Stakeholders: 8,56

Board: 8,58

Our Bank will remain in the BIST Corporate Governance Index, because our Bank's Corporate Governance Principle Compliance rating is on the threshold of 7 points.



## ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

Information on Interim Report (continued):

- Announcements regarding important developments during 1st January 2016-30th September 2016 period (continued);
  - On August 17, 2016, Standard & Poor's revised our Credit Rating as follows.

Long Term Loans: BB-

Credit Rating Outlook: Stable

Short Term Loans: B

- Mr. Ayhan KESER who was the Executive Vice President of Retail Marketing, Retail Product Management, Alternative Distribution Channels, Financial Institutions and Investor Relations resigned on August 31, 2016.
- In pursuant to Capital Markets Board Corporate Governance Communiqué (II17.1), Corporate Governance Rating Contract between our Bank and JCR Eurasia Rating has been decided to extend the same conditions, the contract is valid from the date 16th September 2016 16th September 2018.

## Albaraka Türk Katılım Bankası Anonim Şirketi

Unconsolidated financial statements
and related disclosures at June 30, 2016
together with limited review report
(Convenience translation of the limited review report and
financial statements originally issued in Turkish see section three Note XXIII)

4 August 2016

This report contains "Limited Review Report" comprising 2 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 91 pages.



Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No:29 Beykoz 34805 İstanbul Tel +90 (216) 681 90 00 Fax +90 (216) 681 90 90 www.kpmg.com.tr

Convenience Translation of the Limited Review Report Originally Prepared and Issued in Turkish to English (See Note XXIII in Section Three)

# LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş.;

#### Introduction

We have reviewed the unconsolidated statement of financial position of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") at 30 June 2016 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim—financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial—information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Albaraka Türk Katılım Bankası A.Ş. at 30 June 2016 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

#### Other Matter

The unconsolidated financial statements of the Company as at and for year ended 31 December 2015 and as at and for the six months period ended 30 June 2015 were audited and reviewed by another auditor who expressed an unmodified opinion/conclusion on those statements on 22 February 2016 and 6 August 2015, respectively.

# Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim annual report in Section VIII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member firm of KPMG International Cooperative

Alper Güvenç Partner, SMMM

4 August 2016 İstanbul, Turkey

## Additional paragraph for convenience translation to English:

The accounting principles summarized in Note XXIII Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.



# UNCONSOLIDATED INTERIM FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2016

Bank's headquarter address

: Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6 34768 Ümraniye / İstanbul

Bank's phone number and facsimile

: 00 90 216 666 01 01 - 00 90 216 666 16 00

Bank's website

: www.albarakaturk.com.tr

Electronic mail contact info

: albarakaturk@albarakaturk.com.tr

The unconsolidated interim financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL **STATEMENTS**
- OTHER EXPLANATIONS
- LIMITED REVIEW REPORT
- INTERIM REPORT

The unconsolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been reviewed and presented as attached.

August 4, 2016

dnan Ahmed Yusuf ABDULMALEK Chairman of the Board of Directors

Fahrettin YAHS General Manager

Meliksah UTKU Assistant General Manager

YUNUS/AHLATCI

Budget and Financial Reporting Manager

Hamad Abdulla A. EQAB Chairman of the Audit Committee

Mitat AKTAS Member of the Audit Committee Hood Hashem Ahmed HASHEM Member of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title

: Bora ŞİMŞEK / Budget and Financial Reporting / Vice Manager

Telephone

: 00 90 216 666 05 59

Facsimile

: 00 90 216 666 16 11

Table	of contents	Page
Section		
Genera	l information	1
1,	History of the Bank including its incorporation date, initial legal status and	•
i	amendments to legal status Shareholding structure, shareholders having direct or indirect, joint or individual	1
11.	Shareholding structure, shareholders having unect of induces, joint of the control over the management of the Bank and disclosures on related changes in the	
	control over the management of the bank and disclosures of related changes in	
	Explanation on the chairman and members of board of directors, members of audit	2.
111.	committee, general manager and assistant general managers , their areas of	
	responsibility and their shares in the Bank, if any	
44.4	Information on the Bank's qualified shareholders	3
IV.	Summary on the Bank's service activities and field of operations	3
571	nufferences between the Communicité on Preparation of Conscillateu ristancial	4
VI.	Statements of Banks and Turkish Accounting Standards with respect to consolidation	
	and chart evaluation shout the institutions subject to full or proportional	
	consolidation and institutions which are deducted from equity or not included in	
	there three matheds	
VII	The existing or notential, actual or legal obstacles on Immediate transfer of equity	4
****	or reimbursement of liabilities between the Bank and Its subsidiaries	
Section	n two	
The un	consolidated financial statements	6
١.	Balance sheet (Statement of financial position)	8
H.	Statement of off-balance sheet	9
111.	Statement of income	10
iV.	Statement of income and expense items accounted under shareholders' equity	11
٧.	Statement of changes in shareholders' equity	13
VI.	Statement of cash flows	1-2
C m mbš m	n three	
	nting policies	
ALCOU!	Euniamations on back of presentation	14
11.	- 's and the second of the sec	15
	transactions	
111	Explanations on forward, option contracts and derivative instruments	16
IV.	Explanations on profit share income and expenses	16
٧.	Explanations on fees, commission income and expenses	17 17
VI	Explanations on financial assets	18
VIII	Explanations on impairment of financial assets	19
VIII.	Evolunations on offsetting of financial Instruments	19
iX.	Evaluations on cale and requirchase agreements and tending of securities	19
Х.	Explanations on assets held for sale and discontinued operations and liabilities	
	related to these assets	20
XI.	Explanations on goodwill and other intangible assets	20
XII.	Explanations on tangible assets	21
XIII.	Explanations on leasing transactions	22
XIV.	Explanations on provisions and contingent liabilities	22
XV.	Explanations on liabilities regarding employee rights	23
XVI.	Explanations on taxation  Additional explanations on borrowings	24
XVII.	Explanations on issued share certificates	24
AVIII	Explanations on acceptances and availed drafts	24
Λίλ.	Explanations on government grants	24
VV.	Explanations on segment reporting	24
AAB VVI	Explanations on other matters	24
XXIII	. Additional paragraph for convenience translation	25
V/////	5 vineminimi L	

Sect	ion	
four		
Info	rmation on financial structure and risk management	
1.	Explanations on the capital adequacy standard ratio	
ll .	· explanations on credit usk	26
Ш	Explanations on currency risk	34
ΙV	Explanations on position risk of equity securities to banking beat	34
V,	· extransfixit fit fithitify USK	36
VI	Explanations on leverage ratio	36
Vij	Explanations on presentation of figureial process and the figure	40
VIII	"" I "" " " " " " " " " " " " " " " " "	40
		40
IX.		41
۸.	Explanations on business segments	48
		40
Cocti	on five	
APIG	nations and notes on the unconsolidated financial statements	
i.	Explanations and notes related to assets	49
III.	The contract of the contract o	62
		71
Ÿ.	Explanations and notes related to the statement of income	73
VI.	Explanations and notes related to the statements of changes in shareholders' equity Explanations and notes related to the statement of cash flows	80
	Explanations related to the risk group of the Bank	80
VIII.	Explanations related to domestic, foreign, off-shore branches or investments and foreign representative offices	18
	representative offices	
fΧ.	Explanations related to subsequent events	82
	·	82
Section		
Other	explanations	
1,	Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require sheet or that are ambiguous	
	and/or open to interpretation and require clarification	
		83
Section		
Limited	review report	
1	Explanations on limited review report	0.5
II.	Other notes and explanations prepared by the independent auditors	83
		83
Section		
Interim	I COOT	
1	Interim report including evaluation of chairman and general manager on interim period	84
		<b>∪-</b> F

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### SECTION ONE

## GENERAL INFORMATION

History of the Bank including its incorporation date, initial legal status and amendments to legal I. status:

Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks 'published in the Official Gazette dated November 1, 2006 numbered 26333 and the Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Bank's head office is located in Istanbul and is operating through 212 (December 31, 2015: 212) local branches and 1 (December 31, 2015: 1) foreign branch and with 3.830 (December 31, 2015: 3.736) staff as of June 30, 2016.

Shareholding structure, shareholders having direct or indirect, joint or individual control over 11. the management and supervision of the Bank and the disclosures on related changes in the current year, if any:

As of June 30, 2016, 54,06% (December 31, 2015: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 24,84% (December 31, 2015: 24,80%) of the shares are publicly traded and quoted at Borsa Istanbul.



(Thousand of Turkish Lira (TL) unless otherwise stated)

Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Bank, if any:

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
Chairman of the Board of Directors (BOD)	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	<sup>‡",</sup> 0,000
Members of BOD	Yalçın ÖNER	Vice Chairman of BOD	Master	
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	r: 0,000
	Osman AKYÜZ	Member of BOD	Bachelor	
	Bekir PAKDEMIRLI	Member of 800	Master	
	Mitat AKTAŞ	Member of BOD	Master	Ci o noo
	Hamad Abdulla A. EQAB	Member of BOD	Bachelor	<sup>(1)</sup> 0,000(
	Fahad Abdullah A. ALRAJHI	Member of 800	Bachelor	11 0,000
	Hood Hashem Ahmed HASHEA	Member of BOD	Master	17) 0,0000
	Muhammad Zarrug M. RAJAR	Member of BOD		r, 0,0000
	Prof. Dr. Kemal VAROL	Independent Member of BOD	Bachelor Doctorate	
General Manager	Dr .Fahrettin YAHŞİ	Member of BOD / General Manager	Doctorate	
Assistant General	Mehmet Ali VERÇÎN			•
Managers	Mennet Rit Verçin	Corporate Marketing, Treasury Marketing, Investment Projects	Bachelor	
	Nihat BOZ	Legal Advisory, Legal Follow-up	Danie at	
	Temel HAZIROĞLU	Human Values, Training & Organisation,	Bachelor	
		Performance & Career Management, Administrative Affairs, Construction and Real Estate	, master	0,0342
	Bülent TABAN	Commercial Marketing, Commercial Products Management, Regional Offices	Master	
	Turgut SiMİTCİOĞLU	Credit Operations, Banking Services Operations, Foreign Affairs Operations, Payment Systems Operations, Risk Follow-up	Master	
	Melikşah UTKU	Financial Affairs, Budget & Financial	Master	
	Ati TUĞLU	Reporting, Corporate Communication Core Banking Applications		
		Development, Customer & Channel and Analytical Applications, IT Support, IT Strategy & Governance	Master	-
	Mahmut Esfa EMEK	Corporate Credits, Commercial Credits, Retail Credits	Bachelor	
	Ayhan KESER	Retail Marketing, Alternative Distribution Channels, Retail Products Management, Financial Institutions, Investor Relations	Bachelor	
	HOOD Hashem Ahmed HASHEM	Member of Audit Committee	Bachelor Master Master	0,0000 0,0000 0,0000

<sup>(1)</sup> The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Bank's share capital (December 31, 2015: 0,0342%).



(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Information on the Bank's qualified shareholders:

The Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below:

	Share amount			
Name / commercial name	(nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486,523	54,06%	486,523	*

## V. Summary on the Bank's service activities and field of operations:

The Bank operates in accordance with the principles of interest-free banking as a participation bank. The Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under five different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included) and one year and more than one year (with monthly, quarterly, semiannual and annual profit share payment).

The Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Bank operates as an insurance agency on behalf of Işik Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik ve Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services.

Moreover, the Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.



(Thousand of Turkish Lira (TL) unless otherwise stated)

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:

The Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiralama A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş. the subsidiaries of the Bank, through equity method and full consolidation method, respectively. Moreover, ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the bank and its subsidiaries;

There is no immediate transfer of equity between the Bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

#### Section two

# The unconsolidated financial statements

- 1. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet
- III. Statement of income
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) **AS OF 30 JUNE 2016**

(Thousand of Turkish Lira (TL) unless otherwise stated)

			****	Reviewed			Audited	**************************************
	ASSETS			JRRENT PER			PRIOR PERIO	
***************************************			TL.	June 30,20   FC	16 Total	De TL	cember 31,	
ļ.	PARLE CAIRS IN A A ALLER WAR A SURVEY OF THE STATE OF THE	1		† <u>'</u>	1000		FC FC	Total
f•	CASH AND BALANCES WITH THE CENTRAL BANK				1	ł	1	1
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH	(1)	793.193	3.564.466	4.357.669	894,20	4.010,594	4,904.798
	PROFIT AND LOSS (Net)	(2)	1.173	62	1.235	1.42	20.856	
2.1	Trading Financial Assets	1 ''	1.173					
2,1,7 ) 5 %	Public Sector Debt Securities Equity Securities				-			
2.1.3	Derivative Financial Assets Held for Trading		814	1 -	814	790		790
4.1.4	Other Marketable Securities	]	359	62	421	1	20.822	
t. Z	Financial Assets at Fair Value Through Profit	1	333	ĺ "'	1 741	637	] 34	671
994	and Loss Public Sector Debt Securities		-	,	1 .			į .
1.2.2	Equity Securities		1 -	٠ '	·			
.2.3	Loans	1			•		-	-
.2.4	Other Marketable Securities			] [	1 :			
ii.	BANKS	(3)	628.094	1.390.266	2.018,360	599,970	1.882.644	2.482.614
v. '.	MONEY MARKET PLACEMENTS FINANCIAL ASSETS-AVAILABLE FOR SALE (net)			١ ،		1		2.794.014
.1	Equity Securities	(4)	825.856		-,			1.051.566
.2	Public Sector Debt Securities		788,152	5.087 250.336	5.102 1.038.488	+		12.865
.3	Other Marketable Securities	İ	37.689	100.426				
1. .1	LOANS AND RECEIVABLES	(5)	15,761,214	3.391.577	19 157 776	15 75 2 22 2	3.205.882	151,544 18.557,965
	Loans and Receivables Loans to Risk Group of The Bank		13.423,133	1.190.022	18.815.177	15.165,345	3.205.054	18.370.399
	Public Sector Debt Securities	ļ	7.864	30.814	38,678	9.424	38.523	47.947
1.3	Other		15,417,291	מתר מאר ב	18.776.499	45 455 534		
2	Non-performing loans		704.141	2.758	706.899	15.155.921 467.256	3,166,531 1,157	18.322.452
.3 H.	Specific Provisions (-)		368.082	1.258	369.340	280.518	329	468.413 280.847
	INVESTMENTS HELD TO MATURITY (net) INVESTMENTS IN ASSOCIATES (net)	(6)	762.889	-1	762.889	762.890	7.	762.890
	Accounted for under Equity Method	(7)	4.713	•	4.719	4,719	-	4,719
2	Unconsolidated Associates		4.719	]	4.719	1 740	-	
2.1	Financial Associates		4,719		4.719	4.719 4.719		4.719
	Non-Financial Associates SUBSIDIARIES (net)		i -l					4.719
	Unconsolidated Financial Subsidiaries	(8)	5.250	•	5.250	5.250	٠,	5.250
2 (	Unconsolidated Non-Financial Subsidiaries		5.250	1	5.250	5.250	- 1	5.250
	JOINT VENTURES (net)	(9)	15,500		15,500	15.500	1	
.1 <i>.</i> .2 t	Accounted for under Equity Method	· · ·	, ,			13.300	.]	15.500
	Inconsolidated Inancial Joint Ventures		15,500	-[	15,500	15,500		15.500
.Z.2 P	ion-Financial Joint Ventures		15.500	•]	15,500	15.500	-	15.500
	EASE RECEIVABLES (net)	(10)	906.053		906,053		-	
.1 F	inance Lease Receivables	,,	1.033.691		1.033.691	947,427 1,090,063		947.427
	Operational Lease Receivables Other			-	-	1.075,003	1	1.090.063
	inearned income (-)		****	-]	:	.)	-	-[
	ERIVATIVE FINANCIAL ASSETS FOR HEDGING	Ī	127.638	1	127.638	142.636	•	142.636
₽	URPOSES	(11)	J		ال			ŀ
1 F 2 C	air Value Hedge				- 1	.]		- []
2 L 3 H	ash Flow Hedge edge of Het Investment Risks in Foreign		-	-	-]	-	- 1	.]
Ĩ Q	perations	- 1		1		-		
. 7	ANGIBLE ASSETS (net)	(12)	481.645	935	482,580	400.000		
. !	TANGIBLE ASSETS (net)	(13)	38,382	356	38.738	499.803 43.796	1.33 <del>6</del> 476	501.139
	oodwill ther	· · ·				731770	*/*	44.272
	VESTMENT PROPERTY (net)		38.382	356	38.738	43.796	476	44,272
	AX ASSET	(14)	24,433	*	أتمديد	ائد. مـ	-	-
C	urrent Tax Asset	,	4.366	:]	24.433 4.366	20.495 5.324	-	20.495
	eferred Tax Asset	l	20.067	أ	20.067	15,171	:	5.324 15.171
. A5	SSETS HELD FOR SALE AND ASSETS OF SCONTINUED OPERATIONS (net)				ļ		1	14.171
As	sets Held for Sale	(16)	101.043	235	101.278	22.574	245	22.819
. A.s	sets of Discontinued Operations	-	101,043	235	101.278	22,574	245	22.819
i. 01	THER ASSETS	(17)	284.095	26,491	310.586	216.018	2.244	218.262
								4 ID. / N / I



#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

		T		Reviewed			Audited PRIOR PERIOR	········
	LIABILITIES			URRENT PERIO June 30,2016	D .		rnon renou cember 31,20	
			TI	FC FC	Total	TL.	FC	Total
		<del> </del>	- · · · · · · · · · · · · · · · · · · ·	~ <del></del>	i	I	<u> </u>	1
l <sub>I</sub> .	FUNDS COLLECTED	(1)	11.029.651		19.766.601			20.346.178
1,1	Funds from Risk Group of The Bank		12,970	266.623	279.593	126.867	152.607	279.474
1.2	Other		11.016.681	8,470,327	19,487,008	11.209.309	8,857.395	20.066.704
18.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR	/ / / /	1	17,131	17,131	_	} .	
1	TRADING	(2)	177,474	3.944.859			4,104,688	4,104.688
觚.	FUNDS BORROWED BORROWINGS FROM MONEY MARKETS	(2)	767.656	317441437	767,656	770.959		770.959
IV. V.	SECURITIES ISSUED (net)		1 ,0,,,,,,,		, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			-
VI.	MISCELLANEOUS PAYABLES	}	830.357	139,317	969.674	633.312	53,074	686.386
VII.	OTHER LIABILITIES	(4)						
Val.	LEASE PAYABLES	(5)					] -	-
8.1	Finance Lease Payables			-		,		1 .
8.2	Operational Lease Payables		•	•				i '
8.3	Other		,	•	1	1	1 .	]
8,4	Deferred Finance Lease Expenses ( - )		'	,	1			
IX.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)		١.				.
9.1	Fair Value Hedge	147			1.		-	-
9.2	Cash Flow Hedge							
9.3	Net Foreign Investment Hedge		4 -	-				
x.	PROVISIONS	(7)	225,531	53,684	279.215	216,049	35.810	
10.1	General Provisions		156,369	33.964	190.333	140.016	30.869	170.885
10.2	Restructuring Reserves		47.50	-		53.033	· -	53.033
10.3	Reserve for Employee Benefits		42.503	-	42,503	33.033	1 .	33.033
10.4	insurance Technical Reserves (net)	Ì	26,659	19.720	46,379	23.000	4,941	27,941
10.5	Other Provisions	(8)	50.565	19,720	50.586	55.695	2,763	58.458
XI. 11,1	TAX LIABILITY Current Tax Liability	10)	50.565	21	50.586	55.695	2,763	58,458
11.2	Deferred Tax Liability	ì	******				-	
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND		ł			1	}	
/	ASSETS OF DISCONTINUED OPERATIONS (net)	(9)	-	•	-			-
12,1	Assets Held for Sale		-	-		1		-
12.2	Assets of Discontinued Operations		- 1			,	1.239.557	1.239.557
XIII.	SUBORDINATED LOANS	(10)	24/2/70	1.218,580 3.272	1,218.580	2.097.426	6.488	2.103.914
XIV.	SHAREHOLDERS' EQUITY	(11)	2,168,679 900,000	3.2/2	900.000		2,700	900.000
14.1	Paid-In Capital Capital Reserves		191,760	3.272	195.032	194.422	6,488	200,910
14.2	Share Premium		1			.,		
	Share Canceliation Profits					-	١ ،	-
	Marketable Securities Valuation Reserve		6.602	3.272	9,874	4,203	6.488	10,691
14,2.4	Revaluation Reserve on Tangible Assets	l	182.619	,	182,619	189.092		189.092
	Revaluation Reserve on Intangible Assets		j -	•	*	`		1 :
3	Investment Property Revaluation Reserve		1	-		'	•	1
14.2.7		ì		_		Ι.	Ι.	
	Jointly Controlled Entities Hedging Funds (Effective Portion)				:	! .	l .	
	Accumulated Valuation Differences on Assets Held					İ		i
14.4.9	For Sale and Assets of Discontinued Operations							
14.2.10	Other Capital Reserves		2.539	-	7.539	1.127	-	1,127
14.3	Profit Reserves		946.332	-	946.332		-	696.531
14.3.1	Legal Reserves	1	97.815	•	97.815	84.774	-	84.774
	Status Reserves			_	848.517	611,757	1	611.757
	Extraordinary Reserves	1	848.517	•	048.31/	011,/3/	1 :	611.737
	Other Profit Reserves	1	130.587	:	130.587	306,473	1	306,473
14.4	Profit or Loss Prior Years Profit / (Loss)		2.037		2.037	3.610		3.610
	Current Year Profit / (Loss)	1	128,550	-	128.550			302.863
1 375.75.2	maismis idmictions i femali				1		L	<u> </u>
	TOTAL LIABILITIES		15,249,913	14.113.814	29,363,727	15.109.617	14.452.382	29.561.999



# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET **AS OF 30 JUNE 2016**

(Thousand of Turkish Lira (TL) unless otherwise stated)

	CTATURED AN AND	ļ	ļ		Review				Audite	
	STATEMENT OF OFF BALANCE SHEET	ĺ	1	Ç	URRENT PE				PRIOR PE	RIOD
					June 30,20	***************************************		ļ	December 3	1,2015
	OFF BALANCE SHEET COMMITMENTS (I+II+III)			TL.		FC [	Total	[	TL	FC
	GUARANTEES AND SURETIES	- 10	5.632.		5.428.3	01 11.06	0.929	5.494.0		
1.	Letters of Guarantees		4.363,6		4.465.3		8,419	4.275.4		,
1.1,	Guarantees Subject to State Tender Law		4.359.		3.539.4		9.080	4.269,4		
1,2,	Guarantees Given for Foreign Trade Operations		331,		24.6		6.340	259.0		1
1,3.	Other Letters of Guarantee	- 1		611	766.5	96 76	8.207		36 816.	
Ž.	Bank Loans	1	4,026.4	409	2.748.1		4.533	4.009.9		
2.1.		ļ		٠,	33.4		3.415	,	28.3	
2.2.	Other Bank Acceptances	ĺ		٠ أ	33.41		3.415			
3.	Letter of Credits	- 1	j	•	!				28.3	24 28
3, 1,	Documentary Letter of Credits	-	1	٠.	611.19	92 d 61	1.192			
3.2.		- 1	Į.	٠ ا	l				639.5	97 639.
4.	Prefinancing Given as Guarantee	-		٠.	611,19	72 61	1.192		(30.5	
5.	Endorsements	- 1		٠		- 1	```'^^`		639.5	92 639
5.1.	Endorraments to the Feeting to	- 1	J	- [					`	•
5.2.	The contract of the contract Daily Of Illikan	ſ	i	٠ĺ		.	. 1		1	•
71 &c 54	Other Endorsements	ļ	- 1	. ]			٠ ا		-	· [
	Other Guarantees		1.4	10	274.58		1			- ]
Ŧ.	Other Collaterals		1,9				.998	1.87		19 247,
	COMMITMENTS	1	1) 1.269,5		6.76		.734	4.04	7 14.2	
,	irrevocable Commitments	Ι'	1.269.5		132.14			1.218.66	9   110.80	
.1.					132.14			1.218.66	9 110.80	
.2,	Share Capital Commitment to Associates and	i	84.66	Ψ/ [	132,14	5 216	755	76.52		
	Subsidiaries	1	1	- 1			J		"""	
.J.	Loan Granting Commitments	ĺ		ď F		٠	- [		.	
.4,	Securities Underwriting Commitments	ļ	119.63	36 J		-   119	.636	116.867	7	. l
.5.	Commitments for Reserve Deposit Requirements	1	i	٠ [		.	٠ ا		.	*   116.i
6.	Payment Commitment for Cheques	1	1	٠		. [	. J		.	·
7,	Tax And Fund Liabilities from Export		566.96	i3 [		566	963	500.882	; 1	`
	Commitments	ļ		ļ		1		300.002	·	- j 500.8
8.	Commitments for Conditions of the	ĺ	2.41	8			418	2,035	.	
9.	Commitments for Credit Card Expenditure Limits	]	494.59	7		494.				-   2.0
٠.	Commitments for Promotions Related with	Ī		1		177.	377	521.562	: ]	- 521.5
10	Credit Cards and Banking Activities	ļ	74	o l		.	740	*	.	
.0	Receivables From Short Sale Commitments of	1	1			-	/40	599	·	-   5
	Marketable Securities	1	ĺ	. 1		ĺ	-			ļ
11	Payables for Short Sale Commitments of	i	1	ı	•	ļ	.		, .	.
	Marketable Securities	1				i	j		1	i
12	Other Irrevocable Commitments	ſ	622		•	ļ	- 1	-	1 .	.
	Revocable Commitments	ļ	1 077	٠,	•	(	622	203		20
1,	Revocable Loan Granting Commitments	1		٠	•	ļ	- 1		1 .	
ć.	Winer Revocable Commitments	Į.	! '	^		1	-		l .	1
	DERIVATIVE FINANCIAL INCOMMENTE	1	,	`		1	. [		1 .	ì
	Derivative Financial Instruments for Hedging	(2)	1 .	٠ إ	830,779	830,7	79	_	417.005	4.700
	*U[D03@5	ĺ	1			i i	- 1		7 777.00%	417.00
۱. ا	Fair Value Hedge	l	-	·	-		, l			
	Cash Flow Hedge	ĺ	} .	1	-	1	.		1 .	ĺ
. 1	Hedge of Net Investment in Foreign Operations		١ ،				.		1 .	
. ;	Held for Trading Transactions			1		ł	. 1	•		1
į	Francis Coming Transactions			1	830.779	830.7	78	•		1
1 6	Forward Foreign Currency Buy/Sell Transactions			1	830,779	830.7		•	417.005	417.00
, ,	Forward Foreign Currency Transactions Buy			J	406,689	406.66		•	417.005	417.00
. A. F	CIWER POREIGN CHITENRY Transactions call		1 .	1	424.090			-	219.089	219,08
٠ ٠	Ather Porward Buy/Sell Transactions			1	-14-17/07/0	424.09	ru	•	197.916	197.91
Ę	Mher (			1	-	ł	.	-	-	1
	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		43.014.472	٠,	Ban sa-					] .
- 1	I EMS MELD IN CUSTODY		1.829.026	1 2	030.205	49.044,67		.754,719	5.866,824	44.621.543
Д	ssets Under Management		***********	1,	.001.751	2.830,77	7   1	.671.504	932,158	2.603.662
11	TVestment Securities Hold in Fristado	- 1		i		ļ	· 1	-	] .	1
€,	heoties Received for Collection	- 1	72	ļ	ا * ا		72	72		72
Ç	Offenercial Notes Received for Collection	1	1.228.084		140.856	1,368,95		1.135.253	140.774	1.276.027
v	Ther Assets Received for Collection	Į	574.458	1	26.593	601.05		509.767	23.015	
Δí	ssets Received for Public Offering	ł	103		. ]	10		103	. 23.013	532.782
0	ther Items Under Custody	J		ļ	- 1		.		,	103
Č,	Ustodians	1	999	ĺ	165.582	166.58	1 l	999	300 572	I
	LEDGED ITEMS	l	25.310	1	668.710	694.02			280.573	281.572
	arketable Securities	ł	41.185.446	5.	028.454	46.213.900		25.310	487,796	513,106
		ļ	2.494.051	-i	.387.447	3.881.498		083.215	4.934.666	42.017.881
	uarantee Notes	1	1.647.603	Ι'	213.335			.526.159	1.260.176	3.786.335
	mmodity	- 1	1,859.315	1		1.860,938		.792.505	166.731	1.959.236
	arranty	- 1	17000000000000	İ	747.865	2,607.180	'  1	.671.688	750.681	2.422.369
	operties	J	33.646.839	ļ.	3.00		· ]	- 1		
Ot	her Pledged Items	ĺ			.318.510	34.965.349		.631.293	1.227.662	30.858.955
Ple	edeed Items-Denocitory	. !	1.404.103	Į 1.	.358.263	2.762.366	1.	372.083	1.526.355	2.898.438
AC	CEPTED INDEPENDENT GUARANTEES AND	Ì	133,535	Ī	3.034	136.569	: I "	89.487	3.061	
W	ARRANTIES		ļ		ŀ		]		3.001	92.548
		1	- 1		- ]	-	İ	. [	1	
TO	TAL OFF BALANCE SHEET ACCOUNTS (A+B)				[			1	- 1	-
	TO A THIND THE PARTY OF THE PAR		8.647,100	11,4			1			



# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 JUNE 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

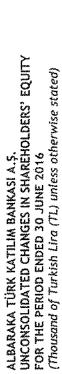
*******			Reviewed	Reviewed	Reviewed	Reviewed
			CURRENT	PRIOR	CURRENT	PRIOR
			PERIOD	PERIOD	PERIOD	PERIOD
	INCOME AND EXPENSE ITEMS		January 1-	January 1-	April 1-	April 1-
			June	Jun€	June	June
			30,2016	30,2015	30,2016	30,2015
		****************				
	PROFIT SHARE INCOME	(1)	1.094.209	911.275	530.185	483,798
	Profit Share on Loans		972.048	811.482	469,556	430.943
			10.705	3.031	4.802	2,345
	Income Received from Reserve Deposits		31	86	31	11
	Income Received from Banks		".		- 1	-
	Income Received from Money Market Placements		74,736	63.197	37,381	32,468
	Income Received from Marketable Securities Portfolio		131745			
	Held-For-Trading Financial Assets				. 1	
	Financial Assets at Fair Value Through Profit and Loss		40.297	32,445	20.261	17,129
	Available-For-Sale Financial Assets			30.752	17.120	15.33
	investments Held to Maturity		34,439		17.856	17.37
	Finance Lease Income		35.785	32.627		650
	Other Profit Share Income		904	852	559	
	PROFIT SHARE EXPENSE	(2)	580.137	501,400	293,712	265.25
	Expense on Profit Sharing Accounts		431,905	394.663	214,504	204.06
	Profit Share Expense on Funds Borrowed		116.329	75.322	62.045	40.11
	Profit Share Expense on Funds protection		29.043	22,250	15.068	11.91
	Profit Share Expense on Money Market Borrowings					
	Profit Share Expense on Securities Issued		2,860	9,165	2.095	9,15
	Other Profit Share Expense		514.072	409,875	236,473	218.54
	NET PROFIT SHARE INCOME (I - II)		70.295	71.872	37,941	37,33
	NET FEES AND COMMISSIONS INCOME/EXPENSES		99,917	94,414	53,572	50.64
	Fees and Commissions Received				27,252	28.66
	Non-Cash Loans		50.031	49.713		23.97
	Other	(12)	49,886	44.701	26.320	
	Fees and Commissions Paid		29.622	22.542	15.631	13.30
	Non-Cash Loans		152	159	85	15
	Other	(12)	29,470	22.383	15.546	13.14
		(3)		10	-	1
	DIVIDEND INCOME	(4)	31.436	41,395	8.668	19.85
	TRADING INCOME/LDSS(net)	1.7	56	2.224	40	
	Capital Market Transaction Income / (Loss)		(33,440)	14,534	(12.702)	2.13
	Profit / (Loss) from Derivative Financial Instruments		64.820	24,637	21,330	17.71
	Foreign Exchange Income / (Loss)	625	65,011	61.639	31,479	34,42
	OTHER OPERATING INCOME	(5)		584.791	314.561	310.16
	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		680.814		70.554	48.22
	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	144.180	88.004	168,319	164.23
	OTHER OPERATING EXPENSES (-)	(7)	375.458	319,142		97.71
	HET OPERATING INCOME/(LOSS) (VIII-IX-X)		161.176	177,645	75.688	97.71
	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER		-		1	1
	PROFIT / (LOSS) ON EQUITY METHOD		٠ .			
	PROPERTY ( A APPLICAL ALEXT ALPHETTA OF DOCUMENT		-	-	i -	!
	PROFIT / (LOSS) ON NET MONETARY POSITION PROFIT / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES					ļ
		(8)	161,176	177,645	75.688	97.71
	(XI++XIV)	(9)	(32.626)	(37.206)	(10.213)	(21.00
	TAX PROVISION FOR CONTINUED OPERATIONS (±)	177	(40,394)	(42.531)	(16.466)	(26.14
	Provision for Current Taxes		7.768	5,325	6.253	` S.13
	Provision for Deferred Taxes	1400	128.550	140,439	65.475	76.70
	NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XY±XVI)	(10)	1,20.330	140,447		l
	INCOME FROM DISCONTINUED OPERATIONS	(10)		1	1 .	1
	Income from Assets Held For Sale		1	1 .	1	1
	Income from Sale Of Associates, Subsidiaries And Jointly Controlled			1	i	l
	Entitles (Joint Vent.)			1	1 '	l
	Income from Other Discontinued Operations				1	İ
	LOSS FROM DISCONTINUED OPERATIONS (-)				· ·	1
	Loss from Assets Held for Sale					]
	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		1	}	1	i
				1 .		Į.
	(Joint Vent.)		1 .		1 .	1
	Loss from Other Discontinued Operations					
	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES		_			
	(XVIII-XIX)		1 -			
	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		1			
	Provision for Current Taxes		1 .	ì	1 :	1
	Provision for Deferred Taxes		1 .	1	1	
	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		1	1		76,70
i.	NET PROFIT / LOSS (XVII+XXII)	(11)	128,550	140,439	65,475	
١.	Group's Profit/Loss	- •	128.550	140.439	65.475	76.70
			1 .			1
ž	Minority shares (-)			0,156	0,073	0,08



# ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF INCOME&EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

ETA	TELIFFIT OF LIPOLT AND PROPERTY AND PROPERTY AND ADDRESS OF THE PROPERTY ADDRESS OF THE PROPERTY AND ADDRESS OF THE PROPERTY ADDRESS O	Reviewed	Reviewed	Reviewed	Reviewed
234	TEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS'	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
	EQUITY	January 1- June	January 1-	April 1- June	April 1
		30,2016	June 30,2015	30,2016	June 30,2015
ŧ,	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	14 882			
lf. ED.	TANGIBLE ASSETS REVALUATION DIFFERENCES	(1.021)	(3.736)	(3.069)	2.804
(V.	Intangible assets revaluation differences Foreign exchange differences for foreign currency transactions	(1.356)	1.246	1,012	199
٧.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)				***
Vł.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)		~	-	•
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES		-	•	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS	•	*	-	*
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	204	747		
х.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (1+11++1X)			614	(561)
Œ.	PROFITALOSS	(2.173) 128,550	(1.743)	(1.443)	2.642
11.1	Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	128,230	140,439	65.475	76,707
11.2	Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and presented in Income Statement			- 1	•
1‡.3	Part of Hedge of Net Investments in Foreign Operations reclassified and presented in income Statement	-	1	.	•
1.4	Other	128.550	140,439	65.475	76.707
(II.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	126.377	138.696	64.032	79,349

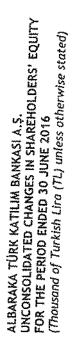




				Effect		Share					Current		Marketable	Tangkble and intangkble	Buckes		Valuation Differences on Assets	
	Changes in Sharehorders' Equity [Reviewed]	Hotes	Paldem Capital	Accounting on Capitat	Skare Premkon	Cancedation Freths	Logai Reserves	Status	Status Extreordinary Sofyes Reserves	Other Reserves <sup>(7)</sup>	hecome /	heome / (Loss)	Securation Valuation Reserve	Assets Rovahuntists Referve	sneres from broestments	Heciging Raspryes	rates For Sale and Disc.op.	Total
	PRIOR PERIOD January 1- June 30, 2015																	
ند	Seginning balance	3	900,000	•	٠	*	71.744	٠	398.393	(2.973)	252.638	7.963	9,990	153,179	•	•	٠	1,790,927
	Changes in Period		٠	٠	٠	*	•	٠	ė	•		•	٠	٠	•		٠	٠
≠	increase Decrease Related to Merger		•	٠	•	٠	¥	•	2	,	·	•	•	•	•	•	•	
₩	Marketable Securities Valuation Differences		٠	٠	•	1	,	٠	•	,	•		(486.2)	•	٠	•	•	(3.989)
ž	Hedging Funds (Effective Portion)		•	•	•	•	•	,	•		•	•	•	•	٠	•	•	,
	Cash-Flow Hedge		•	1	•	*	,	٠	í	•	•	•	•	•	•	·	•	
	Hadge Of Net investment in Foreign Operations		•	•	•	١	r	3	•	•		•	٠	•	•	•		
>	Tangible Assets Revaluation Differences		•	•		•	F		•	•	•		•	•	•	•		
<b>5</b> :	inturgible Assets Revaluation (Miferences		•	•		•	٠	•	٠	•	1	•	•				•	ŕ
ž	dones states totalined from Associates, Subsidiaries and Johnly Controlled																	
	Operations		٠	•	,	•	•		ś		•	•		•	•	D	•	٠
VIII.	Foreign Exchange Differences		٠	•	•	•	t	•	•	1,746	•	٠	٠	•	<	•	,	1,246
≝;	Changes Related to the Disposal Of Assets		•	•	,	•	•	•			•	•	•	•	•	•	•	
×	Changes Related to the Reclassification of																	
*	ASSESS The Colone of Chance in terrorisians English		•	•		•	•	¢	•		•	•	•	•	•	٠ :	•	
	the finettos thereon			•		•	•	٠	•	•		•	•	•	٠		•	
į	Lagitude in France			• •	•	•	• •	• •	F •	+ 1	• 1		. ,					
12.7	Internal Southers		•	•	•		•	• •	•				•	•	•	•	٠	
릇	Share Issue Prestrican		٠	•	•	•	•	•	٠	•	•	٠	•	•	٠	•	٠	
χ	Share Cancellation Profits		,	•		•	•	•	•		•	•	•	,	•	•	•	
Š	ANTALION ACKISTMENT to Paid-in Eagital		•	٠	•	•	٠	٠	•	٠	•	٠	1	•	•	•	4	ś
ž	Other		•	٠	+	•	•	•	•	ě.	•	1,767	٠	(3.527)	•	•	•	(1.741)
₹	~		•	•	•	•	•	•	•		140,439	•	•	١	•	•	•	140,439
ž	~~		•	•	٠	•	13.030	•	213.364	•	(252,631)	(7,943)	1	•	•	•	F	(34,200)
	Dividends Distributed		•	٠	•	•	•	•	•	•	,	(34,200)	•	•	•	•		(34.200)
2.5	Transfers to Reserves		•	•	٠	•	13,030	•	213,364		•	(226.394)	•	•	•	•	•	•
×	Other		•	٠	٠	٠	?	1	f	,	(252,631)	252.631	•	•	-	•	*	•
	Closing Balance (I+II+III++XVI+XVB+XVIII)		000-006	,	•	•	84.774	,	611,757	(1,70%)	140.439	1.767	7.061	149.652	•	•	•	1.893.482

The accompanying explanations and notes are an integral part of these financial statements.





(Caramana)	Pages Ca	Paid-in Ac Capital	of inflation Accounting		Certificate Cencellation	f,ega	Status	Extraordinacy	ě	Perind Met	Years Years West	Marketabie Securities	Tangible and Imangible Arrest	Scows		Valuation Offerences on	
CURRENT PERSOD January 1- June 30, 2016		J	İ		***************************************	Apperes	Reserves	Reserves	Roserves Reserves	(Kess)	/ Rats	Valuation Reserve	Revaluation Reserve	fram Investments	Hadging	For Sake and Discussion	Total
	(Y) 900.050	080	•	,		,											
Changes in Period				•	•	84.7.4	•	411,757	1,127	302.863	3,610	10,691	189.092	•	٠	,	, , , , , , ,
Increase/Decrease Related to Merger		• •			٠			٠								•	£. 70.5, 914
Marketable Securities Valuation Differences			• 1	•	•	•		•		•		•	ŧ	•		•	
neuging runds (Effective Portion)		•			•		•	•				' !	t	•	٠	•	• ,
Medica Colonia American				• •		•	•	•	٠		•	(817)	,			•	(817)
Coerations						•	1	•	*	•			•	٠	•		
Tangthe Attets Bevaluation Difference.				•	٠							•	•	•	,	•	•
Intangale Assets Revaluation Officerorae			•		,		•	•		•	•		٠				
Bonus Shares Obtained from Associates.			,	٠		•		•	•	•	•	•	•			•	•
Schooldaries and Johnsty Controlled								•		•			,	•	, ,	•	•
Uperations Francisco			,													•	•
Change Splated to the Dimension					• •		,	•	•	•	•						
Changes Retained to the productions						•	,	•	(1.35&)	,	. ,	• ,	1	•	,	٠	•
ASSETS								٠	•	•			, ,	•	•		11, 3561
The Effect of Change in Associate's Enish.					*								•	•	•	•	•
Capital tresse					•		P	•	,	•	٠		•	•			
Cash		•	•	•	•						•	•	•	•	•	٠	•
internal Sources				,		,	•		•			•	•	•		,	٠
Share issue Premium		•	٠	1		,						•		٠		•	٠
Mare Cencellation Profits		. ,							•	•	,	•		٠	. ,	•	•
invation Adjustment to Paid-in Capital					,					•	,		•	•	•	•	•
			,	٠		•			•	•		,	•	,	*		•
Period Net income / (Loss)			s •	,		(2.822)	•	(3.450)	7 768	•	. 664		•		•		•
Profit (ASTRONGER)			• •	,				,		172 EEN	/fn:7	٠	(6.473)	•	,		, aso
Consequents Distributed			: ,		•	15.863	•	240,210		(307.86.10	(1,670)		•	•		. ,	128 550
Children Cartesian Cartesi					•	•	,	٠		-	(2:0:5) (2:0:5)	•		•			CRO AND
Politica Sisteman (1) (1) (1)				. ,		15,863	*	240,210	•		(256.02)	•		•			(50.400)
THE THE PARTIES TANDON TO SEE THE SECOND TO SECOND THE SECOND TO SECOND THE S	900.000	2	*	].		4 64 5	۱.	,		(302.863)	302,843		•	,		*	1
TAS per Repurchase Programme accepted at the Connect to the Connec	at the Gen	Torns Account	Tark Land			77.813		848.517	2.539	128.550	2.037	0 83.0	25.5 (8+	*	,	,	•

The accompanying explanations and notes are an integral part of these financial statements.



#

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016

(Thousand of Turkish Lira (TL) unless otherwise stated)

		<u></u>	Reviewed	Reviewed
·			CURRENT	PRIOR
	STATEMENT OF CASH FLOWS	Notes	PERIOD	PERIOD
	STATEMENT OF CASHILLY IS	(Section	January 1-	January 1-
		Five-VI)	June 30,2016	June 30,2015
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes In Operating Assets And Liabilities		179.545	80,925
1,1,1	Profit Share Income Received		977.396	813.654
1.1.2	Profit Share Expense Paid	1	(566.692)	(484,345)
1.1.3	Dividend Received			10
1.1.4	Fees and Commissions Received		99,917	71.872
1, 1, 5	Other income	1	36,332	36,719
1.1.6	Collections from Previously Written Off Loans		74,299	17,370
			(212,111)	(175.816)
1.1.7	Payments to Personnel and Service Suppliers		(58.465)	(52.535)
1,1,8	Taxes Paid			
1.1.9	Others		(171,131)	(166.004)
1.2	Changes in Operating Assets And Liabilities		(1.394.376)	(822.559)
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets		21.048	1,340
1.2.2	Het (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	1		
1.2.3	Net (Increase) Decrease in Due From Banks and Other Financial Institutions		(108.723)	(424,456)
1,2.4	Net (Increase) Decrease in Loans	i	(857.291)	(2,373,985)
1.2.5	Net (Increase) Decrease in Other Assets		(80.416)	(212.858)
1.2.6	Net Increase (Decrease) in Funds Collected From Banks		128.541	286.951
1,2,7	Het Increase (Decrease) in Other Funds Collected	1	(578.332)	1,443.534
1.2.8	Net Increase (Decrease) in Funds Borrowed		(79.046)	41,778
1.2.9	Net Increase (Decrease) in Payables		, , , , , , ,	
1.2.10	Net Increase (Decrease) in Other Liabilities	j	159.843	415.137
ı.	Net Cash Flow From Banking Operations		(1.214.831)	(741.634)
в.	CASH FLOWS FROM INVESTING ACTIVITIES	İ	,	, ,
			14 0461	/470 £67L
Ħ.	Het cash flow from investing activities		(1.845)	(178,657)
* -	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and		_	(10.000)
2.1	Subsidiaries	1	1	110.000)
	Cash Obtained from Sale of Jointly Controlled Operations, Associates and	1		
2.2	Subsidiaries	1	145 4.2	120 070
2.3	Fixed Assets Purchases	1	(15.512)	(30,029)
2.4	Fixed Assets Sales	1	39,419	5.559
2.5	Cash Paid for Purchase of Financial Assets Available for Sale	İ	(499.778)	(357.527)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale	1	439.586	102,385
2.7	Cash Paid for Purchase of Investment Securities	1		(184.599)
2.8	Cash Obtained from Sale of Investment Securities	Ì	34.440	295,554
2.9	Other	-		•
c.	CASH FLOWS FROM FINANCING ACTIVITIES			
liŧ.	Net Cash Flow From Financing Activities		42,413	1,460,150
3.1	Cash Obtained from Funds Borrowed and Securities Issued		1, 485, 166	3.393.264
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	1	(1.393.353)	(1.898,914)
3.3	issued Capital Instruments	i		
3.4	Dividends Paid	1	(50,400)	(34, 200)
3.5	Payments for Finance Leases		,	ì .
3.6	Other	ļ	٠	•
ıv.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(30.136)	76.503
v.	Het (Decrease) increase in Cash and Cash Equivalents		(1.204.399)	616,362
	Cash and Cash Equivalents at the Beginning of the Period		3,608.054	2,383.932
٧ŧ.				



ALBARAKA TÜRK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2016
(Thousand of Turkish Lira (TL) unless otherwise stated)

#### SECTION THREE

#### **ACCOUNTING POLICIES**

- 1. Explanations on basis of presentation:
- a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities and revalued real estates carried at fair value.

b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2015. The aforementioned accounting policies and valuation principles are explained in Notes II to XXII below.

TAS/TFRS changes which are effective from January 1, 2016 do not have a significant effect on the Bank's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective do not have a significant effect on the Bank's accounting policies, financial position or performance.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on basis of presentation (continued):

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after 31 December 2017) "Financial Instruments" before January 1, 2018. Since the Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The preparation of the unconsolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

# c. Restatement of the financial statements according to the current purchasing power of money:

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

# II. Explanations on strategy of using financial instruments and foreign currency transactions:

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency non-performing loans which were funded from these accounts is evaluated at current foreign exchange rates. The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# II. Explanations on strategy of using financial instruments and foreign currency transactions (continued):

Since the Bank provides full specific provision (except foreign branch) for the Bank's portion of risk of foreign currency non-performing loans and receivables funded from profit sharing accounts and for the risk of foreign currency non-performing loans and receivables funded by equity, such toans and receivables are translated to Turkish Lira at the current exchange rates instead of exchange rates prevailing at the date of transfer of the balances to non-performing portfolio. Such implementation does not have a positive or negative impact on trading income/loss of the Bank.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

# III. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Bank consist of forward foreign currency and swap agreements. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The Bank's derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

# IV. Explanations on profit share income and expenses:

#### Profit share income

Profit share income is accounted in accordance with "Türkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations on profit share income and expenses (continued):

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

#### Profit share expense

The Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

# V. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related cash and non-cash loans commissions directly as income.

# VI. Explanations on financial assets:

The Bank categorizes and records its financial assets as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale", "Loans and Receivables" or "Financial Assets Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management taking into consideration the purpose of the investment.

# Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of June 30, 2016, the Bank has not any financial assets classified as financial assets at fair value through profit or loss except for trading financial assets (December 31, 2015; None).



## ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

# VI. Explanations on financial assets (continued):

## Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

#### Loans and receivables:

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

#### Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under "Loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

# VII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## VII. Explanations on impairment of financial assets (continued):

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

# Vill. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in available for sale and subordinated loan accounts.

#### IX. Explanations on sale and repurchase agreements and lending of securities:

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available-for-sale" and "held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Bank has not any securities lending transactions.

# X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discounted operations to tangible assets.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets (continued):

A discontinued operation is a part of the Bank's business which has been disposed of or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has not any discontinued operations.

# XI. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights. The Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

# XII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2015, the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve in accordance with TAS 16.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# XII. Explanations on tangible assets (continued):

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate %
Buildings	2
Motor vehicles	20 - 25
Furniture, fixture and office equipment	4 - 33
Safe-deposit boxes	2 - 20
Operational lease improvement costs (Leasehold improvements)	Leasing period - 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

#### XIII. Explanations on leasing transactions:

## Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

#### Transactions as a lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# XIV. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

# XV. Explanations on liabilities regarding employee rights:

## i) Defined benefit plans:

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income.

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members As of June 30, 2016, actuarial loss amounts to TL 6.896 (December 31, 2015: TL 6.896 actuarial loss).

# ii) Defined contribution plans:

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

# iii) Short term benefits to employees:

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### XVI. Explanations on taxation:

#### Current tax:

The Bank is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the  $14^{th}$  day and paid by the  $17^{th}$  day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are exempt from corporate tax if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax law

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Bank. As of report date, there is no information or written report transmitted to the Bank.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# XVI. Explanations on taxation (continued):

#### Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

# Transfer pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

# XVII. Additional explanations on borrowings:

The Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Bank. The Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka

The Bank has subordinated loan borrowed through sukuk issuance which has convertible nature to

# XVIII. Explanations on issued share certificates:

# XIX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

# XX. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Bank.

# XXI. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note X.

# XXII. Explanations on other matters:

None.



ALBARAKA TÜRK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2016
(Thousand of Turkish Lira (TL) unless otherwise stated)

# XXIII. Additional paragraph for convenience translation:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.



ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION FOUR**

# INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

# I. Explanations on capital adequacy standard ratio:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

As of June 30, 2016 the Bank's total capital has been calculated as TL 2.829.462, capital adequacy standard ratio is 12,21%. As of December 31, 2015, Bank's total capital amounted to TL 3.157.310, capital adequacy ratio was 15,27% calculated as per former regulations. This ratio is above the minimum ratio required by the legislation.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

## a) Information on Capital:

		Amounts related
	Current Period	
	30,06,2016	before 1.1.2014 <sup>(*)</sup>
COMMON EQUITY TIER 1 CAPITAL	NA 448	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share Issue premiums	946_332	
Reserves	204.054	
Gains recognized in equity as per TAS	-+ + -	
Profit	130.587	
Current Period Profit	128.550	
Prior Period Profit	2.037	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period		
Common Equity Tier 1 Capital Before Deductions	2.180.973	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on		
the Equity of Banks	•	
Portion of the current and prior periods' losses which cannot be covered through		
reserves and losses reflected in equity in accordance with TAS	9.022	
Improvement costs for operating leasing	32.793	
Goodwill Inet of related tax liability)		
Other intangibles other than mortgage-servicing rights (net of related tax		
liability)	21,982	36.637
Deferred tax assets that rely on future profitability excluding those arising from		
temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject		
to hedge of cash flow risk		
Communique Related to Principles of the amount credit risk calculated with the		
Internal Ratings Based Approach, total expected loss amount exceeds the total		
provision		
Gains arising from securitization transactions		
Unrealized gains and losses due to changes in own credit risk on fair valued		
liabilities		
Defined-benefit pension fund net assets		
Direct and indirect investments of the Bank in its own Common Equity		
Shares obtained contrary to the 4th clause of the 56th Article of the Law		
Portion of the total of net long positions of investments made in equity items of		
banks and financial institutions outside the scope of consolidation where the Bank		
owns 10% or less of the Issued common share capital exceeding 10% of Common		
Equity of the Bank		
Portion of the total of net long positions of investments made in equity items of		
banks and financial institutions outside the scope of consolidation where the Bank		
owns 10% or more of the issued common share capital exceeding 10% of Common		
Equity of the Bank		
	_	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of		
the Common Equity	·	
Amount exceeding 15% of the common equity as per the 2nd clause of the		
Provisional Article 2 of the Regulation on the Equity of Banks	•	
Excess amount arising from the net long positions of investments in common		
equity items of banks and financial institutions outside the scope of consolidation		
where the Bank owns 10% or more of the issued common share capital	*	
Excess amount arising from mortgage servicing rights		
Excess amount arising from deferred tax assets based on temporary differences	•	
Other items to be defined by the BRSA	•	
Deductions to be made from common equity due to insufficient Additional Tier I		
Capital or Tier II Capital		
Total Deductions From Common Equity Tier 1 Capital	63.797	
Total Common Equity Tier 1 Capital	2,117,176	



(Thousand of Turkish Lira (TL) unless otherwise stated)

# f. Explanations on capital adequacy standard ratio (continued):

ADDITIONAL TIER I CAPITAL	
Preferred Stock not included in Common Fourity and the Delete 4 Ct	
1 1 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
Debt instruments and premiums approved by BRSA	•
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-
Additional Tier I Capital before Deductions	
Deductions from Additional Tier I Capital	
Direct and indirect investment (180)	
Direct and indirect investments of the Bank in its own Additional Tier / Capital investments of Bank to Bank to the line of the Bank to the line of Bank to Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the line of the Bank to the Bank t	*
components of equity issued by financial institutions with compatible with	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated	-
	_
The Total of Net Long Position of the Direct or Indirect Investments in Additional	
	_
Other items to be defined by the BRSA	~
Transition from the Core Capital to Continue to deduce Components	-
The same of the state of the st	
	4.4.F.W
Net deferred tax asset/liability which is not deducted from Common Equity Tier	14.655
Deductions to be made from common aguity to the	•
10tor Decuctions From Additional Tier I Capital	•
1 Stal Additional Tier ( faciful	4
Total Tier I Capital (Tier I Capital Common Fronts and Indiana	м
	2,102,521
Debt instruments and share issue premiums deemed suitable by the BRSA	
TO THE PROPERTY OF THE PROPERT	639,580
Provisions (Article 8 of the Regulation on the Equity of Banks)	•
Fier II Capital Before Deductions	92.182
Deductions From Tier II Capital	731.762
Rect and indirect investments of the	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	4
	-
ank owns 10% or less of the issued common share capital exceeding 10% of ommon Equity of the Bank (-)	
ortion of the total of net long positions of investments made in Additional Tier	•
user items to be defined by the RDCA (.)	•
otal Deductions from Tier II Capital	
otal Tier II Capital	77 16 17 19 19 19
otal Capital (The sum of Tier I Capital and Ties II Capital	731,762
routions from Lapital Loans granted contrary to the 50th and 51th August	2.834.283
e Law Stantial y to the both and 51th Article of	
T Book Values of Movables and Improvables Evens district to the	
et Book Values of Movables and Immovables Exceeding the Limit Defined in	
at Book Values of Movables and Immovables Exceeding the Limit Defined in e Article 57, Clause 1 of the Banking Law and the Assets Acquired against perdue Receivables and Held for Sale but Betaling Town	
the Law at Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against the Receivables and Held for Sale but Retained more than Five Years ther items to be defined by the BRSA	2.384



(Thousand of Turkish Lira (TL) unless otherwise stated)

# 1. Explanations on capital adequacy standard ratio (continued):

•		
In transition from Total Core Capital and Supplementary Capital (the capital)		
to Continue to Download Components	· · · · · · · · · · · · · · · · · · ·	
The Sum of net long positions of investments (the portion which exceeds the %10		
of Banks Common Fruity) in the capital of banking, financial and insurance		
entities that are outside the scope of regulatory consolidation, where the bank		
does not own more than 10% of the issued common share capital of the entity		
which will not deducted from Common Equity Tier 1 capital, Additional Tier 1		
which will not deducted from Common Equaty for the first substants of the		
capital, Tier 2 capital for the purposes of the first sub-paragraph of the		
Provisional Article Z of the Regulation on Banks' Own Funds		
The Sum of net long positions of investments in the Additional Tier 1 capital and		
Tier 2 replied of hanking, financial and insurance entities that are outside the		
some of regulatory consolidation, where the bank does not own more than 10%		
of the issued common share capital of the entity which will not deducted from		
Common Fruity Tier t capital, Additional Tier 1 capital, Tier 2 capital for the		
purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation		
on Banks' Own Funds	*	
The Sum of net long positions of investments in the common stock of banking,		
financial and insurance entities that are outside the scope of regulatory		
financial and insurance entities that are outside the scope or regionary		
consolidation, where the bank does not own more than 10% of the Issued common		
share capital of the entity, mortgage servicing rights, deferred tax assets arising		
from temporary differences which will not deducted from Common Equity Tier		
1 capital for the purposes of the first sub-paragraph of the Provisional Article 2		
of the Regulation on Banks' Own Funds		
TOTAL CAPITAL		
Total Capital	2.829.462	
Total risk weighted amounts	23,181,079	
Capital Adequacy Ratios		<del></del>
Core Capital Adequacy Ratio	9,13	
Tier 1 Capital Adequacy Ratio	9,07	
Capital Adequacy Ratio	12,21	
BUFFERS		
Total buffer requirement	0,63	
Capital conservation buffer requirement	0,63	
Capital Conservation Durier requirement	•	
Bank specific counter-cyclical buffer requirement		
The ratio of Additional Common Equity Tier 1 capital which will be calculated by		
the first paragraph of the Article 4 of Regulation on	4.63	
Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4.93	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts below the Excess Limits as per the Deduction Principles  Partian of the total of net long positions of investments in equity items of		
Portion of the total of net long positions of investments in equity items of		
Portion of the total of net long positions of investments in equity items of		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital		, ************************************
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital	_	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital  Amount arising from deferred tax assets based on temporary differences	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences timits related to provisions considered in Tier II calculation.	- - 29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences Limits related to provisions considered in Tier II calculation	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital.  Amount arising from deferred tax assets based on temporary differences Limits related to provisions considered in Tier II calculation.	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital.  Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation.  Limits related to provisions considered in Tier II calculation.  General provisions for standard based receivables (before ten thousand twenty five limitation).	-	
Portion of the total of net tong positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Amount arising from deferred tax assets based on temporary differences Limits related to provisions considered in Tier II calculation  Limits related to provisions considered in Tier II calculation  General provisions for standard based receivables (before ten thousand twenty five limitation)	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables.	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used.	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used.	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation.  Limits related to provisions considered in Tier II calculation.  General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Parings Rased Approach in accordance with the Communique on the Calculation.	29.831	
Portion of the total of net tong positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation Excess amount of total provision amount to 80.6 of risk weighted receivables of	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation.  Limits related to provisions considered in Tier II calculation.  General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation Excess amount of total provision amount to 80,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. Ceneral provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation Excess amount of total provision amount to £0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation.	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share Capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation Excess amount of total provision amount to 60,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation.	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation Excess amount of total provision amount to 60,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation. Debt instruments subjected to Article 4 (to be implemented between January).	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences Limits related to provisions considered in Tier II calculation.  Limits related to provisions considered in Tier II calculation.  General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation Excess amount of total provision amount to 60,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation. Debt instruments subjected to Article 4 (to be implemented between January 1, 2022).	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation.  Limits related to provisions considered in Tier II calculation.  General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation. Excess amount of total provision amount to 60,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation. Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences Limits related to provisions considered in Tier II calculation.  Limits related to provisions considered in Tier II calculation.  Ceneral provisions for standard based receivables (before ten thousand twenty five limitation).  Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used.  Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation. Excess amount of total provision amount to fi0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation.  Debt instruments subjected to Article 4.  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022).	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation.  Limits related to provisions considered in Tier II calculation.  General provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation Excess amount of total provision amount to 80,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communique on the Calculation.  Debt instruments subjected to Article 4. Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to Article 4. The Debt instruments subjected to	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital.  Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation.  Limits related to provisions considered in Tier II calculation. Except provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation Excess amount of total provision amount to £0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation.  Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022). Upper limit for Additional Tier I Capital subjected to temporary Article 4. Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4.	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. Ceneral provisions for standard based receivables (before ten thousand twenty five limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used. Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation Excess amount of total provision amount to 60,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation. Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022). Upper limit for Additional Tier I Capital subjected to temporary Article 4. Inper limit for Additional Tier II Capital subjected to temporary Article 4. Inper limit for Additional Tier II Capital subjected to temporary Article 4. Inper limit for Additional Tier II Capital subjected to temporary Article 4. Inper limit for Additional Tier II Capital subjected to temporary Article 4.	29.831	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital. Amount arising from deferred tax assets based on temporary differences. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. Limits related to provisions considered in Tier II calculation. Ceneral provisions for standard based receivables (before ten thousand twenty live limitation). Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation Excess amount of total provision amount to £0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation. Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022). Upper limit for Additional Tier I Capital subjected to temporary Article 4.	29.831	



transition provisions.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

1903	December 31 2015
Tier I capital	****
Paid-in Capital to be Entitled for Compensation after All Creditors Share Premium	900.00
Share Cancellation Profits	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Reserves	
Other Comprehensive Income according to TAS	696.53
Profit	206.42
Current Period Profit	306.47
Prior Period Profit	302.86
General Reserves for Possible Losses	3.610
Source of the control	81
Sonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Tier I capital before deductions	-
Peductions from tier I capital	2,109,519
Furnity and Delical Confide	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to FAS (-)	
	5.517
easehold Improvements on Operational Leases (-)	36,383
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	16.742
let Deferred Tax Asset/Liability (-)	
hares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	_
otal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
independence where the bolik dwift 10% of 16% of the legion that a Canital Evenading the top them to a	
work the teathication	
otal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
ascentions where the pairs than 10% of less of the issued Share Capital Evropding the 10% Throughout of	
NOVE TO TEMPLE (1-)	_
ortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	
et Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital(+)	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and	
intelled distributions where the bank Dwns life or more of the legged there confer and the second there is a second the s	
	_
Mortgage Servicing Rights not deducted (-)	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	_
thet treats to be bettied by the NRVA (-)	
eductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	
wearant is the a rappeds	58,642
tal tier I capital	2.050.877
iditional core capital	2,030,617
eferred Stock not Included in Tier I Capital and the Related Share Premiums	
or marroments and the related issuance promiums Defined by the oper	•
oued of Obtained after 1.1.70121	
bt instruments and the Related Issuance Premiums Defined by the BRSA	•
oued of Obtained before 1.1.2014)	
ditional core capital before deductions	
ductions from additional core capital	
rect and indirect investments of the Bank on its own Additional Core Capital (-)	•
(a) Of NEL LDISE POSICIONS OF the investments in Faulty being of the constitution of the	•
structured with the party Living 10% of the feethed there Content Europeits at a content of the	
/*~ \	
e Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of	•
constructed bonks and ringillial institutions where the Bank Owns more than 100 of the formal characteristic	
νιεφ; 1-)	
per items to be Defined by the BRSA (-)	-
Auctions from Additional Core Canital in races where there are no adaptive. The U.S.	•
al deductions from additional core capital	*
al additional core capital	***************************************

(Thousand of Turkish Lira (TL) unless otherwise stated)

## 1. Explanations on capital adequacy standard ratio (continued):

Deductions from core capital	
Goodwill and Other intengible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the	
Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	25,113
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation	
on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	
Total core capital	2.025.764
Tier II capital	
Debt instruments and the Related issuance Premiums Defined by the BRSA fissued or Obtained after 1.1.7014)	642,166
Pebt instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	420,300
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	
General Provisions	74.819
Tier II capital before deductions	1.137.285
Deductions from tier il capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I	
Capitali-i	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II	
Capital of Unconsolidated Banks and Financial Institutions where the Bank Dwns 10% or more of the issued	
Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	
Other items to be Defined by the BRSA (-)	
Total deductions from tier il capital	
rous deductions while we expense Total first il capital	1.137.285
- <u> </u>	3.163.049
Capital  Loans Granted against the Articles 50 and 51 of the Banking Law (-)	3.153.049
Net Book Values of Movables and immovables Exceeding the Limit Defined in the Article 57. Clause 1 of the Banking Law and	•
the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	2,459
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt	4,437
Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	
Deductions as per the Article 20. Clause 2 of the Regulation on Measurement and Assessment of Capital	•
Debuttions as per title Article 20, Clause 2 of the Registation of Measurement and Assessment of Lapital Adequacy Ratios of Banks (*)	
Adequacy reason of Dalins (*) Other fitens to be Defined by the BRSA (-)	3,280
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	3,280
Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Fier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the	
Temporary Article 2, Clause 1 of the Regulation (-)	•
The Portion of Total of Net Long Positions of the investments in Equity Items of Unconsolidated Banks and	
Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10%	
Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the	
Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial	•
Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the	
Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	
	3,157,310
Equity	3.157.310
Amounts lower than excesses as per deduction rules	
Remaining Total of Net Long Positions of the investments in Equity Items of Unconsolidated Banks and	
Financial institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and	
Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	•
Remaining Mortgage Servicing Rights	** 623
Net Deferred Tax Assets arising from Temporary Differences	18.922

<sup>(\*)</sup>Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date 31 March 2016, the information given in the prior period column has been calculated as per former regulation.



# ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

I. Explanations on capital adequacy standard ratio (continued):

- b) Information on reconciliation of total capital and equity.
  - The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provisions and debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, general provision up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# I. Explanations on capital adequacy standard ratio (continued):

# c) Details on Subordinated Liabilities

issuer	Albaraka Sukuk Ltd.
Unique Identifier	XS1301525207
Governing Law(s) of the Instrument	English Law
Special Consideration in the Calculation of Equity	E Coff Strate Charles
As of January 1, 2015 consideration to be subject to a 10%	<u> </u>
reduction application status	No
Eligible at Unconsolidated / Consolidated	Unconsolidated / Consolidated
Instrument Type	Sukuk Wakala
Amount recognized in regulatory capital (as of most recent	
reporting date)	TL 639,580
Par Value of Instrument	TL 639,580
Accounting Classification	Subordinated Loan
Original date of Issuance	November 30, 2015
Perpetual or dated	Dated
Maturity date	November 30, 2025
Issuer call subject to prior supervisory (BRSA) approval	Yes
1220 et carr ambiect to buor american forces abbroser	Last Payment Date: 30.11.2020
	Total Repayment Amount of Profit
	Share: USD 131.250,000,
	Repayment Period: 6 months
Optional call date, contingent call dates and redemption amount	Principal Payment: USD 250.000.000
Subsequent call dates	_
Profit Share / Dividends	
Fixed or floating profit share / dividend	Fixed
Profit share rate and any related index	10,50 %
	As per BRSA regulations and
Existence of a dividend stopper	Communiqués it is payable
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	Noncumulative
Convertible or Non-convertible	
	As per BRSA regulations and
if convertible, conversion trigger	Communiqués it is convertible
	As per BRSA'a approval it is
If convertible, fully or partially	convertible fully or partially
	As per BRSA'a approval it is
	convertible and the rate may be
If convertible, conversion rate	determined.
If convertible, mandatory or optional conversion	Subject to BR\$A's approval.  Share certificate
If convertible, specify instrument type convertible into	Share certificate
If convertible, specify issuer of instrument it converts into	I -
Write-down feature	
If write-down, write-down trigger(s)	1 -
If write-down, full or partial	-
If write down, permanent or temporary	1
If temporary write-down, description of write-up mechanism	*
Position in subordination hierarchy in liquidation (specify	After all creditors and participation
instrument type immediately senior to instrument)	fund owners
in compliance with article number 7 and 8 of "Own fund	Na
regulation"	No
Details of incompliances with article number 7 and 8 of "Own	No
fund regulation"	11167



(Thousand of Turkish Lira (TL) unless otherwise stated)

# II. Explanations on credit risk:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# III. Explanations on currency risk:

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

- The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position / shareholders' equity ratio is also controlled on a daily basis. Consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b) The Bank does not have any derivative financial instruments held for hedging purposes.
- c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.
- d) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

	USD	EUR
s of June 30, 2016 - Balance sheet evaluation rate s of June 29, 2016 s of June 28, 2016 s of June 27, 2016 s of June 24, 2016 s of June 23, 2016	2,830 2,830 2,840 2,860 2,850	3,140 3,143 3,142 3,147
as of June 23, 2016	2,750	3,161 3,128

e) The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is full TL 2,860 for 1 USD (December 2015; full TL 2,883), full TL 3,213 for 1 EURO (December 2015; full TL 3,145).

## Foreign currency sensitivity:

The Bank is mainly exposed to EUR and USD currency risks.

The following table details the Bank's sensitivity to a 10% change in the USD and EURO rates. A negative amount indicates a decrease effect in profit/loss or equity of the 10% value change of USD and EUR against TL.

	% Change in foreign currency rate	Effect on pr	ofit / loss	Effect on	equity
		Current period	Prior period	Current period	Prior period
USD USD EURO EURO	10% increase 10% decrease 10% increase 10% decrease	3.861 (3.861) 4.758 (4.758)	1.547 (1.547) 4.264 (4.264)	327 (327)	(210) 210 859 (859)



(Thousand of Turkish Lira (TL) unless otherwise stated)

## III. Explanations on currency risk (continued):

# Information on currency risk of the Bank:

Current Period	EUR	USD	Other FC <sup>(1)</sup>	Total
ach teach in vault, foreign currency, money in transit,				
cheques purchased) and balances with the Central Bank of				
Republic of Turkey	585.620	2.304.207	674.639	3.564.466
ianks	108.052	1,166.732	115.482	1,390,266
financial assets at fair value through profit and loss	-	62	-	62
Aoney market placements	•		~	
Available-for-sale financial assets	130	355.719		355.849
oans and financial lease receivables(**)	2.861.150	<b>5.</b> 923.289	2.121	8.786.560
Subsidiaries, associates and joint ventures	•		•	•
Held-to-maturity investments		•	-	,
Derivative financial assets for hedging purposes	-			, n
Tangible assets	•	•	935	935
ntangible assets			356	356
Other assets (**)	1,267	24.603	1.438	27.308
Total assets	3,556,219	9,774.612	794.971	14.125,807
Liabilities				
Eurrent account and funds collected from banks via				
participation accounts	552,054	78.198	2.202	632,45
Dather current and profit sharing accounts	1,911,908	5.886.030	306.558	8.104.49
Money market borrowings	-	-	•	
Funds provided from other financial institutions and				
subordinated loans	1.010.055	4.153,384	-	5.163,439
Narketable securities issued		-		
Miscellaneous payables	8.684	78,789	51.844	139,31
Derivative financial liabilities for hedging purposes			-	
Other Habilities	7.951	11.726	64_	19.74
Total liabilities	3,490.652	10,208,127	360,668	14.059.44
	65,567	(433.515)	434,303	66.35
Net balance sheet position	03,337	1,120		
Net off balance sheet position	(17.983)	472.124	(423.508)	30,63
Derivative financial instruments assets'	6.509	486,967	3.304	496.78
Derivative financial instruments liabilities (***)	24,492	14.843	426.812	466.14
Non-cash loans f <sup>mm</sup> 1	1.439.003	2,995.820	30,551	4.465.37
TEAT NOTE OF CONTROL				
Prior Períod	3,432,222	10,426,828	630.020	14,489,07
Total assets	3.372.658	10.622,240	420.127	14.415.02
Total liabilities	J.312.030	,0,022,210	,	
Net balance sheet position	59.564	(195.412)	209,893	74,04
	(16.929)	210,880	(191,644)	2,30
the fit is a second of the sec				
Net off balance sheet position		749 140	7,599	265.05
Net off balance sheet position  Derivative financial instruments assets  Derivative financial instruments liabilities	8.320 25.249	249.140 38.260	7.599 199.243	265.05 262.75

TL 664.343 (December 31, 2015: TL 446.121) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 2.406 (December 31, 2015: TL 39.682) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 237.325 (December 31, 2015: TL 294.008) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.



The balance includes foreign currency indexed loans and financial lease receivables of TL 5.395.038 (December 31, 2015; TL 5.068.133).

Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 582 (December 31, 2015: TL 431) is included in other assets.

In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 90.091 (December 31, 2015: TL 45.969) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 42.057 (December 31, 2015: TL 64.837).

Does not have any effect on the net off-balance sheet position.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations on position risk of equity securities in banking book:

The Bank does not have any associate and subsidiary quoted at Borsa Istanbul.

## V. Explanations on liquidity risk:

Liquidity Risk is managed by Asset and Liability Committee (ALCO) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### V. Explanations on liquidity risk (continued):

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Risk Management Contingency Funding Plan" in the Bank Including mechanisms to prevent Increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators in each stress.

#### Liquidity Coverage Ratio:

		Rate of "Perce	entage to be			
		taken into ac	count" not	be taken int	o account"	
	•	Implement	ed Total	Implemen	ted Total	
		value	ş(°)	value <sup>(*)</sup>		
	Current Period	TL+FC	FC	TL+FC	FC	
·	HIGH QUALITY LIQUID ASSETS					
1	High quality liquid assets			4,465,952	2.929.795	
	CASH OUTFLOWS	Ţ				
2	Retail and Small Business Funds Collected	11.262.940	4.493.980	992,113	449.398	
3	Stable Funds Collected	2.683.620	-	134.181		
4	Less stable Funds Collected	8.579.320	4,493,980	857.932	449.398	
5	Unsecured Funding other than Retail and Small Business					
	Customers Deposits	4.907.355	2.714.296	2.886.488	1,393.810	
6	Operational Funds Collected	239,380	237.916	59.845	59,479	
7	Non-Operational Funds Collected	2.769.125	1.415.704	1.275.635	666,679	
8	Other Unsecured Funding	1.898.850	1.060.676	1.551.008	667.652	
9	Secured funding			•	-	
10	Other Cash Outflows	108.867	42.056	108.867	42.056	
11	Liquidity needs related to derivatives and market					
	valuation changes on derivatives transactions	108,867	42.056	108.867	42.056	
12	Debts related to the structured financial products	-	~	-	~	
13	Commitment related to debts to financial markets					
١.,	and other off balance sheet liabilities	-	-	•	-	
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments					
15	Other irrevocable or conditionally revocable	-	-	•	- 1	
1,5	commitments	9.458.335	4.225.033	745.172	354.827	
16	TOTAL CASH OUTFLOWS			4,732,640	2.240.091	
····-	CASH INFLOWS					
17	Secured Lending Transactions				~	
18	Unsecured Lending Transactions	2.922.162	1.543.534	2.316.334	1.364.801	
19	Other contractual cash inflows	113,144	90.092	113,144	90.092	
20	TOTAL CASH INFLOWS	3,035,306	1,633,626	2,429,478	1.454.893	
		······································	<b>*************************************</b>	Upper limit app	lied amounts	
21	TOTAL HQLA			4.465.952	2,929,795	
22	TOTAL NET CASH OUTFLOWS			2.303.162	785,198	
23	Liquidity Coverage Ratio (%)			193,91	373,13	

<sup>&</sup>quot;Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

	Current	Period
	TL+FC	FC
Lowest	185,22	260,27
Week	05.06.2016	27.05.2016
Highest	309,00	475,94
Week	17.04.2016	17.04.2016
Average (%)	239,67	357,29



(Thousand of Turkish Lira (TL) unless otherwise stated)

# V. Explanations on liquidity risk (continued):

HIGH QUALITY LIQUID ASSETS   11.4FC   FC   TL+FC   FC     High quality liquid assets   4.646.672   3.219.811     CASH OUTFLOWS   4.646.672   3.219.811     Retail and Small Business Funds Collected   11.185.760   4.553.060   1.118.576   455.306     Less stable Funds Collected   11.185.760   4.553.060   1.118.576   455.306     Less stable Funds Collected   11.185.760   4.553.060   1.118.576   455.306     Less stable Funds Collected   11.185.760   4.553.060   1.118.576   455.306     Lise Stable Funds Collected   11.185.760   4.553.060   1.118.576   455.306     Lise Stable Funds Collected   11.185.760   4.553.060   1.118.576   455.306     Customers Deposits   5.457.231   2.634.109   2.806.246   1.411.013     Operational Funds Collected   138.796   137.528   34.699   34.457     Other Unsecured Funding   2.577.639   1.225.907   1.304.274   593.927     Other Cash Outflows   93.544   64.836   93.544   64.836     Liquidity needs related to derivatives and market valuation changes on derivatives transactions   93.544   64.836   93.544   64.836     Liquidity needs related to the structured financial products   64.836   93.544   64.836     Commitment related to debts to financial markets and other off balance sheet liabilities   7.548		Prior period	taken into a Implemented	entage to be ccount" not Total value <sup>(*)</sup>	Rate of "Perc taken into Implemented	account"
High quality liquid assets	_		TL+FC	FC	TL+FC	
CASH OUTFLOWS   4.646.672   3.219.811	1	High resulting through access		***************************************		
Retail and Small Business Funds Collected   11.185.760   4.553.060   1.118.576   455.306   4.553.060   4.553.060   5.555   4.555.060   5.555   4.555.060   5.555   4.555.060   5.555.060	<b> </b>	CASH Offer Owe			4,646,672	3 719 811
Stable Funds Collected   Less stable Funds Collected   Less Stab	1-5-					2.413.031
Less stable Funds Collected Unsecured Funding other than Retail and Small Business Customers Deposits Operational Funds Collected Non-Operational Funds Collected Other Unsecured Funding Customers Deposits Operational Funds Collected Non-Operational Funds Collected Other Unsecured Funding Secured funding Customers Deposits Other Unsecured Funding Secured funding Secured funding Other Cash Outflows Liquidity needs related to derivatives and market valuation changes on derivatives transactions Liquidity needs related to the structured financial products Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments Other irrevocable or conditionally revocable commitments Other irrevocable or conditionally revocable commitments Unsecured Lending Transactions Unsecured Lending Transactions Unsecured Lending Transactions Unsecured Lending Transactions Other contractual cash inflows  155.463 102.406 155.463 102.406 155.463 102.406 155.463 102.406 155.463 102.406 157.438 1404 1405.306 1411.013 157.828 157.828 158.62.629 1.411.013 1.411.013 1.487.828 1.469 1.411.013 1.467.273		Stable Funds Collected	11.185.760	4.553.060	1.118 576	455 704
Unsecured Funding other than Retail and Small Business   11.185.760   4.553.060   1.118.576   455.306		650 etable Funds Colleged	-			722.200
Customers Deposits  Operational Funds Collected  To April 188.796  Operational Funds Collected  To April 188.796  Operational Funds Collected  To April 188.796  Operational Funds Collected  To April 188.796  Operational Funds Collected  To April 188.796  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To April 188.79  To		lineactured Europian and Section	11,185,760	4,553,060	1.118 576	455 204
Department Funds Collected   138.796   137.828   34.699   34.437	-	Customers Deposits	1		((110,5))	433,300
138.796   137.828   34.699   34.457	4	Operational Court College	5.457.231	2,634,109	2 806 246	1 461 013
State   Control   Contro		Non-Compliant Funds Collected	138,796			
Secured funding   Content of the structured funding   Content of	-	Other Unequival Funds Collected	2,740,796	1.270.374		
10 Other Cash Outflows		Corned fundam	2.577.639			
Liquidity needs related to derivatives and market valuation changes on derivatives transactions Debts related to the structured financial products Commitment related to debts to financial markets and other off balance sheet liabilities Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments Other irrevocable or conditionally revocable commitments Other irrevocable or conditionally revocable commitments Unsecured Lending Transactions Unsecured Lending Transactions Other contractual cash inflows 155.463 102.406 155.463 10	-	Other Cash Continue			. 100 1321-4	393.727
valuation changes on derivatives transactions  12 Debts related to the structured financial products 13 Commitment related to debts to financial markets and other off balance sheet liabilities 14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments 15 Other irrevocable or conditionally revocable commitments 16 TOTAL CASH OUTFLOWS 17 Secured Lending Transactions 18 Unsecured Lending Transactions 19 Other contractual cash inflows 10 TOTAL CASH INFLOWS 10 TOTAL CASH INFLOWS 11 TOTAL CASH INFLOWS 12 TOTAL CASH INFLOWS 13 A881.434 14 C.240.888 15 A63 102.406 15 A63 102.406 15 A63 102.406 15 A63 102.406 15 A63 102.406 15 A63 102.406 15 A63 102.406 15 TOTAL CASH INFLOWS 10 TOTAL CASH INFLOWS 11 TOTAL HOLA 12 TOTAL HOLA 13 C.240.888 14 A836 15 A64.836 16 A4.836 17 A4.836 18 A4.836		liveridity mondo entered as a series	93.544	64,836	93 544	44 074
Debts related to the structured financial products Commitment related to debts to financial markets and other off balance sheet liabilities Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments Other irrevocable or conditionally revocable commitments CASH INFLOWS CASH INFLOWS 17 Secured Lending Transactions Unsecured Lending Transactions Unsecured Lending Transactions Unsecured Lending Transactions 19 Other contractual cash inflows 155.463 102.406 102.406 102.406 102.406 102.406 102.406	.,	valuation changes and derivatives and market			, , ,	44.030
Commitment related to debts to financial markets and other off balance sheet liabilities  Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments  Other irrevocable or conditionally revocable commitments  CASH INFLOWS  CASH INFLOWS  Unsecured Lending Transactions Unsecured Lending Transactions Other contractual cash inflows  TOTAL CASH INFLOWS  TOTAL CASH INFLOWS  TOTAL CASH INFLOWS  TOTAL CASH INFLOWS  TOTAL CASH INFLOWS  TOTAL CASH INFLOWS  TOTAL CASH INFLOWS  TOTAL CASH INFLOWS  TOTAL CASH INFLOWS  TOTAL HQLA  TOTAL HQLA  Liquidity Coverage Ratio (%))	12	Debts calated to the attentions transactions	93.544	64,836	93.544	64 876
and other off balance sheet liabilities  14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments  Other irrevocable or conditionally revocable commitments  Other irrevocable or conditionally revocable commitments  CASH INFLOWS  17 Secured Lending Transactions  Unsecured Lending Transactions  Unsecured Lending Transactions  Other contractual cash inflows  155.463  102.406		Commitment related to deleter of financial products	•	.	,	04.650
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	,	and other off belongs there is build markets		ļ		-1
15   Other irrevocable or conditionally revocable commitments   8.582.626   3.943.011   753.816   370.595	14	Commitments that are decendated with	•	-		.].
13   Other Irrevocable or conditionally revocable commitments   8.582.626   3.943.011   753.816   370.595     14   TOTAL CASH OUTFLOWS   4.772.182   2.301.750     17   Secured Lending Transactions   Unsecured Lending Transactions   3.881.434   2.240.888   2.982.449   1.874.782     18   Unsecured Lending Transactions   3.881.434   2.240.888   2.982.449   1.874.782     19   Other contractual cash inflows   155.463   102.406   155.463   102.406     10   TOTAL CASH INFLOWS   4.036.897   2.343.294   3.137.912   1.977.188     21   TOTAL HQLA   Upper limit applied amounts   4.646.672   3.219.811     22   TOTAL NET CASH OUTFLOWS   4.646.672   3.219.811     23   Liquidity Coverage Ratio (%))	٠,	time by the Rank and attentionally revocable at any				1
CASH INFLOWS   4.772.182   2.301.750     CASH INFLOWS   4.772.182   2.301.750     Secured Lending Transactions   18   Unsecured Lending Transactions   3.881.434   2.240.888   2.982.449   1.874.782     CASH INFLOWS   3.881.434   2.240.888   2.982.449   1.874.782     CASH INFLOWS   3.881.434   2.240.888   2.982.449   1.874.782     CASH INFLOWS   1.55.463   102.406   155.463   102.406     CASH INFLOWS   1.634.270   1.874.782     CASH INFLOWS   2.343.249   3.137.912   1.977.185     CASH INFLOWS   1.634.270   1.874.782     CASH INFLOWS   2.343.249   3.137.912   1.977.185     CASH INFLOWS   2.340.888   2.982.449   1.874.782     CASH INFLOWS   2.340.888   2.982.449     CASH INFLOWS   2.340.888   2.982.449     CASH IN	15	Other irrevocable or readily and Commitments	•	- [		
CASH INFLOWS   4.772.182   2.301,750     17   Secured Lending Transactions   Unsecured Lending Transactions   Unsecured Lending Transactions   3.881.434   2.240.888   2.982.449   1.874.782     155.463   102.406   155.463   102.406   155.463   102.406     17   TOTAL CASH INFLOWS   4.036.897   2.343.294   3.137.912   1.977.188     18   Upper limit applied amounts amounts   4.646.672   3.219.811     17   TOTAL HOLA   4.646.672   3.219.811     18   23   Liquidity Coverage Ratio (%)   1.634.270   575.438		TOTAL CASH OUTS OWN	8.582.626	3.943.011	753.816	370 505
17		CACH INCLOSE			4.777.187	
18 Unsecured Lending Transactions 3.881.434 2.240.888 2.982.449 1.874.782 2.240.888 2.982.449 2.982.449 2.240.888 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.982.449 2.	17	Contrad Londing Transition				2.30(./30
3.881.434   2.240.888   2.982.449   1.874.782   1.55.463   102.406   155.463   102.406   1.874.782		Illustrations itsusactions	*			
20   TOTAL CASH INFLOWS   155.463   102.406   155.463   102.406   102.406   4.036.897   2.343.294   3.137.912   1.977.188   Upper limit applied amounts   21   TOTAL HQLA   4.646.672   3.219.811   23   Liquidity Coverage Ratio (%)   1.634.270   575.438   1.634.270   575.438   1.634.270   1.63		Other contractual and info	3.881.434	2,240,888	7 982 440	1 074 707
107.408   4.036.897   2.343.294   3.137.912   1.977.188   Upper limit applied amounts   21   TOTAL HQLA   4.646.672   3.219.811   22   TOTAL NET CASH OUTFLOWS   4.646.672   3.219.811   3.634.270   575.438   4.646.672   3.219.811   3.634.270   575.438   3.634.270   575.438   3.634.270   575.438   3.634.270   575.438   3.634.270		TOTAL CASE SEE OF SEE	155.463			
TOTAL HQLA   Upper limit applied amounts	~~	TOTAL CASH INFLOWS	4.036,897			
21 TOTAL HQLA       amounts         22 TOTAL NET CASH OUTFLOWS       4.646.672       3.219.811         23 Liquidity Coverage Ratio (%)       1.634.270       575.438	- 1					
ZZ       TOTAL NET CASH OUTFLOWS       4.646.672       3.219.811         23       Liquidity Coverage Ratio (%)       575.438		YATI		ĺ	obbet t	
23 Liquidity Coverage Ratio (%) 1.634.270 575.438	<del></del>	TOTAL RULA			4 444 477	
1 - 3	35	IVIAL NEI CASH OUTFLOWS				
verage of the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses social and the last three months of limitidity courses and the last three months of limitidity courses are the last three months of limitidity courses and the last three months of limitidity courses are three months of limitidity courses and the last three months of limitidity courses are three months of limitidity courses and the last three months of limitidity courses are three months of limitidity courses and the last three months of limitidity courses are three months of limitidity courses are three months of limitidity courses and the last three months of limitidity courses are three months of limitidity courses and three months of limitidity courses are three months of limitidity courses are three months of limitidity and three months of limitidity courses are three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and three months of limitidity and thre					284,33	575.438 559,54

<sup>(</sup>i) Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2015 are as follows:

Prio	Prior period		
TL+FC	FC		
276,20	314,95		
11.11.2015	06.10.2015		
387,85	570,73		
18,12,2015	30.11.2015		
327,59	460,32		
	71.+FC 276,20 11.11.2015 387,85 18.12.2015 327,59		

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### V. Explanations on liquidity risk (continued):

Presentation of assets and liabilities according to their remaining maturities:

							Unallocated	
Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	{**3(***)	Total
Assets								
Cash (cash in vault, foreign								
currency, money in transit,								
cheques purchased) and								
balances with the Central Bank								1 357 175
of Republic of Turkey	1.195,914	3.161.751				•	•	4,357.665
Banks	1.352.081	594.617	71.662	•	•	•	•	2,018,360
Financial Assets at Fair Value								. 775
Through Profit and Loss	814	421	•	•	•	•	•	1.235
Money Market Placements	•	•	•	•	•	•	•	•
Available-For-Sale Financial			Ara 000	201 701	ene 400	31,130		1.181.705
Assets	5. 102	5,256	260.090	204.704	675.423	1.270.849	497.734	20.058.789
Loans <sup>(*)</sup>	•	1,635.853	2,073.911	6.793.705	7.786.737 206.828	1.270.049	457.734	762.889
Held-To-Maturity Investments		•	371.463	184.598		•	978.084	983,084
Other Assets	•	•	9	2.328	2,663	•	7/0.004	903,004
Total Assets	2.553.911	5,397.898	2.777.135	7.185.335	8.671,651	1.301.979	1.475.818	29,363.727
Liabilities								
Current account and funds								
collected from banks via	*** ***	97.712	272, 182	25,125		_		634.397
participation accounts	239.378	47.712	272, 182	22,123	•	-		634.371
Other current and profit sharing	5 5 ch 5 4 6	44 #31 3/5	3 484 449	1,054,024	2,526			19.132.204
accounts	3.849.841	11.531.365	2.694.448	1,034,024	\$.020			**********
Funds provided from other								
financial institutions and		365,873	778,694	1,128,292	1.862.474	1,205,580		5,340,913
subordinated loans		767,656	770.077	1,1#0.#72	7,002,77			767.656
Money Market Borrowings	•	161.836				•		
Marketable securities issued Miscellaneous payables	•	160,381	41,392	11,061			756.840	969.674
Other liabilities	·	67.245	160.985	26.687		-	2,263,966	2.518.883
Other Habitues		D7.1.T3	100.700					
Total Liabilities	4,089.219	12,990,232	3.947.701	2,245.189	1,865,000	1.205.580	3,020.806	29,363,727
Net Liquidity Gap	(1,535,308)	(7.592,334)	(1.170.566)	4,940.146	6,806,651	96,399	(1.544.988)	
INST ENGINEERY GOS								
Net Off-balance sheet Position	÷	-	(14,584)	(2.817)	*			{17.401}
Financial Derivative Assets		*	219,411	187.278		•	•	406.689
Financial Derivative Liabilities	•		233.995	190.095			-	424.090
Non-cash Loans	6.398.122	137,113	349.421	1,112.899	790,033	40.831		8,828,419
Prior period								
Total Assets	3,834,227	5,332,964	2,533,007	6.987.596	8,520,891	1.177.188	1,176.126	29,561,999
Total Liabilities	4.261.191	12.761.275	3,785.861	2.085.824	2,572,262	1.225,880	2.868.706	29.561.999
i Orat Figorities	4.201.111	72.707.272						
Net Liquidity Gap	(426.964)	(7,428,311)	(1,252,854)	4.901.772	5.948.629	(49.692)	(1.692.580)	
The Age but an area of the Age of		<u></u>		21.173	<u> </u>		*	21,173
Net Off-balance sheet Position			<del></del>	219.089				219.089
Financial Derivative Assets	•	•	•	£17,097				,.44,
Financial Derivative		_		197.916				197.916
Liabilities Non-cash Loans	4,533,680	596,383	935,430	1,471.883	1.086.885	39.796		8.664.057
MON-EGSU FOGUZ	4,344,550	274,202		**************************************	**********			

<sup>11</sup> Leasing receivables are included under loans. Unallocated amount represents the amount arising from advances granted for teasing receivables and net non-performing loans.



Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here.

The unallocated other liabilities column consists of equity, provisions and deferred tax liabilities.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VI. Explanations on leverage ratio:

As of June 30, 2016, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 5,27% (December 31, 2015: 5,03%). This ratio is above the minimum required. The reason for the difference in leverage ratio between current and previous period is the average increase ratio of core capital is more than the average increase ratio of total risk amount.

## Disclosure of Leverage ratio template:

		Current Period	Prior Period
	Balance sheet assets	June 30, 2016 <sup>(1)</sup>	December 31,2015 <sup>(1)</sup>
1	Balance sheet assets Balance sheet assets (excluding derivative financial assets and credit		-
	derivatives, including collaterals)		
Z	(Assets deducted from Core capital)	29.155.057	28.936,49
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	(70.571)	(79.053
	Derivatives financial assets and credit derivatives	29.084.486	28.857.446
4	Cost of replenishment for derivative financial assets and credit derivatives		
5	Potential credit risk amount of derivative financial assets and credit derivatives  Total risk amount of derivative financial assets and credit derivatives	6.327	20.043
6	Total risk amount of derivative financial assets and credit derivatives lines 4 and 5)	9.713	4.913
*****	**************************************	16.040	24,956
į –	Financing transactions secured by marketable security or commodity  Risk amount of financing transactions secured by marketable security or		
	commodity (excluding Balance sheet)		
3	Risk amount arising from intermediacy transactions	154.899	139.204
i 	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	•	•
	Off-balance sheet transactions	154.899	139.204
Ö	Gross notional amount of off-balance sheet transactions	······	
1	(Correction amount due to multiplication with credit conversion rates)	10.274.823	9.880.604
2	Total risk of off-balance sheet transactions (sum of lines 10 and 11)		•
	Capital and total risk	10.274.823	9.880.604
3	Core Capital		
ŧ	Total risk amount (sum of lines 3, 6, 9 and 12)	2.082.510	1.955.492
	Leverage ratio	39.530.248	38.902.210
i	Leverage ratio	······································	
	"The arithmetic average of the last 3 months in the related periods	5,27	5,03
	. The minimizer average of the last 3 months in the related periods		

The arithmetic average of the last 3 months in the related periods

#### VII. Explanations on presentation of financial assets and liabilities at fair value:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# VIII. Explanations regarding the activities carried out on behalf and account of other persons:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IX. Explanations On Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables which have to be prepared within the scope of Internal rating-based (IRB) approach have not been presented.

## a. Risk management strategy and weighted amounts:

## a.1. Risk Management Strategy:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### a.2. Risk weighted amounts:

		Risk Weighte	d Amount	Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)			
	(CCR)	21.332.183	19.138.134	1,706,575
2	Standardised approach (SA)	21.332.183	19.138.134	1.706.575
3	Internal rating-based (IRB) approach	-	₩	•
4	Counterparty credit risk	3.043	11.507	243
5	Standardised approach for counterparty credit			
	risk (SA-CCR)	3,043	11.507	243
6	Internal model method (IMM)	-	*	•
7	Basic risk weight approach to internal models			
	equity position in the banking account	•	•	-
8	Investments made in collective investment			_
_	companies - look-through approach	•	•	_
9	Investments made in collective investment	_		•
ın.	companies - mandate-based approach Investments made in collective investment		-	
10	companies - 1250% weighted risk approach		_	•
11	Settlement risk	•	-	
12	Securitization positions in banking accounts			
13	IRB ratings-based approach (RBA)		_	
14	IRB Supervisory Formula Approach (SFA)	_	-	4
15	SA/simplified supervisory formula approach			
1.3	(SSFA)	_	-	-
16	Market risk	125.391	91.424	10.031
17	Standardised approach (SA)	125,391	91,424	10.031
18	Internal model approaches (IMM)			
19	Operational Risk	1.720.462	1.434.941	137,637
20	Basic Indicator Approach	1.720.462	1.434.941	137.637
21	Standard Approach			
22	Advanced measurement approach			•
23	The amount of the discount threshold under			
23	the equity (subject to a 250% risk weight)	_	-	-
24	Floor adjustment	•		٧
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	23.181.079	20.676.006	1,854,486

## a.3. Financial statements and regulatory exposures reconciliation:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".



(Thousand of Turkish Lira (TL) unless otherwise stated)

## IX. Explanations On Risk Management (continued):

#### b. Credit Risk:

## b.1. General information on credit risk:

## b.1.1. General qualitative information on credit risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

## b.1.2. Credit quality of assets:

	_	Gross carrying va statements prepared Turkish Accountin	in accordance with	Allowances/ amortisation and	
		Defaulted	Non-defaulted	impairments	Net values
7	Loans	706,899	19.942.613	590.723	20.058.789
3	Debt securities Off-balance	•	1.939,492	*	1.939.492
	sheet exposures	101.123	9.633.690	21.021	9.713.792
4	Total	808.022	31,515,795	611,744	31,712,073

## b.1.3. Changes in stock of default loans and debt securities:

1	Defairfed lange and date of the	
_'	Defaulted loans and debt securities at end of the previous reporting period	519,163
2	Loans and debt securities that have defaulted since the last reporting period	
3	Receivables back to non-defaulted status	307.580
4	Amounts written off	-
5	Other changes	45
-		18.676
-	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	808.022

# b.1.4. Additional information on credit quality of assets:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### b.2. Credit risk mitigation

# b.2.1 Qualitative disclosure on credit risk mitigation techniques:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

## b.2.2 Credit risk mitigation techniques:

		Exposures unsecured: carrying amount as pes TAS	Exposures secured by collateral	Collateralize d amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralize d amount of exposures secured by financial suarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit
2	Loans Dept	15.287,509	4.771.280	3.494,395	89.348	63.431		derivatives
3	securities Total Of which	1.939,492 17.227.001	4.771.280	3.494.395	89.348	63.431	:	•
	defaulted	661.701	45.198	41.779				



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IX. Explanations On Risk Management (continued):

#### b.3. Credit risk under standardised approach:

b.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### b.3.2. Credit risk exposure and credit risk mitigation techniques:

		Conversion R	before Credit ate and Credit Risk Mitigation	Exposur	Mitigation and es post-Credit nversion Rate		ed Average ( Weighted ige Density
-		On-balance	Off-balance	On-balance	Off-balance		RWA
		sheet	sheet	sheet	sheet	RWA	density
	Risk classes	amount	amount	amount	amount		
1	Exposures to sovereigns						
	and their central banks	5.701.324	2.346	5,057.598	582	1.432.058	28,31%
2	Exposures to regional and						
	local governments	482	1.049	369	519	444	50,00%
3	Exposures to						
	administrative bodies and						
	non-commercial entities	30.819	65.050	22,256	32.061	53.633	98,74%
4	Exposures to multilateral						
	development banks	•	330		66	•	0,00%
5	Exposures to international						
	organizations	•	•	-	•	•	-
6	Exposures to banks and						
	brokerage houses	2.044.533	104.650	2.044.348	76.225	614.206	28,96%
7	Exposures to corporates	11.724.121	6.807.669	9.794.216	4.229.506	13.475.506	96,09%
8	Retail exposures	4.292.636	2.403.184	3.360.445	899,195	3.069.578	72,06%
9	Exposures secured by						
	residential property	1.658.260	153.148	1.209.422	73.505	450,431	35,11%
10	Exposures secured by						
	commercial property	2.218.674	473.552	1.789.331	291.138	1.056.192	50,77%
11	Past-due items	284.344	•	243.305	•	285,838	117,48%
12	Exposures in high-risk						
	categories	•	-	•	•	•	•
13	Exposures in the form of						
	bonds secured by						
	mortgages	•	•	-	•	•	-
14	Short term exposures to						
	banks, brokerage houses						
	and corporates	•	-	•	-	-	-
15	Exposures in the form of						
	collective investment						
	undertakings	-	•		•		
16	Other exposures	1.335,767	2.418	1.333.383	454	894.297	67,05%
17	Equity share investments	•				÷	_
18	Total	29.290.960	10.013.396	24.854.673	5.603.281	21.332.183	70,04%





ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

Explanations On Risk Management (continued):

b.3.3 Exposures by asset classes and risk weights:

でであったいことのころのできない。	%0	10%	20%	Property	5						Total risk
their central banks	2.194.059			288	800	75%	100%	150%	200%	Others	(Post-CCF and CRM)
Exposures to regional and local government		٠	,	•	2.864.114	•	•	•	ť		5 058 180
Exposures to administrative	•	•	•	•	888	•	,			•	
entities	607	٠	96	•							200
development banks	99	•	•	•	•	•	53,614	•	•	٠	54,317
cxposures to international organizations				e e	•	•	•	,	٠	,	99
Exposures to banks and	•	•	•	•	•	•					•
brokerage houses	2.286	ì	1,793 317		; ; ;		1	t	•	•	•
Satoli ourself	294,635	+	274.918	•	138,857	•	186,113	•	,	•	, the state of the
Exposures secured to	136.980	•	36.889	, ,	8 511	- 250 4	13.386.875	•	ı	•	14.023.727
residential property	ex rr		i			0071101	•	ř	,	,	4,259,640
Exposures secured by	,	•	5.536	1.259.690	1.628	٠	7.618	*		•	1280
Pashdue items	. 6	1		•	2.048 553		*				176 707 1
Exposures in high-risk	₹	•	28	•	41,111	<b>,</b>	74.667	127.069	5 )	3 (	2.080,469
Exposition in the form of	•	•	,	,						ı	743.305
bonds secured by mades					•	•	•	,	•	•	•
Short ferm exposures to	•	•	,	٠	•	•					•
banks, brokerage houses and						•	•	,		•	•
Exposures in the form of	•		•	•	•	•					
collective investment						•	•	•	,	•	,
Other exposures	761,497		י ממש הגינ	•	•	•	,				
Equity share investments	•	٠,	060'777	• 1	•	•	849.780		٠,	٠.	. 223 954
: O(d)	2.898.985		2,333,411	1.259.690	5 170 088	- 200	,	,			1.333.867

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### IX. Explanations On Risk Management (continued):

- c. Counterparty credit risk:
- c.1. Qualitative disclosure on counterparty credit risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### c.2. Counterparty credit risk (CCR) approach analysis:

	Current Period - 30.06.2016	Replacement cost	Potential Future exposure	EEPE	Alpha used for computing regulatory exposure at default	EAD post- CRM	RWA
1	Standardised Approach - CCR (for derivatives)		4.067		1,4	4.067	2.034
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			: :	_		*
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					•	
	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					7.383	2.034

<sup>(\*)</sup>Effective Expected Positive Exposure



(Thousand of Turkish Lira (TL) unless otherwise stated)

# IX. Explanations On Risk Management (continued):

# c.3. Capital requirement for credit valuation adjustment (CVA):

Current Period - 30.06,2016	EAD post-CRM	5)424
Total portfolios subject to the Advanced CVA capital obligation	LAD POSCERM	RWA
1 (i) VaR component (including the 3×multiplier)		*
2 (ii) Stressed VaR component (including the 3×multiplier)	····	· · · · · · · · · · · · · · · · · · ·
3 All portfolios subject to the Standardised CVA capital obligation	4.067	1.000
4 Total subject to the CVA capital obligation	4.067	1.009
	7,001	1,009

## c.4. CCR exposures by risk class and risk weights:

Risk Weighted	0%	10%	20%	50%	75%	100%	150%	Other	Total
Risk Classes									credit exposure*
Exposures to sovereigns						*************	·	····	exposure
and their central banks	7.383	-	-		_				
Exposures to regional					_	-	•	-	-
and local governments				-	_	_			
Exposures to administrative bodies						_		•	•
and non-commercial entities	•	-	-	·					
Exposures to multilateral						-	•	•	-
development banks	•		-	_	-	_	_		
Exposures to international							_	-	-
organizations	-	-	-	•			_		
Exposures to banks and							-	-	•
brokerage houses			~	4.067	_	_	_	_	2.034
Exposures to corporates			-			_	_		2.034
Retail exposures					_		•	•	•
Exposures secured by					-	•	•	•	-
residential property	-	-							
Past-due items	-					-	•	•	-
Exposures in high-risk				_	-	•	-	-	•
categories	-		_		_				
Exposures secured by					•	•	•	•	-
commercial property	-	-	-			_			
Exposures in the form of						_	-	-	•
bonds secured by mortgages			-	•		_			
Short term exposures to						•	•	•	-
banks, brokerage houses									
and corporates	•	-	-	•		_			
Exposures in the form of						-	•	-	•
collective investment undertakings	-	-	-	_	_	_	_		
Equity share investments	•		-			_	Ī	•	-
Other exposures	-	_	_	_		•	-	•	-
Other assets				_	-	-	-	-	-
Total	7,383	·	***************************************	4,067		······································			
(*) Total credit risk respresents the amoun		40 miles	1						2.034

<sup>(\*)</sup> Total credit risk respresents the amount relating to CAR calculation after application of counterparty risk measurement techniques.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## IX. Explanations On Risk Management (continued):

#### c.5. Collaterals for CCR

Current Period -		Collateral for deriv	ative transactio	ns	Collateral transa			
30.06.2016	Collatera	is received	Collater	als granted	Collaterals	Collaterals		
50.0012510	Segregated	Unsegregated	Segregated	Unsegregated	received	granted		
Cash-domestic currency	-	-		-	*	-		
Cash-foreign currency	-	•	•	•	-			
Domestic sovereign debts	•		•	•	-	52,000		
Other sovereign debts		-	-	-	-	-		
Government agency debts	-	-	•	•	•	•		
Corporate debts	•	•	•	•	~	•		
Equity securities	•	-	-	-		-		
Other collateral	-		-	-		-		
Total	-	*	*	+	w.	52,000		

#### ç. Securitization Explanations:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### d. Market risk

#### d.1. Qualitative disclosure on market risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

#### d.2 Market risk under standardised approach:

	Current Period: 30.06.2016	RWA
	Outright products	
1	Interest rate risk (general and specific)	•
2	Equity risk (general and specific)	1.628
3	Foreign exchange risk	123.763
4	Commodity risk	-
	Options	
5	Simplified approach	•
6	Delta-plus method	<b>-</b>
7	Scenario approach	•
8	Securitisation	•
9	Total	125.391

Outright products refer to positions in products that are not optional.

#### e. Operational risk:

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".



(Thousand of Turkish Lira (TL) unless otherwise stated)

## X. Explanations on business segments:

The Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

Current Barrian		Commercial	****		***************************************
Current Period	Retail	and Corporate	Treasury	Undistributed	Tota
Total Assets	2.772,561	17.671.759	2.226,479	6,692,928	29.363.72
Total Liabilities	13.119.733	8,133,235	5.553,554	***	
Total Equity	-	4.133,233	5,531,534	385,254 2,171,951	27,191,776
Alak na en e			_	£137 1.72	2.171.951
Net profit share income/(expense)(") Net fees and commissions	(335.963)	1.286.591	(66,628)	(369,928)	514.072
income/(expense)				(,	217.072
Other operating income/(expense)	15,351	144.227	(17.874)	(71,409)	70.295
Provision for loan losses and other	(164)	(77.669)	(27.518)	(173.660)	(279.011)
receivables	142 (47)				( <b>,</b>
Profit/(loss) before tax	(13.613) (334,389)	(86.771)	*	(43.796)	(144.180)
Provision for tax	(224,203)	1.266.378	(112.020)	(658.793)	161.176
	•	•	-	(32.626)	(32,626)
Net profit / (loss) for the period	(334.389)	1.266.378	(112.020)	(691,419)	128,550
		Commercial			
Prior Perlod	Retail	and Corporate	Treasury	Undistributed	Total
Total Assets	2.772,567	17.685.898	2.263.19D	6.840.344	29.561.999
otal Liabilities	13,119,733	8 5/7 /6/	<b>.</b>		
otal Equity	(2,113,7,13	8.367.686	5.570.834	399,832	27.458.085
•	_	-	-	2,103.914	2.103.914
et profit share income/(expense)('i''l et fees and commissions	(87.397)	431.859	65.413		409.875
icome/(expense)	(563)	80.132	13,367	794 84 4	
ther operating income/(expense)	(161)	(19,995)	(29.013)	(21.064)	71.872
rovision for loan losses and other	• •	(,,,,,	(27.013)	(166.929)	(216.098)
ceivables	(2.225)	(35.651)		(50.128)	(66 no.4)
ofit/(loss) before tax	(90.346)	456, 345	49.767	(238.121)	(88.004) 177.645
ovision for tax		•		(37.206)	(37.206)
et profit / (loss) for the period	(90.346)	4#2 3 4"			121.240)
(1) The distribution dist	(20.270)	456.345	49.767	(275, 327)	140,439

The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.



C'S Since the management uses net profit share income? (expense) as a performance measurement criteria, profit share income and expense is presented net.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION FIVE**

Explanations and notes on the unconsolidated financial statements

- I. Explanations and notes related to assets:
- 1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT):

	Current Po	eriod	Prior Pe	riod
	TL	FC	TL	FC.
Cash / Foreign currency	115.248	120.400	124.648	283.565
CBRT	640,506	3.257.505	698.140	3.371.781
Other (*)	37.445	186.561	71.416	355.248
Total	793.199	3.564.466	894,204	4.010.594

includes precious metals amounting to TL 1.417 (December 31, 2015; TL 12.370) and cash in transit amounting to TL 222.589 (December 31, 2015; TL 414.294) as of June 30, 2016.

#### b) Information related to CBRT:

	Current Period		Prior Pe	riod
	TL	FC	TL	FC
Unrestricted demand deposit	638.713	97.547	695.445	377.110
Unrestricted time deposit		-	4	
Restricted time deposit (1)	1.793	3.159.958	2.695	2.994.671
Total	640.506	3,257,505	698.140	3,371.781

As of June 30, 2016, the reserve requirement held in standard gold is TL 662,926 (December 31, 2015: TL 433,751).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of June 30, 2016, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 25% depending on maturity of deposits.

The Central Bank of Republic of Turkey has started to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## Explanations and notes related to assets (continued):

2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

None (December 31, 2015; None).

b) Table of positive differences related to derivative financial assets held for trading:

None (December 31, 2015: TL 20.822).

#### 3. a) Information on banks:

w	Current Period		Prior P	eriod
	TL.	FC	TL	FC
Banks				
Domestic (*)	628,094	1.052.888	599.970	1.456.406
Abroad		337.378	377.770	426.238
Foreign head offices and		0211414	•	420,230
branches	•	-	•	•
Total	628.094	1.390.266	599.970	1,882,644

<sup>(\*)</sup> Includes blockaged amount TL 609.202 (December 31, 2015: TL 569.474) booked under TL accounts arising from POS transactions.

## b) Information on foreign bank accounts:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 4. Information on financial assets available-for-sale:

a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

The Bank has collateralized sukuk investments with a nominal amount of TL 286.803 and carrying value of TL 303.708 to CBRT with respect to money market transactions and subjected to repurchase agreements (December 31, 2015; TL 226.102).

As of June 30,2016, available for sale investments given as a guarantee or blocked amount to TL 149.350 (December 31, 2015: TL 34.132).

## b) Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities Quoted on a stock exchange(*) Unquoted Share certificates Quoted on a stock exchange Unquoted Impairment provision (-)	1.176.603 1.176.603 5.102	1.040.924 1.040.924 12.865
Total	1.181,705	2.223 1.051.566

<sup>(\*)</sup> includes debt securities quoted on a stock exchange which are not traded at the related period ends.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- I. Explanations and notes related to assets (continued):
- 5. Information on loans and receivables:
- a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Perioc	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	247	87,702	80.073	62.236
Corporate shareholders	-	87.352	79.777	61.294
Real person shareholders	247	350	296	942
Indirect loans granted to shareholders	38.667	52.119	47.947	62,416
Loans granted to employees	11.345	28	8.985	28
Total	50.259	139.849	137.005	124,680

b) Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

	Standard loans and other receivables			Loans and other receivables unde close monitoring		
	Loans and	V		Loans and		·
	other			other		
_	receivables	Restructured		receivables	Restructured	
Cash Ioans	(Total)	rescheduled	<u> </u>	(Total)	rescheduled	1
		Extension of			Extension of	
		Repayment Plan	Other		Repayment Plan	Other
Loans	17.431.490	157.076	12.383	1.383.687	101.824	15.949
Export loans	485,235	14.876		828	-	
Import loans	1.308.927	14.705	920	37,525	4.806	-
Business loans	8.972.556	99.825	9.970	1.113.890	84,208	10.270
Consumer loans	2.886.973	6.935	1.068	38,460	4,399	271
Credit cards	204.737	-		4.599		
Loans given to						
financial sector	16.146	ı		-		
Other (1)	3.556.916	20,735	425	188.385	8.411	5,408
Other receivables	-	•		•	•	•
Total	17.431.490	157.076	12.383	1.383.687	101.824	15.949



(Thousand of Turkish Lira (TL) unless otherwise stated)

## Explanations and notes related to assets (continued):

(\*) Details of other loans are provided below:

Commercial loans with installments Other investment credits Loans given to abroad Profit and loss sharing investments (**) Loans for purchase of marketable securities for customer Other	1.937.836 686.764 475.585 399.362 225.437 20.317
Total	

(\*\*) As of June 30, 2016, the related balance represents profit and loss sharing investment projects (12 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects are done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects are clarified and net profit of projects is determined once the project / stages of the project are completed, in case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. In the current period the Bank recognized TL 55.817 (June 31, 2015; TL 16.557) income in the accompanying financial statements in relation to such loans and presented in the

	Extension of Rep	ayment Plan
	Standard loans and other receivables	Loans and other receivables under close monitoring
1 or 2 times 3, 4 or 5 times Over 5 times	156.130 946	101.824

Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 months	9.327	36,608
6 - 12 months	19,479	28.008
1 - 2 years 2 - 5 vears	43.782	18,627
5 years and over	46.850	14.729
years and over	37.638	3.852

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated December 30, 2011 and numbered 28158, information related to the loans granted to maritime and tourism sector:

As of June 30, 2016, the Bank has loan receivables amounting to TL 14.722 arising from rescheduled loans from maritime sector within the scope of related Communiqué.

As of June 30, 2016, the Bank does not have not any loan receivables from tourism sector within the scope of related Communiqué.

#### c) Maturity analysis of cash loans:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".



3.745.301

(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

# c) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TL	21.040	2.896.998	2.918.038
Housing loans	5,105	2.631,978	2.637,083
Vehicle loans	4,253	117.250	121,503
Consumer Loans	11,682	147.770	159,452
Other	-	-	-
Consumer loans-FC indexed	-	•	•
Housing loans	-		-
Vehicle loans	*	<b>n</b>	-
Consumer loans	*	•	
Other	•	•	•
Consumer loans-FC	-	•	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	•	•
Other		•	•
Retail credit cards-TL	60.190	•	60.190
With installment	22.085	•	22,085
Without installment	38.105	•	38.105
Retail credit cards-FC	•	-	-
With installment	•	•	-
Without installment	•	-	-
Personnel loans-TL	5.322	2.073	7,395
Housing loans	41	196	237
Vehicle loans	193	1,415	1.608
Consumer loans	5.088	462	5.550
Other		-	-
Personnel loans-FC indexed	-	•	-
Housing loans	•	-	-
Vehicle loans	-	•	
Consumer loans	•	•	-
Other	-	•	•
Personnel loans-FC	**	-	-
Housing loans	•	•	•
Vehicle Ioans	•	•	-
Consumer loans	•	•	-
Other	-	•	-
Personnel credit cards-TL	3,950	•	3.950
With installment	2.034	•	2.034
Without installment	1.916	-	1.916
Personnel credit cards-FC	•		-
With installment		•	
Without-installment	_	•	-
Overdraft account-TL(real person)	<b>-</b> •	•	-
Overdraft account-FC(real person)	-	-	-
Total	90,502	2.899.071	2.989.573



## ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS **AS OF 30 JUNE 2016** (Thousand of Turkish Lira (TL) unless otherwise stated)

#### Explanations and notes related to assets (continued): ı.

#### Information on commercial loans with installments and corporate credit cards: d)

		Medium and	·
	Short-term	long-term	Tota
Commercial installment loans-TL			
Business loans	121,392	1.233,630	1.355.023
Vehicle toans	5.619	352.105	357.724
Consumer loans	14.317	287.930	302.247
Other	101.456	593.595	695.051
Commercial installment loans-FC indexed	-	-	-
Business loans	1.618	533,082	534.700
Vehicle loans	•	224,298	224.298
Consumer loans	1.618	78.139	79.757
Other	•	230.645	230.645
Commercial installment Loans-FC	-	•	-
Business Ioans	-	48.114	48.114
Vehicle loans	•	•	•
Consumer loans	*	-	-
Other	•	48.114	48.114
Corporate credit cards-TL	•	-	•
With installment	145,196	-	145,196
Without installment	32.639	-	32.639
Corporate credit cards-FC	112.557	-	112.557
With installment		-	-
Without installment	•	•	•
verdraft account-TL (legal entity)	-	-	•
verdraft account-FC (legal entity)	•	-	-
field airth	•	•	-
otal	268.206	f 04 t 00 f	
linoraine of the state of the s	200,200	1.814.826	2.083.032

#### e) Allocation of loans by customers:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

#### Breakdown of domestic and foreign loans: f)

	Current Period	Prior Period
Domestic loans Foreign loans	18.339.592 475.585	17.879.660 490.739
Total	18.815,177	18.370.399
Page granted to achieve the		2200

#### Loans granted to subsidiaries and associates: g)

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### I. Explanations and notes related to assets (continued):

#### g) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	31,591	20,420
Loans and receivables with doubtful collectability	62.271	56.714
Uncollectible loans and receivables	261.557	192.801
Total	355,419	269,935

In addition to specific provision for loans amounting TL 355.419 (December 31, 2015: TL 269.935), provision amounting to TL 13.921 (December 31, 2015: TL 10.912) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 369.340 (December 31, 2015: TL 280.847). Specific provision for loans amounting to TL 210.937 (December 31, 2015: TL 179.220) represents participation account share of specific provisions of loans provided from participation accounts.

## h) Information on non-performing loans and receivables (net):

## h.1) Non-performing loans and receivables which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	eceivables with	eceivables with	Uncollectible
	limited	doubtful	loans and
	collectibility	collectibility	receivables
Current period			
(Gross amount before specific provisions)	37,107	59.482	21,037
Restructured loans and other receivables	37,107	59.482	21.037
Rescheduled loans and other receivables	•	•	-
Prior period			
(Gross amounts before specific provisions)	49.844	9.817	14,785
Restructured loans and other receivables	49.844	9.817	14.785
Rescheduled loans and other receivables	-	•	•

#### h.2) Movements of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Closing balance of prior period	123.599	112.692	221.300
Additions in the current period (+)	282.327	7.309	17.944
Transfers from other categories of non-performing loans (+)	-	184,031	109.559
Transfers to other categories of non-performing loans (-)	184.031	109,559	•
Transfers to standard loans (-)			-
Collections in the current period (-)	23.107	14.787	34.164
Write offs (-)	36	1	8
Corporate and commercial loans	34	•	8
Retail loans	2	1	-
Credit cards	-	-	
Other			*
Closing balance of the current period	198,752	179.595	314.631
Specific provisions (-)	31.591	62.271	261.557
Net balance at the balance sheet	167.161	117,324	53,074

(Thousand of Turkish Lira (TL) unless otherwise stated)

# i. Explanations and notes related to assets (continued):

Non-performing loans and receivables in the amount of TL 692.978 (December 31, 2015: TL 457.501) comprise TL 387.380 (December 31, 2015: TL 281.719) of participation account share of loans and receivables provided from participation accounts.

In addition to non- performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 13.921 (December 31, 2015: TL 10.912). In the current period, collections from fees, commissions and other receivables with doubtful collectability amounted to TL 2.241.

# h.3) Non-performing loans and other receivables in foreign currencies:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period:			
Period end balance Specific provision (-)	1.244 347	1.514	-
Net balance on balance sheet	897	911 603	
Prior period:			·
Period end balance Specific provision (-)	1.114	43	
Net balance on balance sheet	317 797	12	

# h.4) Gross and net non-performing loans and other receivables per customer categories:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (net)	4 6 77 4 4 4 4		
Loans to individuals and corporates (gross)	167.161	117.324	53.074
Specific provision (-)	198.752	179.5 <del>9</del> 5	314.63
Loans to individuals and corporates (net)	31.591	62.271	261.55
Banks (gross)	167.161	117.324	53.074
Specific provision (-)	*	*	7
Banks (net)	-	•	
Other loans and receivables (gross)	•	-	-
Specific provision (-)	•	•	
Other loans and receivables (net)	-	,	•
Prior period (net)			-
Loans to individuals and corporates (gross)	103, 179	55.888	28.499
Specific provision (-)	123.599	112,602	221.300
oans to individuals and corporates (net)	20.420	56.714	192,801
Banks (gross)	103.179	55.888	28,499
Specific provision (-)	•	•	+
lanks (net)	-	•	
ther loans and receivables (gross)	•	•	-
Specific provision (-)	•	-	
ther loans and receivables (net)	•	•	•
7777	*		_

(Thousand of Turkish Lira (TL) unless otherwise stated)

## Explanations and notes related to assets (continued):

## Liquidation policy for uncollectible loans and receivables:

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

### i) Information on "Write-off" policies:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 6. Information on held-to-maturity investments:

# 6.1) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of June 30, 2016, held to maturity investments given as a guarantee or blocked amount to TL 512. Held to maturity investments subject to repurchase agreements amount to TL 465.032 (December 31, 2015: Held to maturity investments given as a guarantee or blocked amount to TL 80.576, held to maturity investments subject to repurchase agreements amount to TL 553.490).

## 6.2) Information related to government securities held to maturity:

	Current Period	Prior Period	
Government Bonds	•		
Treasury Bills Other Government Securities (*)	762.889	762.890	
Total	762.889	762.890	

Consists of Sukook certificates issued by Undersecretariat of Treasury of Turkey.

### 6.3) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	762.889	762.890
Quoted on a stock exchange (*)	762.889	762.890
Unquoted	-	•
Impairment provision(-)	•	-
Total	762.889	762.890

<sup>\*\*</sup>Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

## 6.4) Movement of held-to-maturity investments:

Current Period	Prior Period	
762.890	783.309	
-		
-	3 <del>9</del> 1.427	
(34,440)	(476.442)	
34.439	64.596	
762,889	762.890	
	762.890 (34.440) 34,439	



(Thousand of Turkish Lira (TL) unless otherwise stated)

- 1. Explanations and notes related to assets (continued):
- 7. Associates (net):
- a) Information on unconsolidated associates:

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and have significant influence over this associate, it has not been consolidated.

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara / Turkey	1,69	

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2015.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share Income	Income from marketable securities	Current period income/loss	Prior period	Fair Value
303.701	299.527	5.692		-	5.483	_	*

b) Information on consolidated associates:

As of balance sheet date, the Bank does not have any consolidated associates.

- 8. Information on subsidiaries (net):
- Information on unconsolidated subsidiaries: a)

As of balance sheet date, the Bank does not have any unconsolidated subsidiary.

- Information on consolidated subsidiaries: b)
  - 1) The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from the limited not reviewed financial statements as of June 30, 2016.

Name Bereket Varlık Kiralama A.Ş.			Iress Country)	lf differ	e percentage- ent voting stage (%)	Risk sha percentage ( shareholde	of other
		lstanbul / Türkiye		100,00		_	
Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Priar period	Fair value
1.190.525	68	4	77	•	(61)	(144)	+4310E

ii) In the Board of Directors meeting dated February 25, 2015, the Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The balances of Albaraka Gayrimenkul Portföy Yönetimi A.Ş. presented in the table below have been obtained from the limited reviewed financial statements as of June 30, 2016.



(Thousand of Turkish Lira (TL) unless otherwise stated)

## I. Explanations and notes related to assets (continued):

Name Albaraka Gayrimenkul Portföy Yön.A.Ş.		• • •	ddress / Country)	Bank's share percentage- If different voting percentage (?	Risk sh percenta othe	ige of	
		İstanbul / Türkiye		100,00	-	·	
Total assets	Shareholders'	Total fixed assets	Dividend or profit share income	income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
4.563	4.503	8		•	(242)	(255)	-

## 9. Information on investments in joint- ventures:

The Bank founded Katılım Emeklilik ve Hayat A.Ş. ("Company") - a private pension and insurance company- through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company was registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. The financials from limited not reviewed financial statements as of June 30, 2016 are below.

Joint- Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non- Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	37.543	400.662	404.349	18.414	19.073

Investment in joint venture in the unconsolidated financial statements is carried at cost.

## 10. Information on lease receivables (net):

## a) Presentation of remaining maturities of funds lent under finance lease method:

	Curre	Current Period		
	Gross	Net	Gross	Net
Less than a year	405.729	326,245	325,587	257.672
1 to 4 years	494.274	451.009	577.191	523.390
More than 4 years	134.188	128.799	187.285	166.365
Total	1.033.691	906.053	1,090,063	947.427



(Thousand of Turkish Lira (TL) unless otherwise stated)

## Explanations and notes related to assets (continued):

## b) Information on net investments through finance lease:

	Current Period	Prior Period
Gross finance lease receivables Unearned finance lease receivable (-)	1.033.691 127.638	1.090.063 142.636
Net receivable from finance leases	906,053	947.427

## c) General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

VII. 17 - 17 - 17 - 17 - 17 - 17 - 17 - 17	Othei	Standard loans and Other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Restructured or rescheduled		Loans and other receivables	Restrui resche	tured or	
gree and the second sec		xtension of Repayment Plan	Other		Extension of Repayment Plan	Other	
Finance lease receivables (Net)	794.939	84,900		- 111.114		44141	

# 11. Information on derivative financial assets for hedging purposes:

None (December 31, 2015: None).

#### 12. Information on tangible assets:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 13. Information on intangible assets:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 14. Information on investment property:

None (December 31, 2015: None).

## 15. Information related to deferred tax asset:

As of June 30, 2016, the Bank calculated net deferred tax asset of TL 20.067 (December 31, 2015: TL 15.171) by netting off deferred tax asset of TL 47.618 ( December 31,2015: TL 44.887) and deferred tax liability of TL 27.551 (December 31, 2015: TL 29.716) on all tax deductible/ taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### 1. Explanations and notes related to assets (continued):

	Current	Prior
	Period	Period
Rediscount on profit share and prepaid fees and commission income		
and unearned revenues	36.074	33.064
Provisions for retirement and vacation pay liabilities	8.501	10.607
Difference between carrying value and tax base of tangible assets	2.244	736
Provision for impairment	723	414
Other	76	66
Deferred tax asset	47.618	44.887
Revaluation difference of property	17.584	18.130
Financial assets available for sale valuation difference	2,469	2.673
Trading securities valuation difference	•	
Rediscount on profit share	2.093	1.404
Other	5,405	7.509
Deferred tax liability	27.551	29,716
Deferred tax asset (net)	20.067	15.171

#### 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans and are accounted in the unconsolidated financial statements in accordance with the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale".

	Current	Prior	
	Period	Period	
Opening Balance	22,819	27.678	
Additions	100.878	37.242	
Disposals	(16.825)	(18.246)	
Transfers (*)	(5,887)	(23.549)	
Impairment Provision(-)/Reversal of Impairment Provision	293	(306)	
Net closing balance	101.278	22.819	

<sup>&</sup>quot;The balance has been transferred from assets held for sale tangible assets to assets to be sold.

As of June 30, 2016, TL 97.334 (December 31, 2015: TL 22.539) of the assets held for sale is comprised of real estates, TL 3.944 (December 31, 2015: TL 280) is comprised of other tangible assets.

The Bank has not any discontinued operations and assets of discontinued operations (December 31, 2015: None).

#### 17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 310.586 (December 31, 2015: TL 218.262) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities:
- 1. Information on funds collected:
- a) Information on maturity structure of funds collected:

Current Period	Demana	Up tz			Lip to 9 months	Up to		Accumulated participation accounts	
I. Real Persons Current					***************************************		7,7241	20,00000	Total
Accounts Non-Trade TL	804,930								
li Real Persons Participation	041.744	•							804,930
Accounts Non-Trade TL		543.515	5,728,521						007.330
III. Current Account other-TL	1.088.300	343.213	3.728.32	3 118.384	•	93.814	577, 119		7.061,360
Public Sector	32,149	•		•	٠	-	-		1.068.300
Commercial Institutions	959.681	-			~				32,149
Other institutions		-							
Commercial and Other	57.046	-						•	959.681
lustifinitions	47.000						•	•	57.046
Benks and Participation	17.962	•			+				
Sanks and rangespacien							•	•	17.962
	1.462	-							
Central Bank of Turkey	•	•				_	•		1.462
Domestic Banks	2				_		**	*	•
Foreign Banks	1.409				•	*			2
Participation Banks	51			-	•	•		-	1,409
Other				•	•	-			51
IV. Participation Accounts-TL		120,502	* ***		-				**
Public Sector	-		1.829.725	41.186	-	\$5.185	88,463		2,095,061
Commercial Institutions	•	10.000	2.025	*					
Other Institutions		108,061	1.614,014	26.295		13.529	86,993	•	12.025
	•	2.266	115,392	13,580		1.656		•	1,848,892
Commercial and Other						1.12.10	1,470	•	134.364
Institutions	•	175	97.813	1.311	_				
Banks and Participation				10011	-	•	•		99.299
Banks			481						
V. Real Persons Current					•	•	•	•	481
Accounts Hon- Trade FC	1.043.366	•		_					
VI. Real Persons Participation					•		-		1,043,366
Accounts Non-Trade FC		356,601	3.034,642	128,975		495 044			
VII. Other Current Accounts FC	1.096.551		w.w.m.ntd-rk	160.773	•	175.813	574.685		4.270.716
Residents in Turkey			•	•	-	•	•		1.096,551
Corporate	771.832		_						
Residents Abroad-Corporate	86.803		•	-	-	-			771.837
Banks and Participation	04.4%		•	-	•	•			86.803
Banks	237,916								90.903
Central Bank of Turkey	201.710	•	•	*	٠	4			237.916
Domestic Banks		•			•				4.21.210
Foreign Banks	117 700		•						
Farticipation Banks	237,780		-					•	****
Other	136		•	•			-	-	237.780
	•						•	•	136
VIII. Participation Accounts other-FC						•	•	•	
	•	111,137	1,687,830	105.221		79.634	400 445		
Public sector		,				17.034	105,170	•	2.088.992
Commercial institutions		97, 106	1,039,122	12,392	-				
Other institutions		1,131	94,453		-	53.505	6.723		1.208.848
Commercial and Other		.,,,,,	74.433	‡ <b>8</b>	•	6.459			102.061
institutions		12.960	267 546						102.001
Banks and Participation		14.700	263,516	4.770	-	3,917	98.447		383,545
Banks			220 228	m					400,612
C. Precious Metals Deposits	76.072	20.00.	290.739	88.041	•	15.758			394.538
Participation Accounts	10.012	39.064	105.431	8.298		3,747	4.713	_	
pecial Fund Pools TL							*** 12	•	237.325
Residents in Turkey	•	•	•		•		_		
Residents Abroad			•			_	-	•	•
Dard-Anathra &	•					_	•	•	•
Participation Accounts					-	•		•	•
pecial Fund Popis - FC	-	-							
Residents in Turkey					-	*	•	•	•
Residents Abroad			_	-	•	-	•	•	•
			-	•	•	-	•		
tal (I+II++IX+X+XI)	4.089.219	1.170.819	12.386,156						
		1.170.017	tr. SND. 155	402.064		368, 193	1,350,150		

(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

		Up to	Up to	Upto	Up to 9	Up to	Over Lysar	Accumulated participation accounts	Tota
Prior Period	Demacd	1 month	1 months	6 months	manths	1 year	1 Asst	BECOGNIS	100
l. Real Persons Current									771,21
Accounts Non-Trade TL	771.214	-	-	-	-	•	*	•	77 (+21
II. Real Persons Participation				*		91,904	533,772		6.755.51
Accounts Hon-Trade TL	-	419.623	5,626.949	84,267	•	71,704	333,772		1,236,070
III. Current Account other-TL	1,236,070	•	-	•	•	•	•		38.48
Public Sector	38.481	-			•	•	•		1,138,31
Commercial Institutions	1.138.310	•	-	-	•		•	•	52.25
Other Institutions	52.254		-	-	•	•	•	•	34.23
Commercial and Other									6.05
Institutions	6.056		•		•		•	•	0.03
Banks and Participation									96
Banks	969	-		*	-		*	•	30
Central Bank of Turkey		-				•		•	
Domestic Banks	2				•	-	•	•	
Foreign Banks	947	-		-	-	*	•	*	94
Participation Banks	20	-						•	2
Other					-			•	
	_	128.900	2,253.037	62.236	-	22.997	106.211		2,573,38
IV. Participation Accounts-TL		,20.700	2,114		-			•	2,11
Public Sector	•	127,370	1,899,813	48,471		21.761	102.397		2,199.8
Commercial Institutions	•	1.528	152,999	13,765		1.236	3.814		183.3
Other Institutions	•	1.349	102.377	12(1)					
Commercial and Other		2	170.828						170.8
Institutions	•	Ł	170.020						
Banks and Participation			17,283						17.28
Benks	*	•	17,404						
V.Real Persons Current	1.005.958								1,005.98
Accounts Non-Trade FC	1.003.700	_							
Vt. Real Persons Participation	_	259,827	3,269,145	85.684		176,141	558,294	•	4.349.05
Accounts Non-Trade FC	1,142,114	£276021	4,440,111,111	*****					1,142,1
VII.Other Current Accounts FC	1,144,144								
Residents in Turkey-	796,423							•	798.4
Corporate	790,423	•							
Residents abroad-	207.863							•	207.B
Corporate	207.003								
Banks and Participation	137,828					-			137.6
Banks	1,17,025	_				-		-	
Central Bank of Yurkey	•								
Domestic Banks	400 307	•					4	-	106.2
Foreign Banks	106.227	•	•				_		31.6
Participation Banks	31,601		•	*					
Other	-		•	•	•	-			
VIII, Participation Accousts				164,175		55,447	64,338	-	2,218,8
other FC	•	109.229	1.805.612	104, 173	-	23,77			
Public Sector	•	•			-		16,457		1,299,9
Commercial Institutions	-	77.065	1.087,442	84,549		34.474	16,437	•	235.5
Other institutions	•	901	231,702			2.980	•	•	233.3
Commercial and Other							17 504		312.8
Institutions		595	237.658	4.087	•	2,201	67.581	•	212.0
Sanks and Participation						45 555			370.4
Banks	•	30.268	248,810	75,539	-	15.792	* ***		294,0
IX. Precious Metals Deposits	105,805	41.027	132,729	7.025	-	3.736	3.686	•	2,74,0
X. Participation Accounts									
Special Fund Pools TL		•	•	-		•		•	
Residents in Turkey		-		-	•	•			
Residents abroad				-			~	•	
XI. Participation Accounts									
Special Fund Pools -FC		•			-	•			
Residents in Turkey	-		-					•	
Residents abroad		_						-	
MESIONING SOLONO									20,346.1
							1.286.301		

(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- b) Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

## b.1) Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarantee of Insurance		
	Current Period	Prior Period	Current Period	Prior Period	
Real persons' current and participation accounts not subject to trading transactions Turkish Lira accounts Foreign currency accounts Foreign branches' deposits subject to foreign authorities insurance Off-shore deposits under foreign authorities' insurance	4.411.249 1.672.915	4.031,698 1.556.831 -	3.455.043 3.971.049	3.495.029 4.115.302	

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

# b.2) Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior
	renou	Period
Foreign Branches' Profit Sharing Accounts and Other Accounts" Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	21.168	21.595
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	-	•
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09,2004	9.734	8.825
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities	•	-
	-	•



(Thousand of Turkish Liro (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

## Information on derivative financial liabilities held for trading:

	nt Period		eriod
<u>TL</u>	FC	TL	FC
	17,131	-	-
-	•	•	-
•	•	-	^
•	*	*	•
*	*	•	•
-	17,131	*	~
	-		

## Information on borrowings:

The Bank has obtained a Syndicated Murabaha Loan from international markets amounting to USD 87.500.000 and EUR 98.250.000 with maturity of one year, amounting to USD 458.500.000 and EUR 56.250.000 with maturity of more than one year, totaling to USD 546.000.000 and EUR 154.500.000. (December 31, 2015: one year maturity: USD 87.500.000 and EUR 98.250.000, more than one year maturity: USD 458.500.000 and EUR 56.250.000).

As of June 30, 2016, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 74.100.906 and EUR 138.309.292 (December 31, 2015: USD 161.448.187 and EUR 112.419.953).

The table below respresents the sukuk issued by Bank through its subsidiary Bereket Varlık Kiralama A.Ş.to collect funds from various investors.

,					
Issue Date	Amount	FC	Maturity	Profit Share % ( Yearly)	Profit Share % ( for 179 days)
30 June 2014	350.000.000	USD	5 Years	6,25	
08 April 2016	100,000.000	TL	179 Days		5,30
28 June 2016	75.000.000	TL	179 Days		5,07

## a) Information on banks and other financial institutions:

W	Curren	t Period	Prior	Period
	ΤL	FC	TL.	FC
Loans from CBRT	*	4	•	*
Loans from domestic banks and institutions	177,474	1,239,866		1.158.248
Loans from foreign banks, institutions and funds	-	2.704.993	•	2.946.440
Total	177.474	3.944.859	-	4,104,688

## b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Medium and Long-Term	177.474	762.101 3.182.758		884.552 3.220.136
Total	177.474	3.944.859	+	4.104.688

c) Additional disclosures on concentration areas of Bank's liabilities:

The Bank does not have concentration on customer or sector group providing funds.

4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None (December 31, 2015: None).



(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- 5. Lease payables:
- a) Information on finance lease transactions:
- a.1) Information on financial lease agreements:

The Bank has no obligation from finance lease operations as of balance sheet date.

- a.2) Explanations on the changes in agreements and new obligations originating from these changes: None.
- a.3) Explanations on the obligations originating from finance leases: None,  ${\sf None}$

## b) Explanations on operational leases:

The Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year 1 to 4 years Over 4 years	41.781 112.365 110.425	40.057 103.291 96.642
Total	264.571	239,990

# Information on hedging derivative financial liabilities:

None (December 31, 2015: None).

## 7. Information on provisions:

## a) Information on general provisions:

	Current Period	Prior Period
General provision for	<u> </u>	
Group loans and receivables (Total)	190.333	170.885
Participation Accounts' Share	142.487	142,268
Bank's Share	82.299	87.710
Others	60.188	54,558
Additional provision for loans and receivables with	*	
extended maturities for loans and receivables in Group!	10.257	0 370
Lair residential Accounts, 20016	4.309	8.270
Bank's Share	5,948	3.586
Others	2,740	4.684
II. Group loans and receivables (Total)	24 202	-
Participation Accounts' Share	31.293	14.436
Bank's Share	15.852	8.356
Others	15.441	6.080
Additional provision for loans and receivables with	*	*
extended maturities for loans and receivables in Group II	4.340	
Lai ricibatioti Veconutz, Suste		3.494
Bank's Share	3.007	2.692
Others	1.333	802
Non-cash loans	12 FF3	
Others	16.553	14.181
		<del></del>

(Thousand of Turkish Lira (TL) unless otherwise stated)

- II. Explanations and notes related to liabilities (continued):
- Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of June 30, 2016, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 96.531 (December 31, 2015; TL 27.874) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

c) Information on specific provisions for non-cash loans that are not indemnified:

As of June 30, 2016, the Bank has provided specific provisions amounting to TL 26.401 (December 31, 2015; TL 22.394) for non-cash loans that are not indemnified.

#### ç) Other provisions:

ç.1) Information on general reserves for possible losses:

	Current Period	Prior Period
	<u></u>	
General Reserves for Possible Losses (*)	88	88
Total	88	88
	AMARIA MANAGEMENT AND AND AND AND AND AND AND AND AND AND	

The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

ç.2) Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to		
profit sharing accounts(*)	13.581	40
Provision for unindemnified letter of guarantees	21.021	18.469
Payment commitments for cheques	5.380	3,925
Provision for promotions related with credit cards and		
promotion of banking services		80
General reserves for possible losses	88	88
Financial assets at fair value through profit and loss	1.401	429
Other (**)	4.908	4.910
Total	46.379	27.941

<sup>&</sup>quot;Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".



 $<sup>\</sup>Gamma^{\prime\prime}$  indicates other provision amount for possible losses in loan portfolio.

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### Explanations and notes related to liabilities (continued): II.

#### d) information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 32.635 (December 31, 2015: TL 30.235), vacation pay liability amounting to TL 9.868 (December 31, 2015: TL 7.048) totaling to TL 42.503 (December 31, 2015: TL 53.033). Provisions for Performance Premium has not been allocated in the current period (December 31,2015: TL 15.750). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Períod
Discount rate (%) Estimated increase rate of salary ceiling (%) Rate used in relation to possibility of retirement (%)	8,40 6,90 62,26	8,40 6,90 62,26

<sup>(\*)</sup> The rate has been calculated depending on the years of service of the employees; the rate presented in the table represents the average of such rates.

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance Provisions made in the period Actuarial gain/(loss) Paid during the period	30.235 4.343 - (1.943)	26.201 6.480 358 (2.804)
Balance at the end of the period	32.635	30.235

- 8. Information on taxes payable:
- Explanations on current tax liability: a)
- a.1) As of June 30, 2016, the Bank's corporate tax payable is TL 16.466 (December 31, 2015: TL 21.165) after offsetting prepaid corporate tax.
- a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable Banking insurance transaction tax Taxation on securities income Value added tax payable Taxation on real estate income Foreign exchange transaction tax	16.466 9,284 11.103 612 753	21.165 11.775 11.747 895 665
Other	5.363	6.130
Fotal	43.581	52.377



(Thousand of Turkish Lira (TL) unless otherwise stated)

## II. Explanations and notes related to liabilities (continued):

### a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	3.061	2.645
Social security premiums-employer	3.296	2.876
Bank pension fund premium- employees		
Bank pension fund premium- employer	•	•
Pension fund membership fees and provisions-employees	•	•
Pension fund membership fees and provisions- employer	•	-
Inemployment insurance-employee	216	187
Inemployment insurance-employer	432	373
Other	•	-
Total	7.005	6.081

b) Information on deferred tax liability:

None (December 31, 2015: None).

9. Liabilities for assets held for sale and discontinued operations:

None (December 31, 2015: None).

10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current	Period	Prior	Period
2000	TL.	FC	TL	FC
Loans from Domestic Banks	•	-	-	
Loans from other Institutions	-	-	-	
Loans from Foreign Banks		1.218.580	-	1.239.557
Loans from other Foreign Institutions		7,2,0,0		
Total	•	1,218,580		1.239.557

The Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity Albaraka Türk Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of five years with 10 years total maturity' was determined as 7,75%.

The Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Bank has repurchased the sukuk issued in the amount of USD 24.000.000 and this amount is offset in available for sale assets and subordinated loans.

## 11. Information on shareholders' equity:

a) Presentation of paid-in capital:

LICSCHIOGRAM AN AND SHEWALL		
	Current Period	Prior Period
Common stock	900.000	900.000
Preferred stock	•	•



(Thousand of Turkish Lira (TL) unless otherwise stated)

- Explanations and notes related to liabilities (continued): II.
- Paid-in capital amount, explanation as to whether the registered share capital system is b) applicable at the Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Bank has taken a resolution on transition to registered capital system. The Bank's application to the Capital Markets Board on the same date was approved on March 7, 2013 and the registered capital ceiling was determined as TL 2.500,000 to be valid until December 31, 2017.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500,000

Information on the share capital increases during the period and their sources; other c) information on increased capital in the current period:

There is no capital increase in the current period.

- Information on share capital increases from capital reserves during the current period: Ç)
  - There is no share capital increase from capital reserves during the current period.
- Capital commitments in the last fiscal year and by the end of the following interim period, d) general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.

Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking e) into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

Information on privileges given to stocks representing the capital: f)

There is no privilege given to stocks representing the capital.

Information on marketable securities valuation reserve: g)

	Current	urrent Period		Prior Period	
	TL	FC	TL	FC	
From investments in associates, subsidiaries, and joint ventures			***************************************		
/aluation difference (¹) foreign exchange difference	6.602	3.272	4.203	6.488	
otal he amount represents the net balance after deferred tay lightliss.	6.602	3.272	4.203	5 A88	

The amount represents the net balance after deferred tax liability.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- Explanations and notes related to off-balance sheet: III.
- Explanations on off balance sheet: 1.
- Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	494.597 566.963	521.562 500.882
Payment commitments for cheques Asset purchase and sale commitments	216.755 119.636	187.332 116.862
Loan granting commitments  Tax and funds liabilities arising from export commitments	2.418	2.035
Commitments for promotions related with credit cards and banking activities	740	599
Other irrevocable commitments	622	203
Total	1.401.731	1.329.475

- Type and amount of possible losses and commitments arising from off-balance sheet items:
- b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

TIGHTOCK CONTINUES	Current Period	Prior Period
Guarantees Bank loans Letters of credit Other guaranties and sureties	7.899,080 33.415 611.192 284.732	7.730.288 28.324 639.592 265.853
Total	8.828.419	8.664.057

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees  Long standing letters of guarantees  Temporary letters of guarantees  Advance letters of guarantees	7.899.080 5.001.221 287.743 263.170	7.730.288 4.956.813 293.937 278.642
Letters of guarantees given to customs Letters of guarantees given for obtaining cash loans Sureties and similar transactions	239.919 2.107.027 284.732	247.773 1.953.123 265.853
Total	8.183.812	7.996.141

(Thousand of Turkish Lira (TL) unless otherwise stated)

# III. Explanations and notes related to off-balance sheet (continued):

## c) Within the Non-cash Loans

## c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans With original maturity of 1 year or less With original maturity of more than 1 year Other non-cash loans Total	2.107.027 456.425 1.650.602 6.721.392	1.953.123 441.733 1.511.390 6.710.934
T GCa!	8.828.419	8.664.057

## c.2) Sectoral risk concentration of non-cash loans:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# c.3) Information on the non-cash loans classified in Group I and Group II:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 2. Explanations on derivative transactions:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## Explanations on contingent assets and liabilities:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# 4. Explanations on services rendered on behalf of third parties:

The Bank has no operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- IV. Explanations and notes related to the statement of income:
- 1. Information on profit share income:
- a) Information on profit share income received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share received from loans (*) Short Term Loans Medium and Long Term Loans Profit Share on Non-Performing Loans	881.128 231.712 644.788 4.628	90.920 11.264 79.656	<b>729.982</b> 210.890 515.853 3.239	81.500 9.121 72.373 6

<sup>(&#</sup>x27;) Includes fees and commission income on cash loans.

## b) Information on profit share income received from banks:

Current Pe	Current Period Prior Period		od
TL	FC	TL	FC
4.632	6.073	2.744	287
	- 31	-	- 86
-	-	*	*
4,632	6.104	2.744	373
	4.632	TL FC 4.632 6.073 - 31	TL FC TL  4.632 6.073 2.744  31

# c) Information on profit share income received from marketable securities:

	Current P	eriod	Prior Per	tod
	TL	FC	TL	FC
From financial assets held for trading	•		•	•
From financial assets at fair value through profit	_	**		•
or loss From financial assets available-for-sale	36.779	3.518	28.785	3,660
From held-to-maturity investments	34.439	-	30.752	-
Total	71.218	3.518	59.537	3,660

# c) Information on profit share income received from associates and subsidiaries:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit shares income received from associates and subsidiaries	-	849		1.104
Total	+	849	*	1.104

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2016 (Thousand of Turkish Lira (TL) unless otherwise stated)

- IV. Explanations and notes related to the statement of income (continued):
- 2. Explanations on profit share expenses:
- a) Information on profit share expense paid to funds borrowed:

	Current Period Prior Pe		or Period	
	TL	FC	TL	FC
Banks CBRT		24.253	•	24.034
Domestic banks	•		*	-
Foreign banks	•	1.345	-	1.109
Head offices and branches abroad	•	22.908	-	22.925
Other institutions	2.474	89.602	•	51.288
Total	2.474	113.855	-	75.322

b) Profit share expense paid to associates and subsidiaries:

<u> </u>	Curren	t Period	d Prior Period		
	TL	FC	TL	FC	
Profit share paid to Investments in Associates and Subsidiaries	2.474	31.533	94	29.302	
Total	2.474	31.533	94	29.302	

c) Profit share expenses paid to marketable securities issued:

None (June 30, 2015: None).

(Thousand of Turkish Lira (TL) unless otherwise stated)

## IV. Explanations and notes related to the statement of income (continued):

## c) Distribution of profit share expense on funds collected based on maturity of funds collected:

Account name	Profit sharing accounts						Current Period		
TL. Funds collected from banks through current and profit sharing accounts Real persons' non-trading profit sharing accounts Real persons' non-tra	Total	profit sharing							4444-1
Funds collected from banks through current and profit sharing accounts Real persons' non-trading profit sharing Real persons' non-trading profit									
Real persons' non-trading profit sharing accounts   Section   Se									
Real persons' non-trading profit sharing accounts   45.930   203.682   3.519   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   26.360   3.939   3.939   26.360   3.939   3.939   26.360   3.939   3.939   26.360   3.939   3.939   26.360   3.939   3	920						920		
sharing accounts Properly sharing accounts As 9.930 201.682 1.519 3.939 25.560 4.411  Secondary of the sharing accounts Commercial sector profit sharing accounts Secondary of the sharing accounts Secondary of t									
Seconts   Seco	283.430	•	26.360	3.919	•	1,519	201.682	45.930	
accounts	08	_							Public sector profit sharing
Secounts   Secounts	1,14	•	•	•	•	-	59	21	
Second Statistics   Second State	87,378		4.411	646		2 713	71 456	0 557	
Total				4.4		2.312	71.70	0.323	
Total	12,463	•	92	69		594	11,183	525	
FC								•	60000000
Banks   166   953   632   77   7   7   7   7   7   7   7   7	384.271		30,863	4.654		6.425	287,300	55.029	Total
Banks   166   953   632   77   7   7   7   7   7   7   7   7									
Real persons' non-trading profit sharing accounts   A.810   19.663   676   1.294   4.668	1.828			77	-	434	553		
Sharing accounts	71040			"	•	637	231	100	
Precious metals deposits   1.045   6.796   150   456   83	31,111		4,668	1.294		676	19 663	4 816	
1.045   6.796   150   456   83   629   629   629   636   639   645   629   645   629   645   6						#	17.000	7.0.0	
Commercial sector profit sharing accounts	•	•	-	•			-		
209   3.605   30   64   629   629   620   645   669   645   640   645   645   640   645   640   645	0.510		43						
Recount   Real persons   Real pers	B.530	•	83	456	•	150	6.796	1.045	
Total	4,537		629	64		20	ን ራላፎ	300	
Total   6.543   32.187   1.528   1.936   5.440	1.628								
Prior Period		-				.40	1.170	214	Precious metais deposits
Prior Period	47.634	-	5,440	1,936	*	1.528	32.187	6.543	Total
Prior Period									
Commercial sector profit sharing accounts   Description	431.905	-	36,303	6.590	+	7,953	319.487	61.572	Grand total
Commercial sector profit sharing accounts   Description									
Account name    Up to 1   Up to 3   Up to 6   Up to 9   Up to 1   More than year   1 year   account		<i>*************************************</i>	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	ccounts	t sharing a	Prof		···	Prior Period
Account name month months months months year 1 year account  Ti.  Funds collected from banks through current and profit sharing accounts Real persons' non-trading profit sharing accounts 64,046 166,800 4.686 3.020 19.012									1 + (41 > 6) 144
TL Funds collected from banks through current and profit sharing accounts Real persons' non-trading profit sharing accounts  Commercial sector profit sharing accounts  FC Banks Real persons' non-trading profit sharing accounts  64,046 166,800 4,686 3,020 19,812 - Public sector profit sharing accounts  10,955 50,243 3,203 - 275 4,618 - Other institutions profit sharing accounts  FC Banks Real persons' non-trading profit sharing accounts  623 3,115 311 - 447 - Public sector profit sharing accounts  8,705 21,977 1,214 - 1,086 5,713 - Public sector profit sharing accounts  Commercial sector profit sharing accounts  1,685 6,494 34 - 1,017 83 - Other institutions profit sharing accounts  Commercial sector prof				Up to 1	Up to 9	Up to 6	Up to 3	Up to 1	
Funds collected from banks through current and profit sharing accounts	t Total	account	1 year	year	months	months	manths	month	Account name
Funds collected from banks through current and profit sharing accounts									
through current and profit sharing accounts Real persons' non-trading profit sharing accounts  64,046 166,800 4,686 3.020 19,812 - Public sector profit sharing accounts  716 324 - 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7									
Sharing accounts   2,372   2,914   6   6									
Real persons' non-trading profit sharing accounts 64,046 166,800 4,686 3.020 19.012	5.292		-	6		2.914	2.372		
Sharing accounts									
accounts	257.564	•	19.012	3.020	•	4,686	166,800	64,046	
Secounts   Sector profit   Sharing accounts   10.955   50.243   3.203   - 275   4.618   - Commercial sector profit   Sharing accounts   10.955   50.243   3.203   - 275   4.618   - Commercial sector profit   Sharing accounts   598   4.181   480   - 46   194   - Commercial sector profit   Sharing accounts   8.705   21.977   1.214   - 1.086   5.713   - Commercial sector profit   Sharing accounts	640								Public sector profit sharing
Sharing accounts		-			•	•	324	316	
## Total ##	69.294		4.618	275		3 303	ED 242	40 000	
### Recounts   998   4.181   480   46   194			****	****		3.203	30.243	10.933	
Total 76.315 223.920 11.283 - 3.347 23.824 - FC Banks 623 3.115 311 · 447 · Real persons' non-trading profit sharing accounts 8.705 21.977 1.214 · 1.086 5.713 - Public sector profit sharing accounts	5,899		194	46		480	4,181	998	
FC Banks 62.3 3.115 311 - 447 - Banks 62.3 3.115 311 - 447 - Banks 62.3 3.115 311 - 447 - CANA COUNTS 8.705 21.977 1.214 - 1.086 5.713 - CANA COUNTS 8.705 21.977 1.214 - 1.086 5.713 - CANA COUNTS 8.705 21.977 1.214 - 1.086 5.713 - CANA COUNTS 8.705 21.977 1.214 - 1.086 5.713 - CANA COUNTS 8.705 21.977 1.214 - 1.086 5.713 - CANA COUNTS 8.705 21.017 8.3 - CANA COUNTS 8.70					······				att out the
Banks 623 3.115 311 . 447	338,689	*	23,824	3,347		11.283	223.920	76,315	Total
Banks 623 3.115 311 . 447									
Real persons' non-trading profit sharing accounts 8.795 21.977 1.214 - 1.086 5.713 - Public sector profit sharing accounts Commercial sector profit sharing accounts 1.685 6.494 34 - 1.017 83 - Cher institutions profit sharing accounts 384 1.146 12 - 32 98	4,496			467		244	7 445		
sharing accounts     8.705     21.977     1.214     1.086     5.713       Public sector profit sharing accounts     1.685     6.494     34     1.017     83       Commercial sector profit sharing accounts     1.685     6.494     34     1.017     83       Other institutions profit sharing accounts     384     1.146     12     32     98				441	•	311	3.113	52.5	
Public sector profit sharing accounts  Commercial sector profit sharing accounts  Other Institutions profit sharing accounts 384 1.146 12 32 98	38. <b>69</b> 5	-	5.713	1.086	-	1.214	21 977	R 705	
accounts  Commercial sector profit sharing accounts 1.685 6.494 34 1.017 83  Other institutions profit sharing accounts 384 1.146 12 32 98							2	2.742	
Commercial sector profit sharing accounts 1.685 6.494 34 • 1.017 83 • Other institutions profit sharing accounts 384 1.146 12 • 32 98 • •	•	•	-	-	•		-	-	
Other institutions profit sharing accounts 384 1.146 12 32 98	9.313								
ACCUMITS 384 1,146 12 32 98	7.313	•	6.3	1.017		34	6.494	1.685	sharing accounts
	1.672		80	77				***	
	1,798	-							accounts
Precious metals deposits 425 1.254 77 · 15 32				13	•	11	1.234	463	Precious metats deposits
Total 11,822 33,986 1.643 - 2.597 5,926	55.974		5.926	2.597	-	1.643	33.986	11,822	Total
1 1418									***************************************
Grand total 88.137 257.906 12.926 - 5.944 29.750	394,663		29,750	5,944		12.926	257.906	88.137	Grand total



(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations and notes related to the statement of income (continued):

# 3. Information on dividend income:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# 4. Explanations on trading income/loss (net):

	Current Period	Prior Period
Income .	2.710.741	3,256,337
Income from capital market transactions	56	2.238
Income from derivative financial instruments	16.107	19.362
Foreign exchange income	2.694,578	3.234.737
Loss (-)	2,679,305	3.214.942
Loss on capital market transactions	44	14
Loss on derivative financial instruments	49.547	4.828
Foreign exchange losses	2.629.758	3.210,100
Trading income/loss (net)	31.436	41.395

# 5. Explanations related to other operating income:

	Current Period	Prior Period
Reversal of prior year provisions	29.058	47.112
Income from sale of assets	26.950	10.767
Reimbursement for communication expenses	2.164	1.947
Reimbursement for bank statement expenses	8	112
Cheque book charges	612	433
Other income	6.219	1.268
Total	65.011	61.639

(Thousand of Turkish Lira (TL) unless otherwise stated)

- IV. Explanations and notes related to the statement of income (continued):
- 6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	103.662	53,594
Loans and receivables in III. Group	32.217	24.367
Loans and receivables in IV. Group	39,913	16.864
Loans and receivables in V. Group	26.652	9.271
Doubtful commission, fee and other receivables	4.880	3.092
General provision expenses	19. <del>9</del> 70	29.916
Provision expenses for possible losses	-	
Impairment losses on marketable securities	201	178
Financial assets at fair value through profit and loss	100	127
Financial assets available for sale	101	51
Impairment losses on associates, subsidiaries, joint		
ventures and held to maturity investments	•	-
Associates	•	•
Subsidiaries	•	•
Joint ventures	•	•
Held to maturity investments	•	•
Other	20.347	4.316
Total	144.180	88.004

TL 43.343 (June 30, 2015: TL 29.847) of the total specific provisions provided for loan and other receivables amounting to TL 103.662 (June 30, 2015: TL 53.594) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 2.495 (June 30, 2015: TL 14.176) of the total general loan loss provisions provided for loan and other receivables amounting to TL 19.970 (June 30, 2015: TL 29.916) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations and notes related to the statement of income (continued):

# 7. Information on other operating expenses:

Well-first-time	Current Period	Prior Period
Personnel expenses	104 044	
Provision for retirement pay liability	196.361	175.816
Deficit provision for pension fund	2.400	3.230
Impairment expenses of tangible assets	•	-
Depreciation expenses of tangible assets		•
	19.772	19.701
Impairment expenses of intangible assets	•	-
Impairment expense of goodwill		
Amortization expenses of intangible assets	11.752	7.278
Impairment provision for investments accounted for under equity method	,	
Impairment expenses of assets to be disposed	1.968	29
Depreciation expenses of assets to be disposed	622	976
Impairment expenses of assets held for sale and assets of	V	710
discontinued operations	55	1.000
Other operating expenses	83.886	64,886
Operating lease expenses	29,466	25,555
Maintenance expenses	6.789	3.818
Advertisement expenses	12.213	4.815
Other expenses	35.418	30.698
Loss on sale of assets	498	293
Other <sup>(*)</sup>	58.144	45.933
Total	375,458	319.142
*IDetails of other balance are provided as below:		***************************************
	Current Period	Prior Period
Saving Deposit Insurance Fund	17.937	4E 04E
Faxes, Duties, Charges and Funds	13.373	15,965
Sonus Reserve Expenses	13,3/3	12.112
Expertise and Information Expenses	6.849	7 5/7
audit and Consultancy Fees		7.567
acation Pay Provision Expense	3.326 11.797	3.254
Other		3.781
- Tel 1 (ME)	4.862	3.254
otal		

# Explanations on income/loss from continued operations before taxes:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".



(Thousand of Turkish Lira (TL) unless otherwise stated)

- IV. Explanations and notes related to the statement of income (continued):
- 9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	161,176	177.645
Tax calculated with tax rate of 20%	32.235	35.529
Other additions and disallowable expenses	15.170	14.774
Deductions	(7.011)	(7.772)
Provision for current taxes	40.394	42.531
Provision for deferred taxes	(7.768)	(5.325)
Continuing Operations Tax Provision	32.626	37.206

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

10. Explanations on net income/loss from continued and discontinued operations:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

- 11. Explanations on net income/ loss:
- a) The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None.

b) The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None,

c) Income / loss of minority interest:

None.



(Thousand of Turkish Lira (TL) unless otherwise stated)

# IV. Explanations and notes related to the statement of income (continued):

# 12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10 % of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS fees and commissions	18.825	16,610
Clearing room fees and commissions	8.968	7.228
Commissions on money orders	4.981	4.936
Appraisal fees	5.205	5.441
Insurance and brokerage commissions	4.994	4.212
Other	6.913	6.274
Total	49.886	44.701
Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed fees and commissions	13.603	5.987
Credit cards fees and commissions	3.859	4.226
Member firm-POS fees and commissions	5.937	4.333
Other	6.071	7.837
Total	29.470	22.383

# V. Explanations and notes related to the statement of changes in shareholders' equity:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

# VI. Explanations and disclosures related to the statement of cash flows:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousand of Turkish Lira (TL) unless otherwise stated)

#### VII. Explanations related to the risk group of the Bank:

1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

#### a) Current period:

Risk Group of the Bank (*)	Investment i associates,su and joint ver (business par	bsidiaries ntures	sharehold	ers of the	Other real persons inc the risk	luded in
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables Balance at the beginning of the						
period	•	-	8	•	47,939	62.444
Balance at the end of the period Profit share and commission income		•	812	٠	37,866	52.147
received	849	•	39	-	1.108	172

#### b) Prior period:

Risk Group of the Bank	Investment in associates, subsidiarles Direct and indirect and joint ventures shareholders of the (business partnerships) Bank				t Other real or legal e persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables			-		50.238	69,492
Balance at the beginning of period Balance at end of period			5 8		47,939	62.444
Profit share and commission income received	1.104	-	•	•	7.894	197

<sup>61</sup> Defined under Banking Law numbered 5411 in article 49 and "Communique Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

#### c.1) Information on current and profit sharing accounts of the Bank's risk group:

Risk Group of the Bank (*)	Investme associates,su and joint v (business par	bsidiaries entures	Direct and shareholds Ban	rs of the	Other real of persons included the risk g	uded in
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and profit sharing accounts						
Balance at the beginning of period	7.810	1.594	5,563	5,354	266.101	248.343
Balance at the end of period	6,610	7.810	4.950	5.563	268.033	266,101
Profit share expense	365	250	82	90	3,572	7,382

<sup>(\*)</sup> As of June 30, 2016 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 56.100.906 and EURO 113.309.293 (December 31, 2015: USO 125,440.079 and EURO 90.816.893). The profit share expense relating to such borrowings for the period between January 1, 2016 - June 30, 2016 is TL 5.442 (June 30, 2015: TL 7.216). The Bank has issued Sukuk in the amounts of USD 350.000.000 and TL 175.000.000 through "Bereket Varlik Kiralama A.S." which exists in the risk group of the Bank. The total expense for the related issues is TL 34.007 as of June 30, 2016.



(Thousand of Turkish Lira (TL) unless otherwise stated)

- VII. Explanations related to the risk group of the Bank (continued):
- c.2) Information on forward and option agreements and other similar agreements with related parties:

The Bank does not have forward and option agreements with the risk group of the Bank.

For the six-month-period ended June 30,2016; the Bank has paid TL 10.370 (June 30, 2015; TL 7.808) to top management.

VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

Not prepared in compliance with the Article 25 of the Communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

IX. Explanations related to subsequent events:

The Bank's joint venture Katılım Emeklilik ve Hayat A.Ş. has taken a resolution to increase its capital from TL 31.000 to TL 40.000 in its Board meeting dated 11 July 2016. Subsequently, as per the related resolution, The Bank has invested capital amounts to TL 4.500 to Katılım Emeklilik ve Hayat A.Ş.



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION SIX**

 Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:

None.

SECTION SEVEN

Limited review report

I. Explanations on limited review report:

The Bank's unconsolidated financial statements as of and for the period ended June 30, 2016 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the limited review report dated August 4, 2016 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.



ALBARAKA TÜRK KATILIM BANKASI A.Ş. NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS **AS OF 30 JUNE 2016** (Thousand of Turkish Lira (TL) unless otherwise stated)

#### **SECTION EIGHT**

Information on Interim Report

#### I. General Information

# 1. Summary Information about Albaraka Türk Katılım Bankası A.Ş:

Albaraka Turk Participation Bank, the first and the leading financial institution in interest free banking field in Turkey, has completed its establishment in 1984 and entered into service as of the beginning of the year of 1985. Albaraka Turk is continuing its activities subject to the Banking Law No. 5411. In the partnership structure of Albaraka Banking Group (ABG), one of the leading groups of Middle East, Islamic Development Bank (IDB) and Albaraka Turk, established under the leadership of a domestic industrial group serving to Turkish economy for more than a half century, share of the foreign partners is 66,00%, share of the domestic partners is 9,16% and publicly held share is 24,84%. Partnership structure of Albaraka Turk is the guarantee of the respect and trust we bear.

Albaraka Turk, collecting funds through current accounts and participation accounts and gaining the funds it contributes to the economy of the country by products as individual financing, corporate finance, financial leasing and profit-loss partnership on the basis of a project, is entitled to offer a great variety of finance and banking services by interest free banking application. Albaraka Turk, started with the vision of being the best regional bank in offering financial products and services in Gulf, Middle East and North Africa geographies where its main partner ABG is carrying out business, is rendering fast, qualified and safe foreign trade (import, export and foreign exchange) services to its customers in 80 countries from Singapore to England, South Africa to Morocco, Australia to Kazakhstan, by the wide correspondent net it has established with 1000 banks. Albaraka Turk, also ambitious in Retail Banking area, is an international Participation Bank adopted the mission of adding value to its customers, partners, employees and Turkey.

# 2. Capital and Shareholders's Structure:

Albaraka Turk's paid-up capital is TL 900,000,000 as of June 30, 2016.

Shareholders' Structure	Share amount (TL)	Ratio
Foreign Shareholders	593.952.934,31	66,00%
Albaraka Banking Group	486.523.265,68	54,06%
Islamic Development Bank	70.573.778,85	7,84%
Alharthy Family	31.106.364,35	3,46%
Others	5.749.525,43	0.64%
Local Shareholders	82.471.984,39	9.16%
Publicly Listed	223.575.081,30	24,84%
Total	900.000.000,00	100,00%



(Thousand of Turkish Lira (TL) unless otherwise stated)

#### Information on Interim Report (continued):

#### 3. Branch and Personnel Information:

As of June 30, 2016, total number of branches of the Bank is 213 and the total number of personnel is 3,830. Albaraka Türk carries out its activities with 212 domestic branches extended throughout the country and 1 branch abroad in Erbil.

#### 4. Board of Directors Chairman and Members:

		Educational	
Administrative Function	Name and surname	Degree	Start Date
Chairman of BOD	Adnan Ahmed Yusuf ABDULMALEK	Master	2005
Vice Chairman of BOD	Yalçın ÖNER	Master	1 <b>9</b> 85
Member of BOD	Osman AKYŰZ	Bachelor	1996
Member of BOD	İbrahim Fayez Humaid ALSHAMSI	Bachelor	2005
Member of BOD	Mitat AKTAŞ	Master	2008
Member of BOD	Hamad Abdulla A. EQAB	Bachelor	2008
Member of BOD	Fahad Abdullah A. ALRAJHI	Bachelor	2008
Member of BOD	Hood Hashem Ahmed HASHEM	Master	2011
Member of BOD	Prof.Dr.Kemal Varol	Doctorate	2013
Member of BOD	Muhammad Zarrug M. RAJAB	Bachelor	2016
Member of BOD	Bekir PAKDEMİRLİ	Master	2016
Member of BOD	Dr.Fahrettin YAHŞİ	Doctorate	2009

(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

# 5. Committee Information After Distribution of Roles Among BOD

#### AUDIT COMMITTEE

Chairman

: Hamad Abdulla A.EQAB

Member

: Hood Hashem Ahmed HASHEM

Member

: Mitat AKTAS

Observer

: Yalçın ÖNER, İbrahim Fayez Humaid ALSHAMSI, Dr.Fahrettin YAHŞİ

# CREDIT COMMITTEE:

Chairman

: Adnan Ahmed Yusuf ABDULMALEK

Member

: Osman AKYÜZ

Member

: Prof.Dr.Kemal VAROL

Member

: Dr.Fahrettin YAHŞİ

Reserve Member: Yalçın ÖNER

#### CORPORATE GOVERNANCE COMMITTEE:

Chairman

: Prof.Dr.Kemal VAROL

Member

: Ibrahim Fayez Humaid ALSHAMSI

Member

: Fahad Abdullah A. ALRAJHI

Member

: Mustafa CETIN

Observer

: Osman AKYÜZ, Dr.Fahrettin YAHŞİ

#### REMUNERATION COMMITTEE:

Chairman

: Adnan Ahmed Yusuf ABDULMALEK

Member

: Osman AKYÜZ

Member

: Dr.Fahrettin YAHŞİ

#### SOCIAL RESPONSIBILITY COMMITTE:

Member

: Ibrahim Fayez Humaid ALSHAMSI

Member

: Dr.Fahrettin YAHŞİ



(Thousand of Turkish Lira (TL) unless otherwise stated)

# Information on Interim Report (continued):

#### 6. Top Management:

Administrative Function	Name and Surname	Educational Degree	Start Date
General Manager	Dr.Fahrettin YAHŞI	Doctorate	2009
Assistant General Manager	Mehmet Ali VERÇİN	Bachelor	2005
Assistant General Manager	Nihat BOZ	Bachelor	2009
Assistant General Manager	Temel HAZIROĞLU	Master	2003
Assistant General Manager	Bülent TABAN	Master	2003
Assistant General Manager	Turgut SIMITCIOGLU	Master	2009
Assistant General Manager	Melikşah UTKU	Master	2009
Assistant General Manager	Mahmut Esfa EMEK	Bachelor	2011
Assistant General Manager	Ayhan KESER	Bachelor	2011
Assistant General Manager	Ali TUĞLU	Master	2014

#### Banks Financial Information and Evaluations:

#### Main Financial Figures:

ASSETS	Current Period	Prior Period
Cash and Balances with The Central Bank	4,357,665	4,904.798
Banks	2.018.360	2,482.614
Financial Assets- Available For Sale (Net)	1,181,705	1,051.566
Loans and Receivables	19,152,736	18.557.965
Others	2. <del>6</del> 53.261	2.565.056
TOTAL ASSETS	29.363.727	29,561,999

LIABILITIES	Current Period	Prior Period
Funds Collected	19.766.601	20.346.178
Funds Barrowed	4,122,333	4.104.688
Subordinated Loans	1.218.580	1.239.557
Shareholders' Equity	2.171.951	2.103.914
Others	2.084.262	1.767.662
TOTAL LIABILITIES	29,363,727	29.561,999

INCOME AND EXPENSE ITEMS	Current Period	Prior Period
Profit Share Income	1,094.209	911.275
Profit Share Expense	580.137	501.400
Net Profit Share Income/Expenses	514.072	409.875
Net Fees and Commissions Income/Expenses	70.295	71.872
Trading Income/Loss (Net)	31,436	41,395
Other Operating Income	65.011	61.639
Total Operating Income	680.814	584.791
Provision For Loan Losses and Other Receivables (-)	144.180	88,004
Other Operating Expenses (-)	375,458	319.142
Net Operating Income/ (Losses)	161.176	177.645
Tax Provision For Discontinued Operations (-+)	(32.626)	(37.206)
NET PROFIT/LOSSES	128,550	140.439
Earnings Per Share (Full TL)	0,143	0,156

(Thousand of Turkish Lira (TL) unless otherwise stated)

Information on Interim Report (continued):

# 1. Message from the Chairman of the Board of Directors:

Our Precious Stakeholders.

2016 Second Quarter was all about high fluctuations due to increased volatility in the global markets. Although the interest rate hike expectations emerging for 2016 remain the same for 2016 Second Quarter following the interest rate hike by the FED, the central bank of the US, in December 2015, it is also highlighted that interest rate hike may be delayed to the end of the year or to 2017 due to low payrolls in the US.

Another key factor causing increased volatility during Second Quarter was the Brexit referendum resulted in the exit of the UK from the EU. The decision to exit the EU as a result of the referendum held at the end of June caused dramatic fluctuations in the markets, which led to the expectation that central banks may loosen the monetary policies. All this volatile environment was reflected in the global growth expectations and resulted in a downward revision. In the light of these recent developments, the market is strongly convinced that the FED will delay the interest rate hike for 2016, resulting in increased global risk appetite.

Japan Central Bank continues to implement an expansionary monetary policy since the early 2016. The central bank started to use negative interest rates in order to realize its inflation target and is expected to announce additional incentive measures in the upcoming period.

The Central Bank of Turkey continues to implement a tight monetary policy with expectations that uncertainties related to monetary policies will remain the same due to developments and fluctuations in the global markets. In addition, steps to simply interest continue to be implemented by lowering the upper band of interest rate corridor by 175 basis points during the first half of the year with increased resistance in the local economy against global shocks.

With the impact of strong demand, the Turkish economy demonstrated a growth performance of 4,8% during 2016 First Quarter. The Consumer Price Index fell down to 7,6% as a result of the decreased food and oil prices. On the other hand, the current deficit continued to shrink for Second Quarter by 15,5%, on top of other developments, suggesting that the Turkish economy will continue to grow in 2016.

Operating in the Turkish participation banking sector as a leader organization for 30 years aligned with its vision "to be the best Participation Bank in the world", Albaraka Turk is the flagship of its biggest partner Albaraka Banking Group ("ABG"). ABG operates in the field of corporate, commercial, retail and investment banking in line with the principles of interest-free banking at 586 locations across Jordan, Lebanon, Egypt, Tunisia, Algeria, Sudan, South Africa, Syria, Pakistan, Bahrain, Indonesia, Libya and Turkey with 11.458 employees and agencies. As of the end of 2015 the total size of assets of Albaraka Banking Group reached USD 24,6 billion with collected funds reaching USD 20,2 billion and an equity size of USD 2,1 billion.

As Albaraka Turk we supported the real economy despite uncertainties in the local and global economy by continuing our operations, which have been conducted uninterruptedly for the last 30 years, also during 2016 Second Quarter. During this period our credit portfolio grew by 3,20%.

The energy needed to grow is strongly fueled by our professional management team, young and dynamic human resource, and our organization. We will continue to move towards our target of sustainable and profitable growth together with our shareholders, business partners, correspondents and employees through close collaboration and harmony. Our Bank will remain to be an organization to deliver upon its profitability and investment targets aligned with the policy of solid financial structure and sustainable growth which was defined at the time of its establishment and its vision of "being the best Participation Banking in the world".

Respectfully Yours.

Adnan Ahmed Yusuf ABDULMALEK

Chairman of the Board of Directors



(Thousand of Turkish Lira (TL) unless otherwise stated)

Information on Interim Report (continued):

#### 2. Message from the General Manager

Our Precious Stakeholders,

Despite ongoing fluctuations both in the local and global markets, Albaraka Turk continued to grow also during 2016 Second Quarter thanks to its solid banking structure, high forecasting ability, proactive strategies and excellent service model, maintaining its differentiation by its position in the sector and the service experience provided to its customers.

According to the 2016 Second Quarter financial results, total assets of our Bank amount to TL 29.363.727. During the same period, our total credit portfolio grew by 3,20% over the end of the year, reaching TL 19.152.736. Funds collected during the same period through P&L participation accounts and private current accounts were realized as TL 19.766.601. Around 44,20% of such funds is composed of currency funds.

As of June 30, 2016, our Bank declared TL 161.176 as profit before tax and TL 128.550 as net profit.

Our Bank continues to leverage the financing opportunities in the capital market by issuing lease certificates, an alternative investment instrument with high liquidity, which meets the principles of interest-free financing. Maintaining its leading position and reassuring investors with the name Albaraka Turk, our bank issued lease certificates to qualified investors without public offering during 2016 Second Quarter reaching a total amount of TL 175.000, consisting of an initial amount of TL 100.000 which is followed by a second amount of TL 75.000.

Our Bank continued to receive awards for its differentiated services offered to customers and sustainable banking structure. Albaraka Turk granted four times in a row "The Best Participation Bank in Turkey" award as part of the "Islamic Bank of The Year 2016" awards by the Banker, a publication of the Financial Times Group. Our Bank became the only bank to win this award among Albaraka Banking Group countries.

As Albaraka Turk, we particularly make sure not to compromise on increasing our service quality as part of our banking activities every day and managing the demands of our customer in a healthy manner. As a participation bank with uninterrupted growth over the last 30 years, we will continue to meet the needs of customers with the same pace and quality as we diversify our customer portfolio and services. Accordingly, we won another award after the one granted the last year in the Customer Experience category at A.L.F.A. Awards, the only online complaint management contest held in Turkey in cooperation with Sikayetvar.com.

As Albaraka Turk, we will remain committed to deliver upon the participation banking target of achieving a market of share of 15 percent by 2025 in a dedicated and careful manner. Operating in line with its vision of "being the best participation bank in the world", our bank will continue to lead the sector in the next periods as in the current quarter with its employees and stakeholders.

Restpectfully Yours, Dr. Fahrettin YAHŞİ General Manager



(Thousand of Turkish Lira (TL) unless otherwise stated)

Information on Interim Report (continued):

- 3. Activities in the Second Quarter of the Year of 2016:
  - In the second quarter of 2016, our total assets have actualized as TL 29.363.727, reducing by 0,67% according to the year end of 2015.
  - In the second quarter of 2016, the funds our Bank has collected through "Special Current Accounts" and "Participation to Profit and Loss Accounts" has been TL 19.766.601 as of June 30, 2016. Approximately 44,20% of these funds are constituted of foreign currency funds.
  - Participation accounts in the second quarter of 2016 has been TL 15.677.382. Our Bank's Fund Collecting Activities are carried out through our bank's branches throughout the country and correspondent banks abroad.

	Current	Period	Prior f	Period	Change (%)	
TL and USD	TL	USD	TL	USD	WWW.L.	<del>*************************************</del>
Equivalent	Equivalent	Equivalent	Equivalent	Equivalent	TL	USD
TL Funds	11.029.651	3.897.403	11.336.176	3,936,172	(2,70)%	(0,98)%
Current Accounts Participation	1.873.230	661.919	2.007.284	696,973	(6,68)%	(5,03)%
Accounts	9.156.421	3.235.484	9.328.892	3.239.199	(1,85)%	(0,11)%
FC Funds	8.736.950	3.087.262	9.010.002	3.128.473	(3,03)%	(1,32)%
Current Accounts Participation	2.215.989	783.035	2.253.907	782.607	(1,68)%	0,05%
Accounts	6.520.961	2.304.227	6.756.095	2.345,866	(3,48)%	(1,78)%
TOTAL	19.766.601	6.984.665	20.346.178	7.064.645	(2,85)%	(1,13)%

As of June 2016, our credits have reached to TL 19.152.736 with an increase of 3.20% compared
to year end. Our non-performing loan ratio has been 3.46% and rate of provision for nonperforming loans as been 52.25%.

	Current Po	eriod	Prior P	eriod	Change (%)	
TL and USD Equivalent	TL Eguivalent	USD Equivalent	TL.	USD	<b>~</b> .	
Credits (7)	19.721.230	6.968.632	19.317.826	Equivalent 6,707,579	2.09%	USD 3,89%
Non-performing		417441442		0.707.577	2,07/0	2,07/6
Loans	706,899	249.788	468.413	162.643	50,91%	53,58%
Provisions	(369.340)	(130,509)	(280.847)	(97.516)		33,83%
TOTAL	20.058.789	7.087.911	19.505.392	6.772.706	2,84%	4,65%

<sup>&</sup>quot;I Financial leasing receivables included.

The currency used in the preparation of the tables are as follows;

Balance Sheet Period	US	D/TL
As of 30 June 2016 As of 31 December 2015	<del>"</del>	2.830 2.880



(Thousand of Turkish Lira (TL) unless otherwise stated)

Information on Interim Report (continued):

#### 4. Evaluation on Financial Status, Profitability and Solvency:

- Our Operating Income has been TL 680.814, increasing by 16,42% compared to the same period
  of the previous year.
- Net Fee and Commission Revenues have been TL 70.295, decreasing by 2,19%, our Net Profit
  Share has been TL 514.072, increasing by 25,42%, and Foreign Exchange Income has been TL
  64.820, increasing by 163%.
- Personnel expenses has been TL 196.361, increasing by 11,69% compared to the same period of the previous year, Credit and Other Receivables Allowance for Loss in Value has been TL 144.180, increasing by 63,83% and Depreciation Expenses have been TL 32.146, increasing by 14,99%.
- Our net profit has been TL 128.550, decreasing by 8,47% compared to the same period of the previous year.
- As of June 30, 2016, our capital adequacy ratio is actualized as 12,21%, over the legal obligation level.



(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - see section three Note XXIV)

# Albaraka Türk Katılım Bankası Anonim Şirketi

Publicly announced unconsolidated financial statements and related disclosures at December 31, 2015 together with independent auditor's report



(Convenience translation of the independent auditor's report and financial statements originally issued in Turkish - see section three Note XXIV)

#### Independent auditor report

To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş

#### Report on the Financial Statements

We have audited the accompanying unconsolidated balance sheet of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") as at December 31, 2015, and the related unconsolidated income statement, unconsolidated statement of income and expense items accounted under shareholders' equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

#### Responsibility of the Bank's Board of Directors for the financial statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statement in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no 26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and BRSA Accounting and Reporting Legislation which includes the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement. whether due to fraud or error.

#### Independent Auditor's responsibility

Our responsibility is to express an opinion on the unconsolidated financial statements based on our audit. We conducted our audit in accordance with communique "Independent Audit of Banks" published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the independent auditor's professional judgment, including the assessment of risks of material missistement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



#### Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of Albaraka Türk Katılım Bankası A.Ş. as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

# Reports on arising from other regulatory requirements:

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1 — December 31, 2015 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

# Additional paragraph for convenience translation to English:

As explained in detail in Note XXIV of section three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirkeli

Single of Ernst & Young Global Limited

February 22, 2016 Islanbul, Turkey



# UNCONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Bank's headquarter address

; Saray Mah, Dr. Adnan Büyükdeniz Cad. No:6

34768 Ümraniye / İstanbul

Bank's phone number and facsimile

00 90 216 666 01 01 - 00 90 216 666 16 00

Bank's website

; www.albarakaturk.com.tr

Electronic mall contect info

sibarakaturk@albarakaturk.com.tr

The unconsolidated year-end financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- . UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- . INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- . INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been independently audited and presented as attached.

Adnah Ahmed Yusuf ABOULMALEK

Chairman of the Board of Directors

NAMA

Fahryttin'Y

Gerkiral Monagor

Melikşa**h UTKU** Assistani General Manager Yuhus AHLATCI

Budget and Financial Reporting Manager

Hamad Abdulla A. EQAB
Chairman of the Audit Committee

.

Milat AKTAS Member of the Addit Committee Hood Hashem Ahmed HASHEM Member of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title

Bora ŞIMŞEK / Budget and Financial Reporting / Vice Manager

Telephone

00 90 216 666 05 59 00 90 216 666 16 11

Facsimile

#### Table of contents

		Page
Section	t one Il Information	
Seriela I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status.  Shareholding structure, shareholders having direct or indirect, joint or individual control over the management of the	1
191.	Explanation on the chairman and members of board of directors, members of audit committee, general manager	2
ĮV.	and assistant general managers, their areas of responsibility and their shares in the Bank, if any information on the Bank's qualified shareholders	3
V.	Summary on the Bank's service activities and field of operations	3
Vi,	Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish	4
,	Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods	
VII.	The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the Bank and its subsidiaries	4
Section	·	
	Consolidated financial statements	
I. 註.	Balance sheet (Statement of financial position) Statement of off-balance sheet	6
HI.	Statement of income	8
IV.		9
V.	Statement of changes in shareholders' equity	10 11
VI.	Statement of cash flows	13
VII.	Statement of profit distribution	14
Section		
	ting policies	
l. 61	Explanations on basis of presentation	,15
H. H,	Explanations on strategy of using financial instruments and foreign currency transactions	16
IV.	Explanations on forward, option contracts and derivative instruments Explanations on profit share income and expenses	17
V.	Explanations on fees, commission income and expenses	17
VI.	Explanations on financial assets	18
VII.	Explanations on impairment of financial assets	18
VIII.	Explanations on offsetting of financial instruments	19 20
IX,	Explanations on sale and repurchase agreements and lending of securities	20
X.	Explanations on assets held for sale and discontinued operations and liabilities related to these assets	20
Xŧ.	Explanations on goodwill and other intancible assets	21
XIL	Explanations on tangible assets	21
XIII.	Explanations on leasing transactions	22
XIV. XV.		23
XVI.	Explanations on liabilities regarding employee benefits Explanations on taxation	23
	Additional explanations on borrowings	24
XVIII.	Explanations on issued share certificates	25
XIX,	Explanations on acceptances and availed drafts	25
XX.	Explanations on government grants	25 25
XXI.	Explanations on segment reporting	26 26
XXII	Explanations on Classifications	26
XXIII.	Explanations on other matters	26
XXIV	Additional paragraph for convenience translation	26
Section :		
	on on financial structure and risk management	
Ì.	Explanations on the capital adequacy standard ratio	27
11 <u>.</u>	Explanations on credit risk Explanations on market risk	35
IV.	Explanations on operational risk	42
V.	Explanations on currency risk	43
VI.	Explanations on position risk of equity securities in banking book	44
VII.	Explanations on liquidity risk	46
VIII.	Explanations on securitisation positions	46 50
ıΧ.	Explanations on credit risk mitigation techniques	50 50
X.	Explanations on leverage ratio	52
XI.	Explanations on risk management objectives and policies	53
XII,	Explanations on presentation of financial assets and liabilities at fair values	56
XIII,	Explanations regarding the activities carried out on behalf and account of other persons	58
XIV	Explanations on business segments	50

Section		
Explana	ations and notes on the unconsolidated financial statements	
Ť.	Explanations and notes related to assets	60
11.	Explanations and notes related to liabilities	75
111.	Explanations and notes related to off-balance sheet commitments	86
IV.	Explanations and notes related to the statement of income	89
V.	Explanations and notes related to the statements of changes in shareholders' equity	95
VI.	Explanations and notes related to the statement of cash flows	98
VII	Explanations related to the risk group of the Bank	97
VIII.	Explanations related to domestic, foreign, off-shore branches or investments and foreign representative offices	98
IX.	Explanations related to subsequent events	98
Ph 47		
Section		
Utnere	xplanations	
i.	Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification	99
Section	seven	
Indeper	ident Auditors' report	
1	Explanations on independent auditors' report	63
<b>#</b> 1.	Other notes and explanations prepared by the independent auditors	93

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - See section three Note XXIII)

# Albaraka Türk Katılım Bankası Anonim Şirketi

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### Section one

#### General information

# I. History of the Bank including its incorporation date, initial legal status and amendments to legal status:

Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş, based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks 'published in the Official Gazette dated November 1, 2006 numbered 26333 and the Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Bank's head office is located in Istanbul and is operating through 212 (December 31, 2014: 201) local branches and 1 (December 31, 2014: 1) foreign branch and with 3.736 (December 31, 2014: 3.510) staff as of December 31, 2015.

II. Shareholding structure, shareholders having direct or Indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, if any:

As of December 31, 2015, 54,06% (December 31, 2014: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahraín. 24,80% (December 31, 2014: 24,06%) of the shares are publicly traded and quoted at Borsa Istanbul.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - Sec section three Note XXIII)

# Albaraka Türk Katılım Bankası Anonim Şirketi

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Bank, if any:

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
Chairman of the Board of Directors (BOD)	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	(*) 0,0000
Members of BOD	Yalçın ÖNER İbrahim Fayez Humaid	Vice Chairman of BOD	Master	
	ALSHAMSI	Member of BOD	Bachelor	(*) 0,0000
	Osman AKYÜZ	Member of BOD	Bachelor	
	Prof.Dr. Ekrem PAKDEMİRLİ (died on 31.12.2015)	Member of BOD	Doctorate	(*) 0,000
	Mitat AKTAŞ	Member of BOD	Master	(*) 0,0000
	Hamad Abdulla A. EQAB Fahad Abdullah A. ALRAJHI Hood Hashem Ahmed HASHEM Muhammad Zarrug M. RAJAB Prof. Dr. Kemal VAROL	Member of BOD Member of BOD Member of BOD Member of BOD Independent Member of BOD	Bachelor Bachelor Master Bachelor Doctorate	(*) 0,0000 (*) 0,0000 (*) 0,0000
General Manager	Dr .Fahrettin YAHŞİ	Member of BOD /General Manager	Doctorate	-
Assistant General Managers	Mehmet Ali VERÇÎN	Corporate Marketing, Treasury Marketing, Investment Projects	Bachelor	-
<b>.</b>	Nihat BOZ Temel HAZIROĞLU	Legal Advisory, Legal Follow-up Human Values, Training & Organisation, Performance & Career Management, Administrative Affairs, Construction and Real Estate	Bachelor Master	0,0342
	Bülent TABAN	Commercial Marketing, Commercial Products Management, Regional Offices	Master	~
	Turgut SłMłTClOĞLU	Credit Operations, Banking Services Operations, Foreign Affairs Operations, Payment Systems Operations, Risk Follow-up		-
	Melikşah UTKU	Financial Affairs, Budget & Financial Reporting, Corporate Communication	Master	-
	Ali TUĞLU	Core Banking Applications Development, Customer & Channel and Analytical Applications,IT Support, IT Strategy & Governance	Bachelor	-
	Mahmut Esfa EMEK	Corporate Credits, Commercial Credits, Retail Credits	Bachelor	•
	Ayhan KESER	Retail Marketing, Alternative Distribution Channels, Retail Products Management, Financial Institutions, Investor Relations	Bachelor	
Audit Committee	Hamad Abdulla A. EQAB Hood Hashem Ahmed HASHEM Mitat AKTAŞ	Chairman of Audit Committee Member of Audit Committee Member of Audit Committee	Bachelor Master Master	0,000,0 0,000,0 0,000,0 0,000,0

<sup>(\*)</sup> The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Bank's share capital (December 31, 2014; 0,0396%).

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - See section three Note XXIII)

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### IV. Information on the Bank's qualified shareholders:

The Bank's paid in capital amounting to TL 900,000 consists of 900,000,000 number of shares with a nominal value of TL 1 (full) for each share. TL 486,523 of the paid in capital is owned by qualified shareholders who are listed below:

Share amount					
Name / commercial name	(nominal)	Share ratio	Paid shares	Unpaid shares	
Albaraka Banking Group	486,523	54,06%	486,523	*	

#### V. Summary on the Bank's service activities and field of operations:

The Bank operates in accordance with the principles of interest-free banking as a participation bank. The Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under five different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included) and one year and more than one year (with monthly, quarterly, semiannual and annual profit share payment).

The Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Bank operates as an insurance agency on behalf of Işık Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik ve Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services.

Moreover, the Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - See section three Note XXIII)

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:

The Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiralama A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş the subsidiaries of the Bank, through equity method and full consolidation method, respectively. Moreover, ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the bank and its subsidiaries:

There is no immediate transfer of equity between the Bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

#### Section two

#### The unconsolidated financial statements

- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet
- III. Statement of income
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows
- VII. Statement of profit appropriation

# BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

					HOUSAND TI			
		Notes	CURRENT PERIOD PRIOR PERI					
ASS	ETS	(Section	(31/12/2015) TL FC		Total	(31/12/2014) TL FC		Total
		Five-I)	11.		10401	3 %		
	CASH AND BALANCES WITH THE CENTRAL			· ·				
'	BANK	(1)	894.204	4.010.594	4.904.798	352,393	2.776.793	3,129.18
	FINANCIAL ASSETS AT FAIR VALUE THROUGH				*****	- 0.44		
	PROFIT AND LOSS (Nel)	(2)	1.427	20.856	22.283	5.611 5.611	*	5.61 5.61
-1	Trading Financial Assets		1.427	20.856	22.283	5.911	Ĭ	3.51
1,1	Public Sector Debt Securities		790		790	5.611	Ĵ	5,61
1.2	Equity Securities Derivative Financial Assets Held for Trading		, 55	20.822	20.822			7.7
.1.3 .1.4	Other Marketable Securities		637	34	671	-	~	
.2	Financial Assets at Fair Value Through Profit and							
	Loss		. +	-	٠.	-	-	
2.1	Public Sector Debt Securities	<u> </u>	<b>[</b> +	~	<del>"</del> .	-	-	
2.2	Equity Securities		-		~	'n	~	
.2.3	Loans		1	· •	*		,	
2.4	Other Marketable Securities	121	599.970	1.882.644	2,487,614	511.407	1,136.833	1,648.23
<b>.</b>	BANKS MONEY MARKET PLACEMENTS	(3)	335.270	1.002.0	*********	361.404		1,212,20
<b>∤.</b> !,	FINANCIAL ASSETS-AVAILABLE FOR SALE (net)	(4)	755.337	296.229	1,051.566	498.367	163.393	659,76
.1	Equity Securities	\ '''	15		12.865			1.67
.2	Public Sector Debt Securities		737.783	149,374	887.157			568.61
.3	Other Marketable Securities		17.539	134.005	151.544			
Ą,	LOANS AND RECEIVABLES	(5)	15.352.083		18.557.965			
,1	Loans and Receivables		15,165,345	3.205.054	18.370.399		1.979.918	
.1.1	Loans to Risk Group of The Bank		9.424	38.523	47.947	50.243		50.24
.1.2	Public Sector Debt Securities		15.155.921	3.166.531	18.322.452	13,404,171	1 070 018	15.384.08
.1.3	Other		467.256	1,157	468.413		27	326.97
.2	Non-performing loans		280.518	329	280.847		11	287.28
.3	Specific Provisions (-) INVESTMENTS HELD TO MATURITY (net)	(6)	752.890	0.5	762.890		<b>,</b>	783.30
/H. /HI.	INVESTMENTS IN ASSOCIATES (net)	(7)	4.719	-6	4.719			4.21
.1	Accounted for under Equity Method	'''	_	+	<u>«</u>	+	,	
.2	Unconsolidated Associates		4.719	•	4.719		-	4.21
.2.1	Financial Associates		4.719	~	4.719	4.211	-	4.21
.2.2	Non-Financial Associates			140	* 0 * 0	250	]	25
Х,	SUBSIDIARIES (net)	(8)	5.250	-	<b>5.250</b> 5.250		]	25 25
1,1	Unconsolidated Financial Subsidiaries		5.250	*	3.250	200		
.2	Unconsolidated Non-Financial Subsidiaries	(9)	15.500		15,500	10,500		10,50
). 0.1	JOINT VENTURES (net) Accounted for under Equity Method	157						
0.2	Unconsolidated		15,500	_	<b>1</b> 5.500	10.500	-	10.50
0.2.1	Financial Joint Ventures		15.500	*	15.500	10.500		10.50
0.2.2			_		oi.	-	-	
(1_	LEASE RECEIVABLES (net)	(10)	947.427	-	947.427	709,646		709.64
1.1	Finance Lease Receivables		1.090.063	-*-	1.090.063	782.612	*	782.61
1.2	Operational Lease Receivables		-	- 1		*	-	
1,3	Other		142.636	1	142.636	72,966		72.90
1,4	Unearned Income ( - ) DERIVATIVE FINANCIAL ASSETS FOR HEDGING		142.030	<b>[</b>	142.000	18,3120		, , , , ,
.H.	PURPOSES	(11)		, ,	as:		٠	
2.1	Fair Value Hedge	''''	_					
2,2	Cash Flow Hedge			۰	٠.	*	-	
2.3	Hedge of Net Investment Risks in Foreign Operations			•	*		-	
111.	TANGIBLE ASSETS (net)	(12)	499.803	1.336	501.139	485.461		
IV.	INTANGIBLE ASSETS (net)	(13)	43,796	476	44.272	26,326	565	26.89
4.1	Goodwill		10.000	476	44.272	26.328	565	26.8
4.2	Other	16.85	43.796	4/8	44.212	20,020	7000	2.0.0.
V.	INVESTMENT PROPERTY (net)	(14) (15)	20.495	]	20.495	3.551		3.5
Vi.	TAX ASSET Current Tax Asset	1,41	5.324		5.324		,	3.5
6.1	Deferred Tax Asset		15,171	,	15,171		-	
6.2 VII,	ASSETS HELD FOR SALE AND ASSETS OF							
¥ 11,	DISCONTINUED OPERATIONS (net)	(16)	22.574	245	22,819	27.678		27.6
7.1	Assets Held for Sale	' '	22.574		22.819	27.678	-	27.6
7.2	Assets of Discontinued Operations		-	<b>₩</b>	-	-		
(VIII,	OTHER ASSETS	(17)	216.018	2.244	218.262	74.852	1.559	76.4
		,	1	: 1		1	, ,	

# BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Notes	cı	TI IRRENT PERI	HOUSAND T		RA PRIOR PERI	oo
LIAB	ILITIES	(Section	(31/12/2015)			(31/12/2014)		
		Five-II)	TL	FC	Total	TL	FC	Total
l. 1.1 1.2	FUNDS COLLECTED Funds from Risk Group of The Bank Other	(1)	11.336.176 126.867 11.209.309	152.607	20,348,178 279,474 20,066,704	71,453	183.838	255.291
#L #II. IV.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING FUNDS BORROWED BORROWINGS FROM MONEY MARKETS	(2) (3)	770.959	4.104.588	4.104.688 770.959		3.215.998	3.215.998 116.740
V. VI.	SECURITIES ISSUED (net) MISCELLANEOUS PAYABLES		633.312					.[ .
VII.	OTHER LIABILITIES	(4)	-	-	*			, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
VIII. 8.1 8.2	LEASE PAYABLES Finance Lease Payables Operational Lease Payables	(5)		ءُ ۔				· •
8.3 8.4 IX.	Other Deferred Finance Lease Expenses ( - ) DERIVATIVE FINANCIAL LIABILITIES FOR	(0)	-					
9.1 9.2	HEDGING PURPOSES Fair Value Hedge Cash Flow Hedge	(6)	-					
9.3 X. 10.1	Net Foreign Investment Hedge PROVISIONS General Provisions	(7)	216.049 140.016	35.810 30.869				
10.2 10.3 10.4	Restructuring Reserves Reserve for Employee Benefits Insurance Technical Reserves (net)		53.033		53.033	32.529		3 <b>2</b> .629
10.5 XI. 11.1 11.2	Other Provisions TAX LIABILITY Current Tax Liability Deferred Tax Liability	(8)	23.000 5 <b>5.69</b> 5 55.695	4,941 2,763 2,763	58.458	64.116	3	64.119
XII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net) Assets Held for Sale	(9)	-	-	•	•		0,230
12.2	Assets of Discontinued Operations		í		*			
XIII. XIV. 14.1	SUBORDINATED LOANS SHAREHOLDERS' EQUITY Paid-in Capital	(10) (11)	2.097.426 900.000	1.239.557 6.488		1.790.092	472.426 835	
14.2 14.2,1	Capital Roserves Share Premium		194.422	6.483	200,910		835	160.196
14.2.3 14.2.4	Share Cancellation Profits Marketable Securities Valuation Reserve Revaluation Reserve on Tangible Assets Revaluation Reserve on Intangible Assets		4.203 189.092	6.488	10.691 189.092	9,155 153,179	835	9.990 153.179
	Investment Property Revaluation Reserve Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities			. 9	-	,		,
	Hedging Funds (Effective Portion) Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations					-	_	
14.3	Other Capital Reserves Profit Reserves Legal Reserves		1.127 696.531 84.774	*	1,127 696,531 84,774	470.137	# u	(2.973) 470.137 71.744
14.3.2 14.3,3	Status Reserves Extraordinary Reserves Other Profit Reserves		611.757	ا. د	611,757	398,393	*	398.393
14.4 14.4.1	Profit or Loss Prior Years Profit / (Loss) Current Year Profit / (Loss)		306.473 3.610	•	306.473 3.610	260.594 7.963	4 W	260,594 7.963
14.5	Minority Interest		302.863	-	302.863	252,631		252.631
	TOTAL LIABILITIES		15.109.617	14.452,382	29.561,999	12.367.498	10.678.926	23.045.424

# STATEMENT OF OFF-BALANCE SHEET

	<u> </u>	***************************************			THOUSAND TU		NOR PERIOD	
	STATEMENT OF OFF BALANCE	Notes		RENT PERIOD (31/12/2016)	ì		(31/12/2014)	
	SHEET	(Section		*····			FC	Total
~~~~	OFF BALANCE SHEET COMMITMENTS (I+II+III)	Five-##)	TL. 5.494.071	#C 4,918,466	Total 10.410,537	TL 5,077,895	3,929:264	9,007.159
A. L	GUARANTEES AND SURETIES	1 '''	4,275,402	4,368.655	8.664.057	4,149,365	3.929.144	8.078.509
1.1.	Letters of Guarantens	•	4.269,478	3,460,810	7,730,288	4,122,502	2,749,839	6.872.641
LET.	Guarantees Subject to State Tender Law		259.046	23,832	282 878	168,552	21.939	188.491
1.3.2.	Guarantees Given for Foreign Trade Operations	!	436]	616.444	\$16,890	597	778.622	779.219
1,1,3.	Other Letters of Guarantee		4.009.996	2.620,534	6.630,530	3 955.653	1,949,278	5,904,931 33,055
1,2.	Bank Loans	ļ	- [	28,324 28,324	28.324 28.324	*	33,055 33,055	33,055
1.2.1.	Import Letter of Acceptances	l		20.524	60.084	]	20.000	00,000
1,2.2.	Other Bank Acceptances Letter of Credits		1 1	639.592	639.592	7.997	581,273	589.270
1.3 <u>.</u> 1.3.1.	Documentary Letter of Credits	ŀ	]	500.000		+	*	-
1,3.2.	Other Letter of Credits			639.692	639,592	7,997	581,273	589.270
1,6,	Prefinancing Given as Guarantee		i -1	•	-[	-	+	٠
1.5.	Endorsements		-	-	+1	~	-1	-
1.5.1.	Endorsements to the Central Bank of Turkey	l	*	~	-1	~	^	
1.5.2.	Other Endorsements	ļ	1.877	245.719	247,596	2,551	558,481	\$61.032
1.6.	Other Guarantees	}	4.047	14,210	18.757	16.015	6,496	22,511
1.7.	Other Collaterels COMMITMENTS	(5)	1,218,669	110,806	1,329,475	928,530	120	928.650
机 2.1.	Irravocable Commitments	l '''	1,218,869	110.806	1,329,476	928,530	120	928,650
2.1.3.	Asset Purchase and Sale Commitments	l	76.528	110,808	187,332	-	-	
2.1.2.	Share Capital Commitment to Associates and		j l				i	
	Subsidiaries	}		- 1		***		EO 400
2.1,3,	Loan Granting Commitments	I	1:6862	~ [	116,862	59.439	*	59,439
2,1,4.	Securities Underwaing Commitments		<b>!</b> "	-				_
2.1.5.	Commitments for Reserve Deposit Requirements	1	500.882	-	500,682	353 093		353.093
2.1.6.	Payment Commitment for Cheques Tax And Fund Liabilities from Export Commitments	l	2.035		2,035	1,506	*	1.506
2.1.7. 2.1.8.	Commitments for Credit Card Expenditure Limits	}	521.562	.[	521,562	510.257	۵	510.257
2.1.9.	Commitments for Promotions Related with Credit	l				1		
a. ,	Cards and Banking Activities	1	599	-	599	523	-	523
2.1,10.	Receivables From Short Sale Commitments of		1					
	Marketable Securities		] -	~	-		٠,-	•
2.1.11.	Payables for Short Sale Commitments of	1	i i			- {		
	Marketable Securities	l	203		203	3,712	120	3.832
2.1.12.	Other Irrevocable Commitments	1	203		^02	5,-12	7.00	0.502
2.2. 2.2.1.	Revocable Commitments Revocable Loan Granting Commitments		1 .1		_	4	ų,	
2.2,2.	Other Revocable Commitments		-			- 1		
17.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	{	417.005	417.00\$		-	-
3.1.	Derivative Financial instruments for Hedging		i			1		
	Purposes	l	-	-	•	-1	~	-
3.1.1.	Fair Value Henge	]	1 1	-	-	-1	Ţ	
3.1,2.	Cash Flow Hedge	l	·			- 1	*	-
3,1,3.	Hedge of Net Investment in Foreign Operations	}	]	417,005	417.005	Ţ.	Ţ	
3,2. 3,2,1	Held for Trading Transactions Forward Foreign Currency Buy/Sell Transactions	1		417,005	417,005	-1		
3,2,1,1	Forward Foreign Currency Transactions-Buy			219,089	219.089	-1	~	
3,2,1,2	Forward Foreign Currency Transactions-Sell		.	197,916	197,916	-1	-	
3,2.2.	Other Forward Buy/Sell Transactions	•	[ -	~	• 1	*		
3.3.	Other	1	<b>!</b>	. 0.00 50 5	21,000	20, 225 154	4,509,615	34.899.272
8.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	1	39.754.719	5,868,824	44,621.543 2.603.662	30,389,457 1,353,738	1.454.959	2,808,697
١٧.	ITEMS HELD IN CUSTODY		1.671,504	932,158	T.002'80X	F, 42 14 17 18 18	2.74277,3337	1,000.007
4,1. 4,2.	Assets Linder Management	1	72	Ĩ	72	72	[]	72
4,2. 4.3.	Investment Securities Held in Custody Cheques Received for Collection	1	1.135,253	140.774	1,276,027	841,140	105,953	947,093
4.3. 4.4,	Commercial Notes Received for Collection	1	509,767	23,015	532.782	488,418	18,801	507,219
4.5.	Other Assets Received for Collection	1	193	• •	103	103	v.	103
4.8.	Assets Received for Public Offering	1		- 1	- 4			
4,7.	Other items Under Custody	1	999	280.573	281,572	7,997	986,909	994,906
4.8.	Custodians	1	25.310	487,798	513.106	16.008	343.296	359,304 32,090.675
Ψ.	PLEDGED ITEMS		37,083,218	4,834,666	42.017.861 3,786,335	29.035.719 1.530.006	3.054.886 1.157.125	2,687,131
5.1.	Marketable Securities	1	2,526.159 1,792,505	1,260,176 166,731	1,959,236	1,877,551	204,313	2,081,864
5.2.	Guarantee Notes		1,671.668	750,681	2,422,369	1,670,691	380.393	1,451,084
5.3. « A	Commodity Warranty	1	1,271,000	0.,001	-1	.,_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
5,4. 5.5.	Properties	1	29,631,293	1,227 682	30,858,955	23,266,419	773,474	24,039,893
5.6.	Other Riedged Rems	1	1,372,083	1 526 395	7_898,438	1.237.960	530,859	1.768,819
5.7.	Pledged Items-Depository		89,487	3,061	92,548	53,992	8,692	61.784
Vŧ,	ACCEPTED INDEPENDENT GUARANTEES AND		] {		I	- 1		
	WARRANTIES		- 1	-	*	*	*	•
		ļ	ļ <b> </b>					
	TOTAL OFF BALANCE SHEET ACCOUNTS	1	44,248,790	10,783.290	55.032.080	35.467.352	8.439.079	43,906,431

# STATEMENT OF INCOME

T******		<del>"  "</del>	THOUSAND	TURKISH LIRA
			CURRENT	PRIOR
l		Notes	PERIOD	PERIOD
INC	OME AND EXPENSE ITEMS	(Section	(01/01/2015-	(01/01/2014-
		Five-IV)	31/12/2015)	31/12/2014)
Ļ	PROFIT SHARE INCOME	1	4 5 7 5 4 5 0	* *****
; ,	Profit Share on Loans	(1)	1,935,159	1.502.306
1.2	Income Received from Reserve Deposits		1.708.889	1,376,418
1 2	Income Received from Banks	ĺ	10.263	492
1.4	Income Received from Money Market Placements		36	1.882
1.5	Income Received from Marketable Securities Portfolio		135,215	A 100
1.5.1	Held-For-Trading Financial Assets		130,213	95.136
1.5.2	Financial Assets at Fair Value Through Profit and Loss		<b>"</b>	•
1.5.3	Available-For-Sale Financial Assets		70.619	41.154
1.5.4	Investments Held to Maturity	1	64.596	53.982
1.6	Finance Lease Income	1	79,117	28,152
1.7	Other Profit Share Income		1,639	226
1	PROFIT SHARE EXPENSE	(2)	1.049.478	803.332
2 4	Expense on Profit Sharing Accounts	10-1	829.534	680.979
22	Profit Share Expense on Funds Borrowed		163.528	100.036
24.	Profit Share Expense on Money Market Borrowings		47.081	22.007
il. 2.1 2.2 2.3 2.4 2.5	Profit Share Expense on Securities Issued		~1,045	22.501
9 8	Other Profit Share Expense	1	9,335	310
iii.	NET PROFIT SHARE INCOME (I – II)	1	885.681	698.974
īv.	NET FEES AND COMMISSIONS INCOME/EXPENSES		136.997	128.336
1.1	Fees and Commissions Received		187.627	161.173
4 1 1	Non-Cash Leans		98.046	81.953
4.1.1 4.1.2	Other	(12)	89.581	79.220
1,2	Fees and Commissions Paid	(1	51.630	32.837
4.2.1	Non-Cash Loans		321	421
4.2.2	Other	(12)	51.309	32,416
V.	DIVIDEND INCOME	(3)	519	180
V. Vi.	TRADING INCOME/LOSS(net)	14)	52,570	53.257
6.1	Capital Market Transaction Income / (Loss)	1 '7	2.223	1.474
5.2	Profit / (Loss) from Derivative Financial Instruments		68.093	21.141
6.2. 6.3	Foreign Exchange Income / (Loss)	i l	(17.746)	30.642
Vμ.	OTHER OPERATING INCOME	(5)	113.407	96.819
WHI.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)	(",	1,188.174	977.566
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	157,143	149.576
Χ.	OTHER OPERATING EXPENSES (-)	(7)	654,253	502,438
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	1 '' 1	376.778	325.552
IX. XI. XII. XIII.	EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER			
XIII.	PROFIT / (LOSS) ON EQUITY METHOD	1		<b>.</b> [
XIV.	PROFIT / (LOSS) ON NET MONETARY POSITION	<u> </u>	. 1	
XV.	PROFIT / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES	] ]	1	
	(VIX++XIV)	(8)	376.778	325.552
XVI.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(73.915)	(72.921)
16.1	Provision for Current Taxes	} `` }	(78.166)	(73,282)
16.2	Provision for Deferred Taxes	ļ <u> </u>	4.251	361
XVII.	NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	302.863	252,631
XVIII,	INCOME FROM DISCONTINUED OPERATIONS	(10)		-
18.1	Income from Assets Held For Sale		<u>.</u>	.]
18.2	Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entitles	1		1
ľ	(Joint Vent.)			*
18.3	Income from Other Discontinued Operations		*	- 1
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)	1	-	
19.1	Loss from Assets Held for Sale		+	+
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint	1	1	
i	Vent.)		~	٠
19.3	Loss from Other Discontinued Operations		٠	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-			1
بنيا	XIX)	<u> </u>	- 1	
XXI. 21.1	TAX PROVISION FOR DISCONTINUED OPERATIONS (2)		-	-
<b>21.</b> ]	Provision for Current Taxes	[	~	*
21.2	Provision for Deferred Taxes		• [	~
XXII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		*	-
XXIII.	NET PROFIT / LOSS (XVII+XXII)	(11)	302.863	252.631
23.1	Group's Profit/Loss		302.863	252.631
23.2	Minority shares (-)	1		*
l	Earnings Per Share (Full TL)		0,337	0.281

# STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

		THOUSAND TO	JRKISH LIRA
		CURRENT	PRIOR
		PERIOD	PERIOD
STAT	EMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS'	(01/01/2015-	(01/01/2014-
EQUI		31/12/2015)	31/12/2014)
******		]	
l.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM	876	18.415
	AVAILABLE FOR SALE FINANCIAL ASSETS		•
H.	TANGIBLE ASSETS REVALUATION DIFFERENCES	31.988	73.598
HL.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	•
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY	4,368	1,305
	TRANSACTIONS	4,300	1,202
V.	PROFITILOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW	_	_
	HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	1	
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR		
		_ ا	ļ .
	VALUE DIFFERENCES) THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING		
VII.	POLICIES		1 -
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE		
¥ ::1,	WITH TAS	9.772	(5.958)
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(2.494)	(17.010)
х.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II++IX)	, ,	
^-	1017th 15th 1 Charles of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control	44.510	
XI.	PROFITILOSS	302.863	252.631
11.1	Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	<u> </u>	-
11.2	Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and		
1 172	presented in Income Statement	-	•
11.3	Part of Hedge of Net Investments in Foreign Operations reclassified and presented in		
	Income Statement	300.000	252.631
11.4	Other	302.863	202.031
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	347.373	321.981

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - See section three Note XXIII)

# ALBARAKA TÜRK KATILIM BANKASI A.Ş. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(THOUSAND TURKISH LIRA)

	CHANGES IN SHAREHOLDERS'	Notes (Section	Paidin	Effect of Inflation Accounting	Share			Status	Status Extraordinary		Current Period Net Income !	Prior Years Net Income	Marketable Securities Valuation	Tangitele and Intangible Assets Reveluation	ŀ	1	Accumulated Valuation Diffmences On Assets Held For Sate and	T0£38
	PRIOR PERIOD (01/01/2014-31/12/2014)			₹	Er Standard		Asserves A	ARSONASS	Küşerves	Keserves	(Foss)	(Loss)	Kerre	Keserve	meestments	Resorves	Disc. op.	Equaly
يد	Beginsing balance	8	900,000	٠	•	•	59.502	•	262.043	840	241,409	1.434	(4.742)	96.712	\$	+	•	1,497,268
zź i	Changes in Penod Increase/Decrease Petated to Merger		,	٠	,	1	•	•	•	٠		•	•	f	•	,	,	•
É	Marketable Securities Valuation Differences																	
≱	Hadging Funds (Effective Ponton)			• †	) ¥		4 4			. 1	• •	<b>1</b> ie	14,732	* •	4 <b>*</b>		, :	14.732
** 6	Cash-Flow Hedge Mastras Of New Procestresco, in Consider		•	٠	*	•	.₹		•	ŧ	٠	9	•	•	•	•	ť	·
9	Operations		p-	í	4	4	•		•	j			;	٠	•	,	,	•
> %	Tartigode Assets Reveluation Differences interesting acrass Barreline	SZ.	•	1.	٠	•	•			: 4	. 4			58.878	. ,			58,878
\$	outer splace makes mercepanist. Offerences		•	•	•	14	•	•	.4	1	•	ì	•	,	•	•	•	•
VSI,	Bonus Shards Oblaineo irom Associates, Subsidiaries and Jornly														•	•	•	•
	Confrolled Operations		•	•	•	•	5	•	,	٠	,	*	,	•	•	.,	ė	i
ž X	hotelgr: Exchange Differences Changes Retailed to the Eksposal Ot		*	•	1	•	*	•	ŀ	1,30%	•	•	•	•	•	*	•	1.36\$
×	Assets Chenges Related to the Rocissistication	ė.	ł	,	9	4	ą	÷	•	i	*	*	•	•	,	٠	2	•
×	of Assets The Effect of Change at Assertiate's		•	•	t	•	+	1	,	•	1	*	ŧ	1	f	-3		ę
	Sec. Sec. Sec. Sec. Sec. Sec. Sec. Sec.		ř	٥	*	•	4	•	,	ř	÷	,	,	•	•	٠	•	•
×			•	4	ì	,	•	,	٠	. ,	• •				, ,	r .6		
, , , ,			•	.4	\$	•	,	¥	*	٠	•	•	•	•	•			•
3.2.2			•	•	,	,	٠	•	,	*	•	1	٠	f	4	•	,	*
X ₹	Andre Caronteles Sector		٠	•	т.	٠	•	ŧ	*	•	٠	•	•	•	•	ś	₹	ř
Ż			7 1	•	÷ ·	•	•	•	4	*	•	•	٠	¥	•	4	•	=
XV	-		•			s <b>+</b>		÷ 1	<b>a</b> ' i	(8.088)		4 £-	•	* ****	ŧ	٠	•	* ******
XX F			•	•	,	•			· •	Immort	252 431	71.7		(1242)	• •	F 4	,	283 234
XVIE			•	,	8	•	12,142	,	196,350	•	(241,405)	3.437	,			. 8		(31,500)
() () () ()			•	f	*	1	*	•	•	٠		(34,500)	•	i	•	٠	i	(38,800)
. 15 . 15 . 15 . 15 . 15 . 15 . 15 . 15	Office of the server		t •	<b>≯</b> ::		1 ,	12,142	ā	196.350	•	* ******	(208.492)	,	,		1	5	5
Î	\$							·	+	,	C+1.403	241.403	***************************************		***************************************		i	
*	[+!!+!!+;+XV!+XV!!}	AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SOUTH TO SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND SAME AND	900.000	*	F	•	71.744	*	388,393	(2,973)	252.631	7,963	\$,990	152.179	*	٠	,	1,790,927

The accompanying explanations and notes are an integral part of these financial statements.

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - See section three Note XXIII)

ALBARAKA TÜRK KATILIM BANKASI A.Ş. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(THOUSAND TURKISH LIRA)

(ashracana		***************************************		***************************************				-									Accumingated	
														Tancible			Vatuation	
											Current	Psior		and			Differences	
				Effect		Share					Period	Years	Marketable	Intangible	Sonus		on Audets	
	CHANGES IN SHAREHOLDERS'	Notes (Section		of inflation Accounting				Status E	Status Extraordinary	Other	net Income?	ancome Income	Valuation	Revaluation	from	Hedging	For Sale and	Total
	EQUITY	£188-V)	Capitai		Premium	Profits R	Reserves R	Reserves	Reserves	Raserves	(1.055)	7 (1.088)	Keserve	Keserat	Heve Saltheria	render ven	Assacrate.	Tage
	CURRENT PERIOD																	
	100000000000000000000000000000000000000						:						4	9				199 927
ئىد	Beginning balance	3	900,000	•	•	•	71.744	۲	396.383	(2.973)	252.631	7.963	088.6	153,178	•	,	•	1, F 300, 34, F
	Chenges in Pariod																	
mž	Increase/Decrease Related to Menger		ć	٢	٠	Ŧ	,		ſ	٠,	ś	•	1	÷	•	1	•	÷
##	Marketable Securities Valuation																	704
	Chitterances		ŗ	•	•	•		ł	٠	•	•	•	S	•	•	£	•	3
ž	Redging Funds (Eiteching Portfort)		•	ŧ	٠	•	ų	•	•	٠	1	٠	7	í	4	٠	2	¥ 19
***	Cash-Flow Nedge		•	s	ť	•	•	•	•	٠	,	•	*	•	1			i
6,2	Hedge Of Net Investment in Foreign																	•
	Operations		,	•	•	•	•	٠	¥	•	f	٠	•		+	t	6	900
>	Tangole Assets Revaluation Differences		٠	•	¥	•	,	ì	8	,	,	ŧ	†	29,59%	ś	•	ŧ	00 00 00 00 00 00 00 00 00 00 00 00 00
Š	intangible Assets Revelization																	•
	Differences		•	*	٠	١.	+	1	٠	•	ŧ	•	+	ŧ	•	8	•	
ij	Bonus Shares Obtained from																	
	Associates, Suissidieries and Joinsly																	i
	Controlled Operations		ſ		٠	á	ì	ì	•	٠	,	\$	,	•	•	٠	٠	0347
VBL	Foreign Exchange Differences		٤	•	•	†	•	•	•	4,368	,	•	•	•	,	•	•	\$000m
ž	Changes Related to the Disposal Of																	ŧ
	Assets		•	•	+	,	5	ŧ	P	١	•	•	•	*	•	•	•	
×	Changes Related to the Reclassification												٠		•	•	•	•
	of Ausets		a	•	٠	8	٠	\$	s <sup>i</sup>	•	*	\$	,	1	•	•		
×	The Effect of Change in Associate's															,	•	•
	Equity		ş	•	٠	3	r	•.	•		•	•	•	•	•	ş :		•
₩			1	ř	,	,	•	,	•	•	+	•	•	i	•			•
~ ?>			e	,	*	1	í		•	4	•	•	•	1	٠	•		•
12.2			ę	f	.;	•	•	•	•	+	+	1	•	1	•	*		. :
<b>XX</b>	Share (ssue Pramium)		ì	*	*	F.	<b>3</b> .	t	•	*	•	•	ł	i-	•	r	Б	
×	Share Cancellation Profils		•	Ÿ	٤	ŧ	•	•	•	•	•	•	•	٠	٠.	•	•	•
×	Inflation Adjustment to Paid-un Capatal		ż	*	,	• 4	•	•	•	•	P	•	•	4	•	,	•	* #
XVI,			•	ţ	£	-1	4	•	•	(268)	*	3.610	,	6,318	•	+	*	200 m
XVIII	Period Nat Income/Loss!			•	*	¥	•	4	•	•	302,863	•	•	\$	ŧ	ė	ě.	302.003
XVIRE			•	٠	÷	•	13,836	f	213,354	,	(252,631)	(7,963)	•	•	ŧ	f	*	2000
(B)			۴	•	•	•	•	•	•	•	٠	(34.30)	•	,	,	4	•	(~&.e.m)
28.5	Transfers To Regerves		5	·	5	+	13,030	t	213,354	†	. 1	(226,394)	1	•	•	f	•	•
80	~	:	í	•	+	•			- f	*	(282,631)	252.631	*	*	***************************************	*	-	
Name of Street	3																	
	((*ij+lij+*XVI+XVII+XVIII)		900,000	•	•	1	84.774	•	611,757	1.127	302.863	3,630	10,691	189,092	•		•	2,103,914
B0000000	The state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the s	STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK STOCK	***************************************	CONTRACTOR OF STREET	The second second second	The second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second secon				CONCRETE THE PROPERTY OF THE PERSON NAMED IN COLUMN TWO					COLUMN	The second second	CONTRACTOR OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE PARTY OF THE	

The accompanying explanations and notes are an integral part of these financial statements,

# STATEMENT OF CASH FLOWS

			THOUSAND T	URKISH LIRA
			CURRENT	PRIOR
]		Notes	PERIOD	PERIOD
	STATEMENT OF CASH FLOWS	(Section Five-	(01/01/2015-	(01/01/2014-
<b></b>	STATESTED TO STATE AND STATES		31/12/2015)	31/12/2014}
A.	CASH FLOWS FROM BANKING OPERATIONS			
1,1	Operating Profit Before Changes in Operating Assets And Liabilities		848.529	659.665
1.1.1	Profit Share Income Received		1.728.917	1.266.709
1.1.2	Profit Share Expense Paid		(1.013.622)	(783,408)
1.1.3	Dividend Received		10	180
1.1.4 1.1.5	Fees and Commissions Received Other Income		187.628	273.494
1.1.6	Collections from Previously Written Off Loans	1/1 = 6-91	107.179	70.248
1.1.7	Payments to Personnel and Service Suppliers	(V-1-5,h2)	118.799	43.332
1.1.8	Taxes Paid	i l	(354.129)	(281.884)
1.1.9	Others	[V-VI-3]	(104,771) 178,518	(90,842) 161.636
		(4-31-4)	178.510	101.034
1,2	Changes In Operating Assets And Liabilities		141.093	(987,442)
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets		(16.672)	(820)
1.2.2 1.2.3	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss Net (Increase) Decrease in Due From Banks and Other Financial Institutions	[	*****	*
1.2.4	Net (Increase) Decrease in Loans		(699,078)	(742.965)
1.2.5	Net (Increase) Decrease in Other Assets	ĺ	(3.105,308)	(4.151,863)
1.2.6	Net Increase (Decrease) in Funds Collected From Banks		(155,456) 103,435	(13.757) 32.263
1.2.7	Net Increase (Decrease) in Other Funds Collected	ļ	3,108,520	3,795.726
1.2.8	Net Increase (Decrease) in Funds Borrowed		716,415	5.233
1.2.9	Net Increase (Decrease) in Payables			2
1.2.10	Net Increase (Decrease) in Other Liabilities	(V-VI-3)	191.237	68.741
I.	Net Cash Flow From Banking Operations		989.622	(327.777)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
H.	Net cash flow from investing activities		(381.782)	(409.049)
2.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and			
~ ~	Subsidiaries		(10.000)	(5.000)
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		l	
2.3	Fixed Assets Purchases	[	# h	
2.4	Fixed Assets Sales		(68.547)	(72,082)
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		43.773 (611.211)	28.893 (376.923)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale	] !	179.188	(3/0.523)
2.7	Cash Paid for Purchase of Investment Securities	(V-I-6)	(391,427)	(350.000)
2.8	Cash Obtained from Sale of Investment Securities	(V-I-6)	476,442	366,063
2.9	Other		- 1	*
C.	CASH FLOWS FROM FINANCING ACTIVITIES		***************************************	
lii.	Net Cash Flow From Financing Activities		1.167.349	1.055.298
3.1	Cash Obtained from Funds Borrowed and Securities Issued		6.263.893	5.131,196
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(5.062.344)	(4,044,398)
3.3	Issued Capital Instruments		(3.002344)	(4.084.030)
3.4	Dividends Paid		(34.200)	(31,500)
3,5	Payments for Finance Leases		(1.1.200)	(2.1230)
3.6	Other		• [	
V.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(V-VI-3)	124.317	58.299
<b>/</b> .	Not (Decrease) Increase in Cash and Cash Equivalents	İ	1.899.506	376.771
/I.	Cash and Cash Equivalents at the Beginning of the Period	(V-VI-i)	1.908.548	1.531.777
/II.	Cash and Cash Equivalents at the End of the Period	(V-VI-II)	3.808.054	1.908,548
·				4.040,040 [

# STATEMENT OF PROFIT APPROPRIATION

	THOUSAND Y	PRIOR
STATEMENT OF PROFIT APPROPRIATION	PERIOD (1) (31/1/2/2015)	PERIOD (31/12/2014)
I. Distribution of current year income		
i.t. Current year Income (****)	380.388	333.518
1.2, Taxes and duties payable (-)	73.915	72.921
1.2.1. Corporate tax (Income tax)	78,166	73.282
1.2.2. Income withholding tax	(4.004)	(361
1.2.3. Other taxes and logal liabilities (**)	(4.251)	
4. Net income for the year (1.1-1.2)	306.473	<b>2</b> 60,594
1,3. Prior year tosses (-)		13.030
1.4. First legal reserves (-)		10.00
I,S. Other statutory reserves (-)		j
5. Distributable net period income [(A-(1,3+1,4+1,5)] (*)	~	247.56
1.6. First dividend to shareholders (-)	*	34,20
1.6.1. To owners of ordinary shares	1	34.20
1.6.2. To owners of preferred shares	*	
1.6.3. To owners of preferred shares (Preemptive rights)	1 .	1
1.6.4. To Profit sharing bonds	1	
1.6.5. To owners of the profit floss sharing certificates		
1.7. Dividend to personnel (-)		
1,8. Dividend to board of directors (-)		
1.9. Second dividend to shareholders (-)		
1,9,1. To owners of ordinary shares		
1.9.2. To owners of preferred shares		
1.9.3. To owners of preferred shares (Preemptive rights)		i
1.9.4. To profit sharing bonds		
1.9.5. To owners of the profit /loss sharing Certificates	-	1
1.10. Second legal reserve (-)		
1.11. Status reserves (-)		213.36
1.12. Extraordinary reserves	*	
1.13. Other reserves		
1,14. Special funds		
II. Distribution from reserves		
2.1. Distributed reserves	*	
2.2. Second legal reserves (-)		
2.3. Share to shareholders (-)	-	
2.3.1. To owners of ordinary shares	_	***
2.3.2. To owners of preferred shares 2.3.3. To owners of preferred shares (Preemptive rights)		******
2.3.4. To profit sharing bonds	-	
2.3.5. To owners of the profit floss sharing certificates	-	
2.4. Share to personnel (-)		ļ
2.5. Share to board of directors (-)		
III, Earnings per share		-
3.1. To owners of ordinary shares (***)(Full TL)	0,341	0,29
3.2. To owners of ordinary shares (%)	34,1	1 %
3.3. To owners of preferred shares	•	i
3.4. To owners of preferred shares (%)	-	<u> </u>
IV. Dividend per share		
4.1. To owners of ordinary shares (Full TL)		0,03
4.2. To owners of ordinary shares (%)		
4.3. To owners of preferred shares		1
4.4. To owners of preferred shares (%)		

The accompanying explanations and notes are an integral part of these financial statements.

 <sup>(\*)</sup> General Assembly of the Bank is the authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of the preparation of those financial statements.
 (\*) Deferred tax income is presented in "other taxes and legal liabilities" line, Deferred tax income is not subject to profit distribution, thus it is classified under extraordinary reserves.
 (\*\*) Calculated by using the number of share certificates as of year-end
 (\*\*\*) Current year income includes previous year's profit and current year profit.

#### ALBARAKA TÜRK KATILIM BANKASI A.S.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### Section three

#### Accounting policies

- I. Explanations on basis of presentation:
  - a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities and revalued real estates carried at fair value.

# b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2014. The aforementioned accounting policies and valuation principles are explained in Notes II to XXII below.

TAS/TFRS changes which are effective from January 1, 2015 do not have a significant effect on the Bank's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective do not have a significant effect on the Bank's accounting policies, financial position or performance.

The effects of changes in TAS and TFRS standards, except from TFRS 9 "Financial Instruments" (version 2011) and TAS 27 "Separate Financial Statements", which have been published as of reporting date but has not been implemented yet, will have no significant impact on the accounting policies, financial condition and performance of the Bank. The Bank assesses the impact of TFRS 9 Financial Instruments standard. TFRS 9 will have an effect on the classification and measurement of financial statements. However, as the impact of adoption depends on the assets held by the Bank at the date of adoption itself, potential effect has not been quantified yet. The change in TAS 27 "Separate Financial Statements", which will be effective starting from January 1, 2016, will enable Bank to recognize investments in associates, joint ventures and subsidiaries using equity method in separate financial statements as specified in TAS 28. The Bank will not use the related method in unconsolidated financial statements.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### I. Explanations on basis of presentation (continued):

"Communique related to Changes in Communique on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communique related to Changes in Communique on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communique has been changed as December 31, 2014 which is planned to be applied after 31 December 2017.) "Financial Instruments" before January 1, 2018. Since the Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communique on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The preparation of the unconsolidated financial statements according to TAS and BRSA Reporting and Accounting Legislation requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

#### Restatement of the financial statements according to the current purchasing power of money:

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

# II. Explanations on strategy of using financial instruments and foreign currency transactions:

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency non-performing loans which were funded from these accounts is evaluated at current foreign exchange rates. The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### II. Explanations on strategy of using financial instruments and foreign currency transactions (continued):

Since the Bank provides full specific provision (except foreign branch) for the Bank's portion of risk of foreign currency non-performing loans and receivables funded from profit sharing accounts and for the risk of foreign currency non-performing loans and receivables funded by equity, such loans and receivables are translated to Turkish Lira at the current exchange rates instead of exchange rates prevailing at the date of transfer of the balances to non-performing portfolio. Such implementation does not have a positive or negative impact on trading income/loss of the Bank.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

#### III. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Bank consist of forward foreign currency and swap agreements. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The Bank's derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

#### IV. Explanations on profit share income and expenses:

Profit share income

Profit share income is accounted in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### IV. Explanations on profit share income and expenses (continued):

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

#### Profit share expense

The Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

#### V. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/ paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account 'Unearned Revenues' and included in 'Miscellaneous Payables' in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related cash and non-cash loans commissions directly as income.

#### VI. Explanations on financial assets:

The Bank categorizes and records its financial assets as 'Financial Assets at Fair Value through Profit and Loss, 'Financial Assets Available for Sale', 'Loans and Receivables' or 'Financial Assets Held to Maturity'. Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management taking into consideration the purpose of the investment.

#### Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss has two sub categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of December 31, 2015, the Bank has no financial assets classified as financial assets at fair value through profit or loss except for trading financial assets. (December 31, 2014; None)

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### VI. Explanations on financial assets (continued):

#### Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

#### Loans and receivables:

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

#### Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under 'Loans and receivables' with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

#### VII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as 'Provision for Loan Losses and Other Receivables' in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

#### VIII. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in available for sale and subordinated loan accounts.

# IX. Explanations on sale and repurchase agreements and lending of securities:

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available-for-sale" and "held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Bank has no securities lending transactions.

# X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discounted operations to tangible assets.

#### ALBARAKA TÜRK KATILIM BANKASI A.S.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

# X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets (continued):

A discontinued operation is a part of the Bank's business which has been disposed of or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has no discontinued operations.

#### XI. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights. The Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

#### XII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for immovables in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2015, the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve in accordance with TAS 16.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### XII. Explanations on tangible assets (continued):

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	%
Buildings Motor vehicles Furniture, fixture and office equipment Safe-deposit boxes Operational lease improvement costs (Leasehold improvements)	2 20 - 25 4 - 33 2 - 20 Leasing period - 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

#### XIII. Explanations on leasing transactions:

#### Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

#### Transactions as a lessor

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

#### ALBARAKA TÜRK KATILIM BANKASI A.S.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### XIV. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

#### XV. Explanations on liabilities regarding employee rights:

#### Defined benefit plans:

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income.

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members

As of December 31, 2015, actuarial loss amounts to TL 6.896. (December 31, 2014: TL 6.538 actuarial loss).

#### ii) Defined contribution plans:

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

#### iii) Short term benefits to employees:

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### XVI. Explanations on taxation:

#### Current tax:

The Bank is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%.

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using the corporate rate of 20% which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

75% of the profits generated from the sale of properties and share certificates of which the Bank held possession for two years or more, are exempt from corporate tax if added to the capital or accounted under shareholders' equity as a special fund for 5 years according to the Corporate Tax Law.

Income generated by the transfer of properties, share certificates of subsidiaries, founders' shares, preferred shares and preemptive rights owned by corporations under legal follow-up together with their guarantors and mortgagers, which are transferred to banks due to their debts and used for winding up the debts is exempt from corporation tax. Additionally, 75% of the profit generated by sales of above mentioned instruments is also exempt from corporation tax.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specifiv review. The relevant documents and calculations have been requested from the Bank. As of report date, there is no information or written report transmitted to the Bank.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### XVI. Explanations on taxation (continued):

#### Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

#### Transfer pricing:

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

#### XVII. Additional explanations on borrowings:

The Bank records borrowings in accordance with TAS 39 'Financial Instruments: Recognition and Measurement'. Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Bank. The Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka Sukuk Limited.

The Bank has subordinated loan borrowed through sukuk issuance which has convertible nature to the shares.

#### XVIII. Explanations on issued share certificates:

None.

#### XIX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

#### XX. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Bank.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### XXI. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note XIV.

#### XXII. Explanations on Classifications:

In order to provide comparability with the financial statements dated December 31, 2015, some classifications are made in statement of cash flows dated December 31, 2014.

#### XXIII. Explanations on other matters:

None.

#### XXIV. Additional paragraph for convenience translation:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### Section four

# Information on financial structure and risk management

#### Explanations on capital adequacy standard ratio:

Capital adequacy ratio calculations are made in accordance with "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" (Regulation) published in the Official Gazette numbered 28337 dated June 28, 2012 starting from July 1, 2012. As of December 31, 2015, the Bank's unconsolidated capital adequacy ratio calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" is 15,27% (December 31, 2014: 14,15%).

# a) Risk measurement methods used in the calculation of capital adequacy standard ratio:

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", published in the Official Gazette numbered 28337 dated June 28, 2012, "Regulation on Credit Risk Mitigation Techniques" published in the Official Gazette numbered 29111 dated September 6, 2014 and the "Regulation on the Equity of Banks" published in the Official Gazette numbered 28756 dated September 5, 2013.

In the calculation of capital adequacy ratio the Bank applies standard method for market risk, basic indicator method for operational risk and standard method for credit risk.

In the calculation of capital adequacy ratio, the data composed from accounting records prepared in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation.

The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency – Thousand Turkish Lira)

#### I. Explanations on capital adequacy standard ratio (continued):

#### b) Information on capital adequacy standard ratio:

		**************************************			Bank			/ <del></del>	
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Value at Credit Risk	5.691,248		3.102.140	4.780.174	3.362.048	13.222.520	131.004	93.528	T
Risk Categories							<u> </u>		1
Receivables from central					•	ĺ			ĺ
governments or central banks	4.956.070	*	-	149.375	_	543			.
Receivables from regional or local									1
Governments	- 1	-	13.316	۳.		,			
Receivables from administrative units						ĺ	İ		
and non-commercial enterprises	-	-	-	-	-	1.481	-		-
Receivables from multilateral							]		ļ
development banks	62	•	-		-	_			-
Receivables from international	l								İ
organizations		-	-	-		~	~	-	
Receivables from banks and									
brokerage houses	-	*	2,188.942	222,727	<b>.</b> ,	223.489	-		
Receivables from corporates	186.821	*	448,051	60.196		12.225,469	_	,	
Retail receivables	100.316	-	36.653	5.483	3.362.048	÷	-	•.	<b>.</b>
Receivables secured by mortgages									
on property	-		a-	4.342.393	·	5.698	•	_	
Past due receivables	-	-[	₩.	-	~	51,199	98.913		
Receivables defined in high risk	ŀ	Ī	l						
category by BRSA	2.266		884	,		14	32.091	93.528	-
Securities collateralized by		1	ŀ	J					
mortgages	-	-[	<u></u>	-	<b>~</b> [	-	- 1		_
Securitization positions		آنہ آ	-	- [	2			. j	
Short-term receivables from banks,	-	l	į	l		İ	ļ	Ī	
brokerage houses and corporates	-		-1		- 1	- İ	- 1	.	#
Investments similar to collective	i			1	İ				
investment funds		-	-1	-1	**		_ ]	.	
Other receivables	445.713	-	414.294			714.629	. 1	. !	- 1

#### c) Summary information related to capital adequacy standard ratio:

	Current Period	Prior Period(*)
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	1.531.051	1.167.538
Capital Requirement for Market Risk (MRCR)	8.235	13.258
Capital Requirement for Operational Risk (ORCR)	114,795	95,440
Shareholders' Equity	3.157.310	2,256,680
Shareholders' Equity/((CRCR+MRCR+ORCR)*12.5*100)	%15,27	%14.15
Core Capital/(( CRCR+MRCR+ORCR) *12,5)*100	%9.80	%10.80
Tier I Capital/(( CRCR+MRCR+ORCR) *12,5)*100	%9,92	%10,92

<sup>(\*)</sup> Equity calculation has changed as per the "Regulation on Equities of Banks" applicable as of January 1, 2015, figures belonging to prior period are calculated as per former regulation.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### I. Explanations on capital adequacy standard ratio (continued):

#### c) Details of shareholders' equity accounts:

Current period equity amount is calculated as per "Regulation on Equities of Banks" applicable as of January 1, 2015 published in Official gazette dated September 5, 2013 numbered 28756.

Paid-in Capital to be Entitled for Compensation after All Creditors Share Premium Share Cancellation Profits Reserves Other Comprehensive Income according to TAS Profit Current Period Profit Prior Period Profit Prior Period Profit Current Period Profit Prior Period Profit Sonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Tier Lapital before deductions Deductions from Her Lapital Losses Deductions from Her Lapital Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (1) Losses and Improvements on Operational Leases (-) Lasseshold Improvements on Operational Leases (-) Shares Obtained against Article 56, Peragraph 4 of the Banking Law (-) Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Shares Obtained against Article 56, Peragraph 4 of the Banking Law (-) Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Crotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% of sess of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Iter I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assests from Temporary Differences Exceeding the 10% Threshold of Iter I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assests from Temporary Differences (-) Differ items to be Defined by the BRSA (-) Under Items to be Defined by the BRSA (-) Differ items to be Defined by the BRSA (-) Differ items to be Defined by the BRSA (-) Differ items to the Defined by the BRSA (-) Differ items to the Defined by the BRSA (-) Total deductions from Ter I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assests from Temporary Differences (-) Diffe		December 31, 2015
Paid-in Capital to be Entitled for Compensation after All Creditors Share Premium Share Cancellation Profits Reserves Other Comprehensive Income according to TAS Profit Ournet Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Ournet Period Profit Prior Period Profit Prior Period Profit Ournet Period Profit Prior Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Period Profit Ournet Ournet Ournet Period Profit Ournet Ournet Ournet Period Profit Ournet Ournet Ournet Period Profit Ournet Ournet Ournet Period Profit Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet Ournet	Tier I capital	
Reserves Other Comprehensive Income according to TAS  Current Period Profit  Current Period Profit  Central Reserves for Possible Losses Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit  Ter I capital before deductions Deductions from tier I capital Current and Profit Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (1) Leasehold Improvements on Operational Leases (-) Cocodwill and Other Intanglise Assets and Related Deferred Taxes (-) Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-) Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Whot Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Annount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Downs 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Whot tages Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Deductions from Tier I Capital in Capital and the R	Share Premium	900.000
Other Comprehensive Income according to TAS  Current Period Profit  Current Period Profit  Current Period Profit  General Reserves for Possible Losses  Sonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit  Fier I capital before deductions  Deductions from Ifer I capital  Current and Phor Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)  Leasehold Improvements on Operational Leases (-)  Schodwill and Other Intangible Assets and Related Deferred Taxes (-)  Net Deferred Tax Asset/Liability (-)  Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)  Direct and Indirect Investments of the Bank on its own Tier I Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)  Nortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)  Mortgage Servicing Rights exceeding the 10% Threshold of Tier I Capital (-)  Mortgage Servicing Rights is not deducted (-)  Excess Amount arising from Deferred Tax Assests from Temporary Differences (-)  Mortgage Servicing Rights in the Macquacy Ratios of Banks (-)  The Perton of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights in deducted (-)  Excess Amount arising from Deferred Tax Assests from Temporary Differences (-)  Deductions from Tier I Capital (-)  Total deductions from the Teapital (-)  Total device or capital Profit of the Period (-)  Profit of the Long Position of the Direct or Indirect Investments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1,1,2014)  Additional core capital Profit	Share Cancellation Profits	
Current Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Profit Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Period Prior Per	Reserves	
Current Period Profit Prior Period Profit Prior Period Profit General Reserves for Possible Losses Sonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Fer I capital before deductions Deductions from Ifer I capital Current and Prior Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) Leasehold Improvements on Operational Leases (-) Sodowill and Other Intangible Assets and Related Deferred Taxes (-) Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-) Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights in Interest of the Stare Capital Exceeding the 10% Threshold of Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Institutions where the Bank Owns 10% or more of the Issued Share Capital Individual or Interest Institutions where the Bank Owns 10% or more of the Issued Share Capital Individual or Interest Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Unter items to be Defined by the BRSA (-) Dither items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capital 5.  2.58.442 2.050.877 Additional Core capital Preferred Stock not Included in Tier I Capital in cases where the Bank Owns more than 10% of the Issued Share Ded	Other Comprehensive Income according to TAS	
Prior Period Profit General Reserves for Possible Losses Sonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Fier Lapital before deductions Deductions from fier Lapital Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (*) Leasehold Improvements on Operational Leases (*) Goodwill and Other Intangible Assets and Related Deferred Taxes (*) Leasehold Improvements on Operational Leases (*) Goodwill and Other Intangible Assets and Related Deferred Taxes (*) Not Deferred Tax Asset/Liability (*) Shares Obtained against Article 56, Paragraph 4 of the Banking Law (*) Direct and Indirect Investments of the Bank on its own Tier I Capital (*) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (*) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (*) Wortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Wortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Mortgage Servicing Rights not deducted (*) Excess Amount arising Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (*)  Mortgage Servicing Rights not deducted (*) Excess Amount arising from Deferred Tax Assets from Temporary Differences (*)  Ditter items to be Defined by the BRSA (*) Deductions from Tier I Capital In cases where there are no adequate Additional Tier I or Tier II Capitals (*)  Total deductions from defit I capital Incases where there are no adequate Additional Tier I or Tier II Capital (*)  Total deductions from additional C	Profit	
General Reserves for Possible Losses  Sonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit  Fier I capital before deductions  Deductions from fier I capital  Current and Prior Period's Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)  Leasehold Improvements on Operational Leases (-)  Sodwill and Other Intangible Assets and Related Deferred Taxes (-)  Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)  Direct and Indirect Investments of the Bank on its own Tier I Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)  Annount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights not deducted (-)  Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other Items to be Defined by the BRSA (-)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)  Jobbt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Jobbt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained Banks and Financial		
Sonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit Fier Lapital before deductions  2.109.5ft Soductions from fier I capital Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) Leasehold Improvements on Operational Leases (-) Goodwill and Other Intangible Assets and Related Deferred Taxes (-) Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-) Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Folar of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights in Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from tier I capital  Total deductions from tier I capital  Total deductions from tier I capital  Total defendance on the Investments in Equity Items of Unconsolidated Banks and Financial Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 11.2014) Debt Instruments and the Related Issuance Premiums Defined by the	. 1.4.1 4	
Deductions from fier I capital Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) Leasehold Improvements on Operational Leases (-) Shares Obtained against Article 56, Paregraph 4 of the Banking Law (-) Shares Obtained against Article 56, Paregraph 4 of the Banking Law (-) Shares Obtained against Article 56, Paregraph 4 of the Banking Law (-) Shares Obtained against Article 56, Paregraph 4 of the Banking Law (-) Shares Obtained against Article 56, Paregraph 4 of the Banking Law (-) Shares Obtained against Article 56, Paregraph 4 of the Banking Law (-) Shares Obtained against Article 56, Paregraph 4 of the Banking Law (-) Shares Obtained against Article 56, Paregraph 4 of the Banking Law (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Wortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Wortgage Servicing Rights Preshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ralios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Deductions from Tier I Capital (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capital (-) Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Lon	General Reserves for Possible Losses	<b>ಧ</b> ರ
Deductions from tier I capital Current and Prior Periods* Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (*) Leasehold Improvements on Operational Leases (*) Goodwill and Other Intangible Assets and Related Deferred Taxes (*) Not Deferred Tax Asset/Liability (*) Not Deferred Tax Asset/Liability (*) Direct and Indirect Investments of the Bank on its own Tier I Capital (*) Direct and Indirect Investments of the Bank on its own Tier I Capital (*) Direct and Indirect Investments of the Bank on its own Tier I Capital (*) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (*) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) The Portton of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (*) Mortgage Servicing Rights not deducted (*) Excess Amount arising from Deferred Tax Assets from Temporary Differences (*) Deductions from Tier I Capital (*) Total deductions from Tier I Capital (*) Total deductions from Tier I Capital (*) Total deductions from Tier I Capital (*) Total deductions from additional core capital Direct and Indirect Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital (*) Total of Net Long Posi	Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period 8 Profit	2 400 646
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) Leasehold Improvements on Operational Leases (-) Sodowill and Other Intangible Assets and Related Deferred Taxes (-) Not Deferred Tax Asset/Liability (-) Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-) Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Total of Net Long Positions of the investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Anount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Dither items to be Defined by the BRSA (-) Deductions from Tier I Capital (-) Total deductions from Tier I Capital and the Related Share Premiums Debut Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Additional core capital before deductions Deductions from additional core capital 1 Direct and Indirect Investments of the Investments in Equity Items of Unconsolidated Banks and Financial Ins	Tier I capital before deductions	# 102012
to TAS (*) Leasehold Improvements on Operational Leases (*) Goodwill and Other Intangible Assets and Related Deferred Taxes (*) Net Deferred Tax Asset/Liability (*) Net Deferred Tax Asset/Liability (*) Net Deferred Tax Asset/Liability (*) Total of Net Long Positions of the Bank on its own Tier I Capital (*) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (*) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (*) Wortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Wortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) Wortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (*) The Portton of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (*) Mortgage Servicing Rights not deducted (*) Excess Amount arising from Deferred Tax Assets from Temporary Differences (*) Other items to be Defined by the BRSA (*) Deductions from Tier I Capital (*) Poetuctions from Tier I Capital (*) Poetuctions from tier I capital Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Additional core capital Preferred Stock not Included in Tier I Capital in Sound Additional Core Capital (*) Total deductions from additional core capital Direct and Indirect Investments of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capita	Deductions from tier I capital	
Leasehold Improvements on Operational Leases (-)  Goodwill and Other Intangible Assets and Related Deferred Taxes (-)  Not Deferred Tax Asset/Liability (-)  Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)  Direct and Indirect Investments of the Bank on its own Tier I Capital (-)  Total of Net Long Positions of the investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)  Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)  Anount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights not deducted (-)  Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other items to be Defined by the BRSA (-)  Total deductions from Tier I Capital in cases where there are no adequate Additional Tier t or Tier II Capital (-)  Total deductions from Tier I Capital and the Related Share Premiums  Deductions from Tier I Capital (-)  Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding th		5 517
Soodwill and Other Intangible Assats and Related Deferred Taxes (-)  Not Deferred Tax Assat/Liability (-)  Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)  Direct and Indirect Investments of the Bank on its own Tier I Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)  Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)  Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)  Amount Exceeding the 16% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights not deducted (-)  Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other Liertens to be Defined by the BRSA (-)  Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)  Total deductions from the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1, 1, 2014)  Additional core capital before deductions  Deductions from additional core capital  Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions whe		
Not Deferred Tax Asself-Lability (-) Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-) Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Total of Net Long Positions of the investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Babove Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Babove Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Deductions from Tier I Capital in Casses where there are no adequate Additional Tier I or Tier If Capitals (-) Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1,1,2014) Additional core capital Preferred Stock not Included in Tier I Capital in Stotal Order and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Instit	Leasenton improvements on operational Leases (*)	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-) Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Dither items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks a		10,7,72
Direct and Indirect Investments of the Bank on its own Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Annount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from tier I capital  2.050.877  Additional core capital Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Additional core capital Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional Core capital before deductions Deductions from additional core capital Direct and indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Position of the Direct or Indirect Investments in	NOT DETECTED 18X NESSELTABLING (*)  Change Obtained Institute Acticle SC Paragraph 4 of the Ranking Law (-)	4
Total of Net Long Positions of the investments in Equity Items of Unconsolidated Banks and Financial institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Note Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Fotal deductions from Tier I Capital in Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and indirect Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	Singles Obtained against Andre 50, a argument of the Gardinet Canifel (-)	_
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital Institutions where the Sank Owns 10% or Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from additional core capital Presidence Stock not Included in Tier I Capital and the Related Share Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutio	Total of Nat Long Positions of the investments in Equity Items of Unconsolidated Banks and Financial	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in Casses where there are no adequate Additional Tier I or Tier If Capitals (-) Total deductions from tier I capital  Total tier I capital  Additional core capital Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1,1,2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1,1,2014) Additional core capital before deductions Preferred Stock not Included in Tier I capital (-) Total of Net Long Positions of the Direct or Indirect Investments in Additional Tier I Capital of Direct and Indirect	Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)  Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)  Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights not deducted (-)  Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other items to be Defined by the BRSA (-)  Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)  Total deductions from the Plated Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital (-)  Total of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of th		
institutions where the Bank Cwns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Mort Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from tier I capital  Teterred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Debt Internal Deferences Capital in cases where there are no adequate Tier II Capital (-) Debt In	Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other Items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from tier I capital  Total deductions from tier I capital  Total tier I capital  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deduc	Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portton of Not Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from tier I capital  Sa.642 Total deductions from tier I capital  Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Deconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other Items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital	above Tier I Capital (-)	
Not Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights not deducted (-)  Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other items to be Defined by the BRSA (-)  Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)  Total deductions from tier I capital  Se.642  Z.050.877  Additional core capital  Preferred Stock not Included in Tier I Capital and the Related Share Premiums  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)  Dabt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Additional core capital before deductions  Deductions from additional core capital  Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)  Colher items to be Defined by the BRSA (-)  Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)  Total deductions from additional core capital	Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	•
Amount Exceeding the 16% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)  Total deductions from tier I capital and the Related Share Premiums Debt instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions whe	Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	
Measurement and Assessment of Capital Adequacy Ratios of Banks (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier If Capitals (-) Total deductions from tier I capital Total deductions from tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Dinconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) D	(·)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights not deducted (-)  Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other items to be Defined by the BRSA (-)  Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)  Total deductions from tier I capital  58.642  2.050.877  Additional core capital  Preferred Stock not Included in Tier I Capital and the Related Share Premiums  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Additional core capital before deductions  Deductions from additional core capital  Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)  Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)  Other items to be Defined by the BRSA (-)  Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)  Fotal deductions from additional core capital	Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on	
Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)  Mortgage Servicing Rights not deducted (-)  Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other items to be Defined by the BRSA (-)  Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)  Total deductions from tier I capital  58,642  Total tier I capital  70	Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	*
from Tier I Capital (-) Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from tier I capital  758.642 Total tier I capital  758.643 Additional core capital Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital	The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and	
Mortgage Servicing Rights not deducted (-) Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from tier I capital  58.642 Total tier I capital  7.050.877  Additional core capital Preferred Stock not included in Tier I Capital and the Related Share Premiums Debt instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued or Obtained BRSA (Issued BRSA (Issued or O		
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)  Other items to be Defined by the BRSA (-)  Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)  Total deductions from tier I capital  Total deductions from tier I capital  Preferred Stock not Included in Tier I Capital and the Related Share Premiums  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Additional core capital before deductions  Deductions from additional core capital  Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)  Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)  Other items to be Defined by the BRSA (-)  Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)  Total deductions from additional core capital		
Other items to be Defined by the BRSA (-) Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-) Total deductions from tier I capital Total tier I capital  Additional core capital Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Differ items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital	Mortgage Servicing Rights not deducted (-)	<u>-</u>
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals [-]  Total deductions from tier I capital 58.642  Total tier I capital 2.050.877  Additional core capital  Preferred Stock not included in Tier I Capital and the Related Share Premiums  Debt instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)  Additional core capital before deductions  Deductions from additional core capital  Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)  Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)  Other items to be Defined by the BRSA (-)  Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)  Total deductions from additional core capital		-
Fotal deductions from tier I capital  Fotal tier I capital  Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) Fine Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Fotal deductions from additional core capital	Other items to be beliefed by the broad (-)	_
Total tier I capital  Additional core capital  Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Folal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Fotal deductions from additional core capital		58 642
Additional core capital Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Dither items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Fotal deductions from additional core capital		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Subove Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Dither items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Fotal deductions from additional core capital		
1.1.2014) Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Sabove Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Dither items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Fotal deductions from additional core capital	Preferred Stock not included at their Lodgier and the Related Share Creminals	_
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Dither items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital		4
Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital	Dight Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before	
Additional core capital before deductions Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Sabove Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other Items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital		**
Deductions from additional core capital Direct and Indirect Investments of the Bank on its own Additional Core Capital (-) Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other Items to be Defined by the BRSA (-) Ceductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Fotal deductions from additional core capital		**
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)  Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)  Other items to be Defined by the BRSA (-)  Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)  Total deductions from additional core capital	Deductions from additional core capital	-
Fotal of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Sabove Tier I Capital (-)  The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)  Other items to be Defined by the BRSA (-)  Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)  Total deductions from additional core capital	Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	*
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)  The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)  Other items to be Defined by the BRSA (-)  Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other items to be Defined by the BRSA (-) Ceductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital	Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) Other items to be Defined by the BRSA (-) Ceductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital	above Tier I Capitat (-)	-
Capital (-) Other items to be Defined by the BRSA (-) Oeductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-) Total deductions from additional core capital	The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of	
Other items to be Defined by the BRSA (-)  Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)  Total deductions from additional core capital		
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)  Total deductions from additional core capital	Capital (-)	•
Total deductions from additional core capital	Other items to be Defined by the BRSA (-)	±
Total deductions from additional core capital	Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	***
		*
		*

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# I. Explanations on capital adequacy standard ratio (continued):

Deductions from core capital Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the	25,113
Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	2.025,764
Total core capital	4.00000
Tier II capital  Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	642.166
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	420,300
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	74.040
General Provisions	74.819 1.137.285
Tier II capital before deductions	1,137,260
Deductions from tier II capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	_
above Tier I Capital (-) The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II	
Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued	
Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	_
Other items to be Defined by the BRSA (-)	
Total deductions from tier il capital	*
Total tier il capital	1.137.285
Capital	3.163.049
Loans Granted anglest the Articles 50 and 51 of the Banking Law (-)	•
Not Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the	
Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than	
Five Years (-)	2.459
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated	
ments or trebt instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	+
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital	
Adequacy Ratios of Banks (-)	*
Other items to be Defined by the BRSA (-)	3.280
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	
Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	
Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as	
per the Temporary Article 2, Clause 1 of the Regulation (-)	•
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	
Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10%	
Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier It Capital as per the	_
Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial	_
Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets	
arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as	
per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the	
per tile remporary Andre 2, Clause 2, ranagraph (1) and (2) and remporary range 2	
the man beat one it is	. <del></del>
Regulation (*)	3.157.310
Equity	3,157.310
Equity  Amounts Inwer than excesses as per deduction rules	3.157.310
Equity Amounts lower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	3,157.310
Equity Amounts lower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and	3,157.310
Equity Amounts lower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and	3,157.310
Amounts lower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Equity Amounts lower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and	3,157.310

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### I. Explanations on capital adequacy standard ratio (continued):

	December 31, 2014
Tier I capital	D00 000
Paid-in Capital to be Entitled for Compensation after All Creditors	900,000
Share Premium	_
Share Cancellation Profits	470.137
Reserves	165.427
Other Comprehensive Income according to TAS	260,594
Profit	252.631
Current Period Profit	7,963
Prior Period Profit	88
General Reserves for Possible Losses  Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted In Current Period's Profit	-
	1.798.246
Tier I capital before deductions	2.1 0012 40
Deductions from tier I capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according	5,281
to TAS (-)	43.470
Leasehold Improvements on Operational Leases (-)	5.081
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	3,001
Net Deferred Tax Asset/Liability (-)	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	•
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
above Tier I Capital (-)	•
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-	.) ~
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on	
Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and	
Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from	i
Tier I Capital (-)	nà.
Mortgage Servicing Rights not deducted (-)	~
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	**
Other items to be Defined by the BRSA (-)	۳.
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Total deductions from tier I capital	53.782
Total tier I capital	1.742.464
Additional core capital	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after	
1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before	
1.1.2014)	
Additional core capital before deductions	*
Deductions from additional core capital	46
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
above Tier I Capital (-)	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of	
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share	
Capital (-)	-
Other items to be Defined by the BRSA (·)	
Other items to be Defined by the BRSA (-) Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	
Other items to be Defined by the BRSA (·)	**************************************

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### I. Explanations on capital adequacy standard ratio (continued):

Deductions from core capital Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier   Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios	20.323
of Banks (-)  Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the  Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	20.32.
Total core capital	1,722,141
Tier II capital	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	_
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before	
1.1.2014)	467,000
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	
General Provisions	70.947
Tier il capital before deductions	537.947
Deductions from tier II capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial	
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of	
above Tier I Capital (-)	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II	
Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued	
Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	
Other items to be Defined by the BRSA (-)	_
Total deductions from tier II capital	
	537.947
Total fier II capital	2.260.088
Capital  Loans Granted against the Articles 50 and 51 of the Banking Law (-)	2,200,000
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the	_
Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than	
BSISHIR FAM SHO the Wagets windered address reactions in the rest for the part regards more man	
The Maria (1)	1.408
Five Years (-)  Leans to Could Time with these (demonstrational or Dunlified Shareholders in the form of Subproducted.	1.408
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated	1.408
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	1.408 +
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital	1.408
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)  Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  Other items to be Defined by the BRSA (-)	1.408 + 2.000
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other Items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other Items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other Items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10%	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other Items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	2.000
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other Items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) Equity	*
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  Other items to be Defined by the BRSA (-)  The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)  Equity  Amounts lower than excesses as per deduction rules	2.000
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) Equity Amounts Iower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and	2.000
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) Equity Amounts Iower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	2.000
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) Equity Amounts Iower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and	2.000
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other Items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) Equity Amounts Iower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	2.000
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) Other items to be Defined by the BRSA (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) Equity Amounts Iower than excesses as per deduction rules Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and	2.000

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### I. Explanations on capital adequacy standard ratio (continued):

#### d) Approaches for assessment of adequacy of internal capital requirements for current and future activities:

Charter on Internal Capital Adequacy Policy was prepared in order to define internal capital adequacy evaluation process and capital adequacy policy by the Bank and was approved by the Board of Directors on October 17, 2012. The ultimate aim of such internal capital adequacy policy is to maintain capital adequacy by defining the basic principles that regulate management and implementation of internal capital adequacy, apart from exceptional circumstances.

The Bank within the framework of BRSA regulations and also considering the best practices ensures the management of internal capital adequacy, pursuant to the volume, qualification and complexity of its operations. The methodology for evaluation of internal capital adequacy is considered an ongoing process and the related future studies are planned in this way.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# Explanations on capital adequacy standard ratio (continued):

#### e) Details on Subordinated Liabilities

i issuef	ABT Sukuk Ltd.	Albaraka Sukuk Ltd.
Unique Identifier	XS0927211754	XS1301525207
Governing Law(s) of the Instrument	English Law	English Law
Special Consideration in the Calculation of Equity		
As of January 1, 2015 consideration to be subject to a 10%	Iv	No
reduction application status	Yes	
Eligible at Unconsolidated / Consolidated	Unconsolidated / Consolidated	Unconsolidated / Consolidated
Instrument Type	Sukuk Murabaha	Sukuk Wakala
Amount recognized in regulatory capital (as of most recent reporting date)	TL 420.300	TL 642.166
Par Value of Instrument	576.000 TL	650,880 TL
Accounting Classification	Subordinated Loan	Subordinated Loan
Original date of Issuance	May 7 2013	November 30 2015
Perpetual or dated	Dated	Dated
A	May 7 2023	November 30 2025
Maturity date		Yes
Issuer call subject to prior supervisory (BRSA) approval	Yes	<b>1</b>
Optional call date, contingent call dates and redemption amount	Last Payment Date: 07.05.2018 Total Repayment Amount of Profit Share: USD.77.500.000,- Repayment Period: 6 months Principal Payment: USD 200.000.000	Last Payment Date: 30.11.2020 Total Repayment Amount of Profit Share: USD.131.250.000,- Repayment Period: 6 months Principal Payment: USD 250.000.000
Subsequent call dates		
Profit Share / Dividends		
Fixed or floating profit share / dividend	Fixed	Fixed
Profit share rate and any related index	7,75%	10,50%
Existence of a dividend stopper	•	As per BRSA regulations and Communiqués it is payable
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem		-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or Non-convertible		
If convertible, conversion trigger	•	As per BRSA regulations and Communiqués It is convertible
If convertible, fully or partially	-	As per BRSA'a approval it is convertible fully or partially
If convertible, conversion rate	-	As per BRSA'a approval it is convertible and the rate may be determined.
If convertible, mandatory or optional conversion		Subject to BRSA's approval.
If convertible, specify instrument type convertible into		Share certificate
If convertible, specify issuer of instrument it converts into	7-	2
Write-down feature		
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	۵	
If write down, permanent or temporary		-
If temporary write-down, description of write-up mechanism		<b>.</b>
Position in subordination hierarchy in liquidation (specify	After all creditors and	After all creditors and
instrument type immediately senior to instrument)	participation fund owners	participation fund owners
In compliance with article number 7 and 8 of "Own fund	Yes	No
regulation"		

#### ALBARAKA TÜRK KATILIM BANKASI A.S.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations on credit risk:

1) Credit risk represents the Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors and are signed by the members of Loan Proposal Committee.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Bank, the Bank cannot grant loans above 15% of its equity to a real person or legal entity. (Exception to this decision is subject to the decision of the Board of Directors.) Distributing the risk in a balanced manner to the sectors is observed, therefore in their marketing operations the branches strive for reaching various firms existing in different sectors. As a principle, each branch oversee the balanced distribution of the total risk to the sectors and progress of the firms existing in critical sectors.

The credibility of the debtors of loans and other receivables are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Bank's credit limit renewal procedure. The Bank obtains necessary collaterals for loans and other receivables by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

Loans which are past due up to 90 days as of period ends but not impaired are defined as "Past Due Receivables". "General provision" is set aside for these loans in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

Loans which are past due for more than 90 days as of period ends or assessed as Impaired based on risk assessment made are defined as "Impaired Loans". "Specific provision" is set aside for these in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations on credit risk (continued):

The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk Categories	Current Period Risk Amount	Average Risk Amount
Receivables from central governments or central banks	5.105.988	4,872.394
Receivables from central advertigent on central particular	13.316	50.498
Receivables from regional or local governments	1.481	712
Receivables from administrative units and non-commercial enterprises	62	62
Receivables from multilateral development banks	-	7
Receivables from international organizations	2.635.158	2.150.225
Receivables from banks and brokerage houses	12.920.537	10.830.531
Receivables from corporates		3,177,664
Retail receivables	3,504.500	
Receivables secured by mortgages on property	4.349,089	5.984.167
Past due receivables	150.112	81,951
Receivables defined in high risk category by BRSA	128.783	82,944
Securities collateralized by mortgages	*	-
Securitization positions	at-	-
Short-term receivables from banks, brokerage houses and corporates	•	-
Investments similar to collective investment funds	٠.	-
	1,574,636	1.038.090
Other receivables	-,	
Total	30,382,662	28.289.238

(2) The credit risk undertaken for forwards, options and similar agreements is managed together with the risks arising from market movements.

The risks of forwards, options and similar agreements are followed regularly and the Bank utilizes risk mitigation methods if needed.

(3) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments.

The Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.

(4) The Bank has credit lines in different countries within the scope of its banking activity and due inquires (economic, cyclical,etc.) are carried out during the allocation and revision of such credit lines.

For the banks where correspondent activity and international commodity transactions are intended to be carried out, credit limits are allocated by the related credit committees taking into account the size of the correspondent bank and the size of Bank itself and concentration of risk is avoided. The Bank does not carry any serious risk in this respect.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### Explanations on credit risk (continued): 11.

Share of cash receivables of the Bank from its top 100 and top 200 cash loan customers in total cash loans is 38% (December 31, 2014; 38%) and 46% (December 31, 2014; 47%) respectively.

Share of non- cash receivables of the Bank from its top 100 and top 200 non-cash loan customers in total non-cash toans is 45% (December 31, 2014: 47%) and 56% (December 31, 2014; 59%) respectively.

Share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan and non-cash loan customers in total of balance sheet and off balance sheet commitments is 33% (December 31, 2014: 35%) and 41% (December 31, 2014: 44%) respectively.

The Bank's general provision amount for its credit risk is TL 170.885 (December 31, 2014; TL (6)153.910).

#### Profile on significant risks in significant regions: (7)

urrent Period				4	₽	찬.			<u></u>	<u>16</u>		Total
		*****								·		29,192,046
Domestic 5.7	105.968	13,316	1,481	A.	2.092.510			4,315.649	143.142	128.783	1,551,388	281.322
EU Countries			-	-	194,557	79,585	1.589	5,460	я	-	131	
OECD Countries (**)		-			5.316	*	12			-	•	5.328
Off-shore banking regions		_			11.563	186,013	4,517	11.B83	<b>5</b> .052	•	-	220.028
USA, Cenade	_		_		77,021	9.450	16				*	86,481
Other countries		Ģ.		62	254,191	271,020	3,174	14,097	918		2.002	545,404
Associates, subsidiaries and						25.000					21,115	52.053
jointly controlled entities			~	-	÷.	30,938	•	-	*	_	2 121 14	##.B03
Unaliocated assets/liabilities(*	•		*	-	٠	-	*	-	-	•		•

<sup>(\*)</sup> Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used,

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from the Multilateral Development Banks
- 5- Receivables from banks and brokerage houses
- 6- Receivables from corporates
- 7- Retail receivables
- 8. Receivables secured by mortgages on property
- 9- Past due receivables
- 10- Receivables defined in high risk category by BRSA
- 11- Other Receivables

<sup>)</sup> OECD countries other than EU countries, USA and Canada.

<sup>(\*\*\*)</sup> OECD countries other than EU countries, OECD countries other than EU countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the countries of the

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# Explanations on credit risk (continued);

---

# Risk Profile according to sectors and counterparties:

**************************************					Risk Ca	Risk Categories					***************************************			
Sectors / Counterparties	₩~	C4	673	4	LETS.	60	7	8	en en	30	=	Ή	ដូ	Total
1 Agriculture	*	20	'	ļ ,	*	146.278	32.432	18.441	983	24	30	147,439	56.769	198.208
1.1 Faming and stockbreeding	•	20	,	¥	7	104.929	23.581	13.713	366	ĵ,	28	109,890	33.257	143.147
1.2 Forestry	,	4.	ŧ	r	٠	37,220	7,453	3,880	**	13	2	27.671	21.014	48.685
1.3 Fishery	,	•		ŧ	\$	4.129	1.398	848	•	4~~	1	3.878	2.498	6.376
Ž.	•	- 12.295	!	,	•	6.360.096	1.222.273	981.409	62,682	£ \$\$ \$.	276	5,688,473	2.952.705	8,639,178
2.1 Mining	•	•	1	1	ŧ	120.955	21.624	13.321	655	43.	-	91,268	65.292	156,560
	ŧ	\$2,295	÷	ş	,	5,422,235	1,184,208	946.454	61,962	140	105	5,310,361	2.317.038	7.627.399
2.3 Electricity, gas, water	*	٠	E	í	•	816.906	16,441	21.634	83	ന	170	284.844	570.375	855,219
3 Construction	•	438	١	ì	1.089	3,202,259	431,264	1.833.811	31,845	S.	510	4,254,772	1.246,482	5,501,254
4 Services	5.105.443	23	1	62 2.	633,560	2,856,355	684,575	547.113	48,480	380	1,572,593	5.465.752	6,982,842	13,448.594
4.1 Wholesale and retail trade	,	S	٠		496	1,348,004	453.653	218.319	32.848	291	19	1,585,783	467.870	2.053.653
4.2 Hatel, food and beverage services	•	1	)	٠	i	50.873	37,764	30.404	123	12	40	59,996	59,220	119,216
4.3 Transportation and telecommunication	1	ŧ	ė	ı	•	146,655	56.464	18.119	8.124	చ	G	128,333	101.051	229.384
4.4 Financial institutions	5,105,443	*	7	62 2.	622.538	660,703	18.114	88.897	2.528	٠	1,572,427	4,003,213	6.067,499	10.070.712
	F	•	ŧ		10.526	300.571	43,486	156,583	1.477	53	19	424,802	87.880	512.682
	•	1	•	e	•	272.079	23.070	2.796	2.605	Ç	75	112,805	187,830	300.635
	.•	*	ŧ	,		18.562	5.880	11.107	•	රා	₹-	34.898	099	35.558
4.8 Health and social services	•	1	ŧ	,	•	58.908	46.144	20,888	775	38	m	115,922	10.832	126.754
5 Other	545	240	1.481		509	355.549	1.134.015	967,315	6.122	128,124	1.227	2.502.064	93,364	2.595.428
6 Total	5,105,988 13,316	13,316	1.481	62 2.	635.158	12,920,537	3.504.500	4.348.089	150,112	128,783	1.574.636	19.050.500	11.332.162	30.382,662

Receivables from central governments or central banks
 Receivables from regional or local governments
 Receivables from administrative units and non-commercial enterprises
 Receivables from the Multilateral Development Bank
 Receivables from banks and brokerage houses.
 Receivables from corporates
 Receivables

<sup>8-</sup> Receivables secured by mortgages on property 9- Past due receivables 10- Receivables defined in high risk category by BRSA

<sup>11-</sup>Other Receivables

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations on credit risk (continued):

# Distribution of risks with term structure according to remaining maturities:

·····	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~			Ti	me to Maturity	
	Risk Categories	1 month	1–3 months	3-6 months	6-12 months	t year and over
1	Receivables from central governments or central		865.667		503,208	886.805
	banks	*	260.034	•		D120.000
2	Receivables from regional or local governments	•	12.062	*	711	•
3	Receivables from administrative units and non-					
~	commercial enterprises	•	*	-	•	-
4	Receivables from multilateral development banks	*	*		~	+
5	Receivables from international organizations	2-	-		*	H A Marrie
6	Receivables from banks and brokerage houses	19,378	585.840	6,410	1,566	497
7	Receivables from corporates	470.834	1.021.207	1,211,714	2.195.607	6.231.830
í n	Retail receivables	171.162	209.382	349,635	671.198	1.826.783
Ö	Receivables secured by mongages on property	99.316	144,930	256,214	700.089	2.878.656
9		197	2.002	9.211	4.280	11.821
10	Past due receivables			*	42,474	86.309
11	Receivables defined in high risk category by BRSA	-			•	
12	Securities collateralized by mortgages	-	=			
13	Short-term receivables from banks, brokerage					
	houses and corporates	-	-	-		
14	Investments similar to collective investment funds	40	39		7.4	
15	Other receivables	18_		4 444 444		11.922.701
	TOTAL.	760,905	2.235.496	1.833.184	4.119.207	. 11-37-E-17-H

While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks" are presented below:

									Deductions from Shareholders'		
	Risk Weights	%0	%1D	%20	%50	%75	%100	%150	%200	%250	Equity
1	Amount before credit risk mitigation	5,401.846		2,719.672	4.773.133	3,504.500	13.755.815	132.525	95.171	*	5.739
2	Amount after credit risk miligation	5.691,248		3.102.140	4,780.174	3.362,048	13.222.520	131.004	93.528	-	5.739

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations on credit risk (continued):

(9) Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:

For loans which are classified as impaired loans due to delay of collection of principal or profit share 90 days and above, and/or negative risk assessments of credit worthiness of the debtor; "specific provision" is set aside in the accompanying financial statements as of December 31, 2015.

For loans which are classified as past due not impaired loans due to delay of collection of principal or profit share up to 90 days; "general provision" is set aside in the accompanying financial statements as of December 31, 2015.

		Loans			
	Sectors / Counterparties			Value	
		Impaired Loans	Past Due	Adjustments	Provisions
1	Agriculture	7.989	5.067	113	6.181
1.1	Farming and stockbreeding	6.048	4.817	110	4,559
1.2	Forestry	1,937	246	3	1.618
1.3	Fishery	4	4	~	4
2	Manufacturing	186.933	349.936	7.306	108.756
2.1	Mining	2.635	1.849	71	1,566
2.2	Production	184,008	263,673	6.196	106.967
2.3	Electricity, gas, water	290	84,414	1.039	223
3	Construction	114.738	345.578	6.974	76.981
4	Services	127.555	341.330	5,505	66,301
4.1	Wholesale and retail trade	83.838	74,877	1.368	42.132
4.2	Hotel, food and beverage services	353	6.034	75	228
4.3	Transportation and telecommunication	20.631	12.551	242	10.145
4.4	Financial institutions	3,527	22.179	288	369
4.5	Real estate and renting services	2.936	112.901	1,134	1.379
4.6	Self-employment services	14.849	108.425	2.319	11,412
4.7	Education services	42	1.012	16	42
4.8	Health and social services	1.379	3.351	63	594
5	Other	31.198	134.682	1.828	22.628
6	Total	468.413	1.176,593	21.726	280.847

#### (10) Information related to value adjustments and credit provisions:

The Bank provides specific provisions for loans which are overdue for 90 days or more. The collaterals are being taken into consideration while providing specific provisions in accordance with the Provisioning Communiqué.

The bank provides general loan provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the "Regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provisions to be set aside" communique.

	Opening	Provision made	Reversal of	Other .	
	Balance	during the period	Provisions	Adjustments (*)	Closing Balance
1 Specific Provisions	287.261	130.188	(143.792)(**)	7,190	280.847
2 General Provisions	153.910	12.869	(1.607)	5.713	170.885

<sup>(\*)</sup> Determined according to currency differences.

<sup>(\*\*)</sup> Related balance includes reversal of provisions regarding write-off's in the amount of TL 94,592

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations on credit risk (continued):

The table below presents the maximum exposure to credit risk for the components of the financial statements:

	Current period	Prior period
Central Bank of the Republic of Turkey	4,069,921	2.933.726
Frading financial assets	671	-0/
Due from banks	2.482.614	1,648,235
Available-for-sale financial assets	1,038.701	658.085
Loans and receivables	18.557.965	15.474.046
Held to maturity investments	762.890	783.309
Finance lease receivables	947.427	709.646
Other assets	4.927	10.860
Total balance sheet items subject to credit risk	27.865.116	22.217.907
Contingent liabilities	8,664.057	8.078.509
Commitments	1.329.475	928.650
Total off-balance sheet items subject to credit risk	9.993.532	9.007.159
Total credit risk exposure	37.858.648	31.225.066

#### Explanations on credit rating system:

The Bank assesses the credit quality of customers through rating systems developed for the loan and finance lease customers. The principal criteria used in the rating systems are the volume of transactions of the customer with the Bank, payment performance of the customer and income generated from the customer.

The table below presents the concentration information of the loans and finance lease receivables classified according to the rating systems:

	Current period	Prior period
Above average	%13,56	%16,01
Average	%77,62	%75,26
Below average	%8,82	%8,73

#### ALBARAKA TÜRK KATILIM BANKASI A.S.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### III. Explanations on market risk:

The Bank measures its market risk exposures within the framework of "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette numbered 28337 dated June 28, 2012 by using standardized approach and allocates statutory capital accordingly. On the other hand, market risk is also calculated for testing purposes using internal model methods (Value at Risk) and the results are validated by back test analysis. The VaR (Value at Risk) is calculated daily by using Variance, Covariance, EWMA, Monte Carlo and historical simulation methods and the results are reported to senior management.

The Board of Directors set the risk limits by taking into account the main risk factors and these limits are periodically revised in accordance with the market conditions and the Bank's strategies. Furthermore, the Board of Directors ensure that, the necessary measures are to be taken by risk management department and top level management in respect of defining, measuring, prioritizing, monitoring and managing the risks exposed by the Bank.

The riskiness of on and off balance sheet positions which will occur due to the market volatility is measured regularly. The information related to market risk taken into consideration in calculation of legal capital is stated below.

#### a) Information related to market risk:

·		Amount
<b>(1)</b>	Capital requirement to be employed for general market risk - standard method	63
(11)	Capital requirement to be employed for specific risk - standard method Capital requirement against specific risks of securitization positions— standard method	63
(111)	Capital requirement to be employed for currency risk - standard method	7.188
(IV)	Capital requirement to be employed for commodity risk - standard method	******
(V)	Capital requirement to be employed for swap risk - standard method	~
(VI)	Capital requirement to be employed for market risk of options - standard method	•
(VII) (VIII)	Capital requirement against counterparty credit risks - standard method Capital requirement to be employed for market risks of banks using risk	<del>9</del> 21
	measurement model	ü
(IX)	Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII)	8,235
(X)	Amount subject to market risk (12,5 X VIII) or (12,5 x IX)	102,931

# b) Average market risk table concerning market risk calculated as of month ends during the period:

	Current period					
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	-	w	_	Sec.		<b>5</b> 4
Share Certificates Risk	125	129	122	791	898	722
Currency Risk	7.609	12.690	4.090	10,406	12.360	7.711
Commodity Risk			_	~	***	
Swap Risk	~	_		~		••
Option Risk		*	-	4	_	_
Counterparty Credit Risk	925	2.271	**	172	406	-
Total Value Subject to Risk	8.659	15,090	4.212	11.369	13,664	8.433

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### III. Explanations on market risk (continued):

Quantitative information on counterparty risk:

The "counterparty credit risk" is calculated according to the fair value methodology indicated in the Appendix-2 Part 3 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

Replacement cost of agreements having positive value is calculated by revaluation of agreements according to their fair values. Potential credit risk amount is acquired by multiplying related ratios on agreement types by agreement amounts or amounts subject to the transaction.

	Balance	∂(*)
	December 31, 2015	December 31, 2014
Interest Rate Contracts	~	
Foreign Exchange Rate Contracts	23.013	**
Commodity Contracts	v=	÷
Equity Shares Related Contracts	-	••
Other	<del>-</del>	-
Gross Positive Fair Value	-	*
Netting Benefits	~	-
Net Current Exposure Amount	-	•
Collateral Received	+	*
Net Derivative Position	23.013	

<sup>(\*)</sup> Includes only the counterparty risks arising from trading book.

(3) Explanations on calculation of capital requirements through a risk measurement model which is permitted to be used by the authorities:

None.

#### IV. Explanations on operational risk:

- a) Amount subject to operational risk is calculated with the help of basic indicator method according to article fourteen of "Regulation on Measurement and Assessment of Capital Adequacy of Banks". Annual gross profit calculated based on adding net fee and commission income, dividend income except for dividends from subsidiaries and associates, trading gain/loss (net) and other operational income to net profit share income; and deducting the profit/loss from selling assets except from trading accounts, extraordinary income, operating expense due to support services from a bank, main shareholder of the bank and compensations from insurance.
- b) In case of using the basic indicator approach, the related information is as below:

макамана и станово по постоя по постоя по постоя по постоя по постоя по постоя по по по по по по по по по по п	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	625.375	782.732	887.798	765.302	15	114,795
Amount subject to Operational Risk (Total*12,5)				iid kii hoha kii kuuruu waa ka ka ka kuu muu ka ka maa ka ka ka ka ka ka ka ka ka ka ka ka k		1.434.941

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### V. Explanations on currency risk:

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

- a) The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position / shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b) The Bank does not have any derivative financial instruments held for hedging purposes.
- c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.
- d) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

	USD	EUR
As of December 31, 2015 - Balance sheet evaluation rate	2,880	3,142
As of December 30, 2015	2,880	3,142
As of December 29, 2015	2,880	3,142
As of December 28, 2015	2,880	3,156
As of December 25, 2015	2,880	3,156
As of December 24, 2015	2,880	3,152

e) The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is full TL 2,883 for 1 USD (December 2014 : full TL 2,272), full TL 3,145 for 1 EURO (December 2014 : full TL 2,794).

#### Foreign currency sensitivity:

The Bank is mainly exposed to EUR and USD currency risks.

The following table details the Bank's sensitivity to a 10% change in the USD and EURO rates. A negative amount indicates a decrease effect in profit/loss or equity of the 10% value change of USD and EUR against TL.

	% Change in foreign currency rate				Effect on <b>equity</b>	
		December 31, 2015	Decem <b>ber 31,</b> 2014	December 31, 2015	December 31, 2014	
USD	10% increase	1.547	6.037	(210)	84	
USD	10% decrease	(1.547)	(6.037)	210	(84)	
EURO	10% increase	4.264	(294)	859	•	
EURO	10% decrease	(4.264)	294	(859)	<b>*</b>	

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### V. Explanations on currency risk (continued):

#### Information on currency risk of the Bank:

			Other	
Current Period	EUR	USD	FC(*)	Total
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques				
purchased) and balances with the Central Bank of Republic of				
Turkey	656.963	2.891.870	461,761	4.010.594
Banks	97.595	1.621,763	163,286	1.882.644
Financial assets at fair value through profit and loss	14	20.840	2	20.856
Money market placements			•	*****
Available-for-sale financial assets	10.863	285.366	*	296.229
Loans and financial lease receivables(**)	2,666,335	5.605.514	2,166	8,274,015
Subsidiaries, associates and joint ventures	**	*	-	•
Held-to-maturity investments	-	-	*	
Derivative financial assets for hedging purposes	<b>*</b>	•	4 5 5 5	4 220
Tangible assets	<b>34</b>	-	1.336	1,336
Intangible assets	<u>.</u>	~	476	476
Other assets (***)	452	1.475	993	2.920
Total assets	3.432.222	10.426.828	630.020	14.489.070
Liabilities				
Current account and funds collected from banks via participation				
accounts	320,601	183.686	3.950	508.237
Other current and profit sharing accounts	2.196.276	5,892,879	412.610	8.501,765
Money market borrowings	-	+	-	-
Funds provided from other financial institutions and subordinated				
loans	850.195	4.494.050	-	5.344.245
Marketable securities issued	<b>~</b> ÷	-	-	
Miscellaneous payables	5.216	47.093	765	53.074
Derivative financial liabilities for hedging purposes	*	<b>.</b>		
Other liabilities	370	4,532	2.802	7.704
Total liabilities	3.372.658	10.622,240	420,127	14.415.025
	59,564	(195.412)	209.893	74.045
Net balance sheet position	40.00-1			
Net off balance sheet position	(16.929)	210.880	(191,644)	2,307
Derivative financial instruments assets(****)	8.320	249.140	7.599	265.059
Derivative financial instruments liabilities(****)	25.249	38.260	199,243	262,752
Non-cash loans (*****)	1,298,973	3.054,388	35,294	4.388.655
NOF-Castingans (	3,1000000000000000000000000000000000000			
Prior Period	0 600 430	7.766.518	417.265	10.782.253
Total assets	2,598,470 2,601,411	7.706.516	370.529	10.678.091
Total liabilities	2.001.411	7,700.101	370.028	10.010.01
Net balance sheet position	(2.941)	60.367	46.736	104.162
Net off balance sheet position	· · · · · · · · · · · · · · · · · · ·			
Derivative financial instruments assets	-9	-	*	*
Derivative financial instruments liabilities	-	*	-	-
Non-cash loans	1.130.253	2.775.456	23,435	3.929.144
The state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the s				

<sup>(\*)</sup> TL 446.121 of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 39.682 of the balance in Banks in other FC column represent precious metals accounts with banks, TL 294.008 of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

(\*\*) The balance includes foreign currency indexed loans and financial lease receivables of TL 5.068.133 (December 31, 2014; TL 4.720.625).

(\*\*\*) Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 431 (December 31, 2014; TL 873) is included in other assets.

(\*\*\*\*) In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 45.969 and derivative financial instruments flabilities include foreign currency sale commitment in the amount of TL 64.837 (December 31,2014: foreign currency purchase commitment: none, foreign currency sale commitment: none)

(\*\*\*\*\*) Does not have any effect on the net off-balance sheet position.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### VI. Explanations on position risk of equity securities in banking book:

The Bank does not have an associate and subsidiary quoted at Borsa Istanbul.

#### VII. Explanations on liquidity risk:

Liquidity Risk is managed by Asset and Liability Committee (ALCO) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### VII. Explanations on liquidity risk (continued):

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Risk Management Contingency Funding Plan" in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators in each stress.

#### Liquidity Coverage Ratio:

				la!	centage to be cen
1 1		Rate of "Perc			Implemented
1		taken Into a			tai
1		Implemented			  ⊎®
	Current Period	TL+FC :	FC	TL+FC	FC
	HIGH QUALITY LIQUID ASSETS	!			
1	High quality liquid assets		anning and a single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single control of the single co	4.646.672	3.219,811
	CASH OUTFLOWS				
2	Retail and Small Business Funds Collected	11.185.760	4.553.060	1.118.576	455,306
3	Stable Funds Collected	-		<b>-</b>	
4	Less stable Funds Collected	11.185.760	4,553.060	1,118.576	455.306
	Unsecured Funding other than Retail and Small Business				
5	Customers Deposits	5.457,231	2.634.109	2,806,246	1,411.013
6	Operational Funds Collected	138.796	137.828	34.699	34,457
17	Non-Operational Funds Collected	2.740.796	1.270.374	1,467.273	782.829
8	Other Unsecured Funding	2.577.639	1.225.907	1.304.274	593.927
9	Secured funding		<b>A</b> .		**
10	Other Cash Outflows	93,544	64,836	93.544	64.836
	Liquidity needs related to derivatives and market				
111	valuation changes on derivatives transactions	93.544	64.836	93,544	64.836
12	Debts related to the structured financial products	-	<b>.</b>	-	•
"	Commitment related to debts to financial markets				
13	and other off balance sheet liabilities	١ .	-		-
	Commitments that are unconditionally revocable at any time by				
14	the Bank and other contractual commitments		u.	-	<b>.</b> .
15	Other irrevocable or conditionally revocable commitments	8.582,626	3,943,011	753.816	370,595
16	TOTAL CASH OUTFLOWS		*	4,772,182	2.301.750
<u> </u>	CASHINFLOWS				
17	Secured Lending Transactions	f: -	٠.		
18	Unsecured Lending Transactions	3,881,434	2.240.888	2.982.449	1.874.782
19	Other contractual cash inflows	155.463	102,406	155.463	102,406
20	TOTAL CASH INFLOWS	4.036.897	2,343,294	3.137.912	1.977.188
	FALCE ALICE ALICE AND PALLA				
				Upper lim	it applied
				amounts	
<u></u> _				4.646.672	3.219.811
21	TOTAL HOLA	,	*	4.634.270	575.438
22	TOTAL NET CASH OUTFLOWS		*	284.33	559,54
23	Liquidity Coverage Ratio (%))	L		104.43	

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

	Current Period	
	TL+FC	FC
Lowest	276,20	314,95
Week	11.11.2015	06.10.2015
Highest	387,85	570,73
Week	18,12,2015	30.11.2015
Average (%)	327,59	460,32

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### Explanations on liquidity risk (continued): VII.

#### Presentation of assets and liabilities according to their remaining maturities:

**************************************		Up to 1	1-3	3-12	1-5	Over	Unallocated	
<del></del>	Demand	month	months	months	years	5 years	(**)(***)	Total
Current Period								
Assets								
Cash (cash in vault, foreign								
currency, money in transit, cheques purchased) and								
balances with the Central Bank		0 00W 040						4.904.798
of Republic of Turkey	1.907.432	2.997.366	70.460	•	-	*	-	2.482.614
Banks	1.913.140	496.316	73,158	*	-	•	•	E.402.01**
Financial Assets at Fair Value				60.000				22.283
Through Profit and Loss	790	671	*	20.822	•		<b>.</b>	22,203
Money Market Placements		04.072	045 040	149.698	482,799	30.610	*	1.051.566
Available-For-Sale Financial Assets	12.865	61.675	313.919				348,670	19,505,392
Loans(*)	*	1,776,936	2.145.921	6.456.191	7.831,096	1,146.578	345,670	782.890
Held-To-Maturity Investments	→	*	~	358.557	404.333	•	827 450	832.456
Other Assets		•	9	2.328	2.663	•	827.458	032.430
Total Assets	3.834.227	5,332,964	2,533,007	6,987,596	8.520.891	1.177,188	1.176.126	29.561.999
1 VE23 F100 WK								
Liabilities								
Current account and funds collected from banks via participation	I							
accounts	138.797	284.605	84.223	18.864	•	÷	~	526,489
Other current and profit sharing accounts	4.122.394	11,191.072	3,301,361	1,199.687	5,175		*	19.819.689
Funds provided from other financial institutions and subordinated								
ioans		341,587	350.662	858,029	2.567,087	1.226,880	я	5.344.245
Money Market Borrowings	*	770.959	\$50.00£			*	•	770,959
Marketable securities issued	-	. 70.200		·_	÷	*		
Miscellaneous payables	_	141,889	31.168	9.244	-	<b>p</b> -	504,085	686.386
Other liabilities	-	31.163	18.447		*	-	2,364,621	2.414.231
	u.e.u.eeeeeeeeeeeeeeeeeeeeeeeeeeeeeeee	·		<del></del>			A A 60 HAR	20 E22 200
Total Liabilities	4.261.191	12.761.275	3.785.861	2.085.824	2.572.262	1.226.880	2.868.708	29,561,999
	1400 6046	17 450 34e	(1.252.854)	4.901,772	5.948.629	(49.692)	(1,692,580)	*
Net Liquidity Gap	(426,964)	(7.428.311)	(1.252.854)	4.701,[84	2,246,947	(42.02%)	**************************************	<u> </u>
Prior period								
Total Assets	1.959.555	4,760,268	2.379.007	5.448.846	7.327.608	505.655	665,485	23.046.424
Total Liabilities	3.375.935	11.277.161	2,143.366	2.552.411	1.024.959	304.134	2,368,438	23.046.424
; Glor Limining	5.510.000							
Net Liquidity Gap	(1,416,380)	(6,516,893)	235.621	2.896.435	6,302,649	201.521	(1.702.983)	-

Leasing receivables are included under loans, Unallocated amount represents the amount arising from advances granted for leasing (\*)

receivables and net non-performing loans.

Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here. The unallocated other liabilities column consists of equity, provisions and deferred tax liabilities.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### VII. Explanations on liquidity risk (continued):

# Analysis of financial liabilities based on the remaining contractual maturities:

The table below is prepared taking into consideration undiscounted amounts of financial liabilities of the Bank and earliest dates required to be paid. The profit share expenses to be paid on funds collected calculated on the basis of account value per unit are included in the table below:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Current period							
Funds Collected	4.261.191	11.475.677	3.385.584	1.218.551	5.175	-	20.346.178
Funds Borrowed from Other Financial Institutions and subordinated loans Borrowings from Money Markets	-	341.998 771.890	384. <b>0</b> 98	1,118.730	3.387.993	1.596.240	6.829.059 771.890
Fotal	4.261.191	12.589.565	3.769,682	2.337.281	3.393.168	1,596,240	27,947.127
Prior period				***************************************			
Funds Collected	3.375.935	10.354.741	1.764.251	1.137.498	10.793		16.643.218
Funds Borrowed from Other Financial Institutions and subordinated loans Borrowings from Money Markets		642,931 116,740	331.791	1,493,708	1.330.547	430.807	4.229.784 116.740
Total	3.375.935	11.114.412	2.096.042	2.631.206	1.341.340	430.807	20.989,742

# Breakdown of commitment and contingencies according to their remaining contractual maturities:

	***************************************	Up to 1	1-3	3-12	,	Over 5	***************************************	ATT. 100 TO THE REAL PROPERTY.
	Demand	Month	Months	Months	1-5 Years	Years	Unallocated	Total
Current Period								
Letters of guarantee (*)	3.871.393	330,530	930.443	1,471.529	1.086.597	39.796	-	7.730.288
Bank loans	28.324				2		*	28.324
Letters of credit	633,963		4.987	354	288	-	-	639.592
Other commitments and contingencies	*	265.853		-н-		77-	-	265,853
Total	4.533.680	596.383	935.430	1.471.883	1.086.885	39.796		8.664.057
Prior Period								
Letters of quarantee (*)	3.623.368	174,087	388.300	1.622.644	1,138,964	25,278		6.872.641
Bank loans	33.055	174,007		+		_	_	33.055
Letters of credit	537.894	39.456	2.227	4.627	5,066		u	589.270
Other commitments and	QQ7.1007							
contingencies	-	583.543	~	·-	-	•	-	583,543
Total	4.094.317	797.086	390.527	1.627.271	1.144.030	25.278		8.078.509

<sup>(\*)</sup> Remaining maturities presented for letters of guarantees represents the expiration periods. The correspondent of letters of guarantee has the right to demand the liquidation of the letter when the transaction stated at the letter is not realized.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### VIII. Explanations on securitisation positions:

None. (December 31, 2014: None)

#### IX. Explanations on credit risk mitigation techniques:

On and off balance sheet offsetting agreements are not utilized.

The risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below:

- a) Financial collaterals (Government securities, cash, deposit or participation fund pledge, gold, stock pledge),
- b) Guarantees.

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods. Collaterals obtained by the Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

If there are indicators on significant decreases of real estate's value in comparison to general market prices, the real estate's valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

The Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Bank and the market fluctuations are considered in credit activities.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# IX. Credit risk mitigation techniques (continued):

The information related to amount and type of collaterals which are applied in the calculation of risk weighted amount of risk categories within the scope of the Communiqué on "The Risk Mitigation Techniques" is provided below.

## Collaterals in terms of Risk Categories:

		Financial	Other/Physical	Guarantees and
Risk Categories	Amount	Collaterals	Collaterals	Credit Derivatives
Receivables from central governments or central				
banks	5.105.988			-
Receivables from regional or local governments	13.316	+		
Receivables from administrative units and		Ĭ		
non-commercial enterprises	1.481	-	47	-
Receivables from multilateral development banks	62	-		-
Receivables from international organizations		] -	-	*
Receivables from banks and brokerage houses	2.635.158	-	•	*
Receivables from corporates	12.920.537	520.757	•	12.552
Retail receivables	3.504.500	105.745	-	36.707
Receivables secured by mortgages on property	4.348.089	*		-
Past due receivables	150.112	-	*	•
Receivables defined in high risk		]		
category by BRSA	128.783	3,150	•	14
Securities collateralized by mortgages	-	<b>"</b>	•	*
Securitization positions	~	-	+	•
Short-term receivables from banks,				
brokerage houses and corporates	-	*	÷	•
Investments similar to collective				
investment funds		-	~	*
Other receivables	1.574.636	<u> </u>	*	<u> </u>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

## X. Explanations on leverage ratio:

As of 31 December 2015, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is %5,03 (31 December 2014: %5,35). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and previous period is the increase in the balance sheet assets.

#### Disclosure of Leverage ratio template:

		Current Period	Prior Period
		31 Aralık 2015(*)	31 Aralık 2014(*)
	Balance sheet assets		
1	Balance sheet assets (excluding derivative financial assets and credit		
	derivaties, including collaterals)	28.936.499	22.394.984
2	(Assets deducted from Core capital)	(79.053)	(63.419)
3	Total risk amount of balance sheet assets (sum of lines 1 and 2)	28.857.446	22,331,565
	Derivative financial assets and credit derivaties		***************************************
4	Cost of replenishment for derivative financial assets and credit derivaties	20.043	*
5	Potential credit risk amount of derivative financial assets and credit		
	derivaties	4,913	
6	Total risk amount of derivative financial assets and credit derivaties (sum		
	of lines 4 and 5)	24.956	_
	Financing transactions secured by marketable security or commodity		
7	Risk amount of financing transactions secured by marketable security or		
	commodity (excluding Balance sheet)	139.204	63.645
8	Risk amount arising from intermediary transactions	*	-
9	Total risk amount of financing transactions secured by marketable security		<del></del>
	or commodity (sum of lines 7 and 8)	139.204	63.645
[	Off-balance sheet transactions		.:
10	Gross notional amount of off-balance sheet transactions	9.880.604	8.691.256
11	(Correction amount due to multiplication with credit conversion rates)	*	**************************************
12	Total risk of off-balance sheet transactions (sum of lines 10 and 11)	9.880.604	8.691.256
	Capital and total risk		
13	Core Capital	1.955.492	1.663.132
14	Total risk amount(sum of lines 3, 6, 9 and 12)	38.902.210	31.086.466
	Leverage ratio		······································
15	Leverage ratio	5,03	5,35

<sup>(\*)</sup> The arithmetic average of the last 3 months in the related periods

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### XI. Explanations on risk management objectives and policies:

The aim of the Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

Basically the Bank is exposed to market, liquidity, credit and strategic risk, reputation risk, and operational risk and determines risk policies, procedures to be implemented, and risk limits approved by Board of Directors for risks that can be quantified. The related limits are monitored, reported and maintained within the set limits by the units under Internal Systems and the related departments in the Bank. Risk Management Unit, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting risks.

#### Market Risk

Market Risk is the probability of loss that the bank may be exposed to due to the bank's general market risk, foreign exchange risk, specific risk, commodity risk, settlement risk and counterparty credit risk in trading book.

Exchange rate risk or foreign currency risk which is one of the factors that constitutes market risk, defines the probability of loss due to the effects of possible changes in currency to all the Bank's foreign currency assets and liabilities. Security position risk is the negations in the Bank's revenues and thus shareholders' equity, cash flows, asset quality and finally in meeting the commitments arising from negative movements in security prices included in the Bank's trading accounts.

Within the framework of market risk, the Bank calculates foreign currency position risk, general market risk for security position risk and specific risks via standard method and reports to the legal authority. The Bank also measures the foreign currency position risk by various internal methods for testing purposes. The variations between daily predicted value at risk and actual values and back testing practices are used to determine the accuracy and performance of these tests. The potential durability of portfolio against unpredictable risks that can be exposed is measured by stress tests including stress scenarios.

The Bank continuously monitors the compliance of market risk with the limits determined by legal regulations. Additionally foreign currency risk is reviewed by Assets and Liabilities Committee. The Bank's strategy for the currency risk is keeping it at a balance and not having any short or long position.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# XI. Explanations on risk management objectives and policies (continued):

# Liquidity Risk

The Bank's liquidity risk consists of funding liquidity risk and market liquidity risk.

Funding liquidity risk explains the probability of loss occurs in case of unable to meet the Bank's all anticipated and unanticipated cash flow requirements without damaging daily operations or the financial position.

Market liquidity risk is the probability of loss in case of the Bank's failure to close any position or stabilize market prices due to market depth or over fluctuations.

Maturity mismatch, impairment of the asset quality, unpredictable source outflows, decrease in profit and economic crisis situations are the factors that might cause the occurrence of the liquidity risk.

For liquidity risk, cash flows are monitored daily and preventive and remedial precautions are taken to meet obligations on time and in the required manner. Liquidity risk is evaluated on a weekly basis from Assets and Liabilities committee.

Regarding liquidity risk of the Bank, in order to meet liquidity needs arising from unpredictable movements in the markets, the Bank prefers to implement the policy of maintaining quality liquid assets in adequate proportion by considering previous liquidity experiences and minimum liquidity adequacy ratios set by legal regulations.

## Credit Risk

Credit risk represents the Bank's possibility of losses due to loan customers not fulfilling the terms of their agreements partially or in full. At the same time, this risk includes market value loss arising from the deterioration of the financial position of the counterparty. Within the scope of the definition of the credit risk used, on balance and off balance sheet portfolios are included.

In the Bank, credit allocation authority belongs to the Board of Directors. The Board of Directors takes necessary measures by establishing policies related to allocation and approval of loans, credit risk management policies and other administrative issues; by ensuring implementation and monitoring of these policies. The Board of Directors transferred its credit allocation authority to the Credit Committee and Head-office in line with the policies and procedures defined by the legal regulations. Head-office Credit Committee exercises the credit allocation authority through units of the Bank/ regional offices and branches. The Bank grants credits on the basis of limits determined for each individual customer and group of customers separately and core banking system prevents customers' credit risks being in excess of their limits.

The Bank pays attention in order not to result in sectoral concentration that might affect credit portfolio in a negative way. Maximum effort is being made to prevent risks from concentrating on few customers. Credit risk is continuously monitored and reported by units under internal systems and other risk management divisions. By this way, harmonization of credit risk with credit risk management policy and application standards is maintained.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# XI. Explanations on risk management objectives and policies (continued):

#### Operational Risk

Operational risk is defined as the possibility of loss occurring due to insufficient or unsuccessful internal processes, persons and systems or external incidents. Although legal risk and compliance risk are included in this risk group, reputation risk and strategy risk (arising from misjudgements at wrong times) are excluded.

Operational risk is a risk type that exists in all functions of the Bank. It might arise from employee mistakes, an error caused by the system, transactions made based on inadequate or incorrect legal information, information flow failure among levels under Bank organization structure, ambiguity in limits of authorization, structural and/or operational changes, natural disasters, terror and fraud.

Operational risk is categorized under five groups according to its sources: employee risk, technological risks, organization risk, legal-compliance risk and external risks.

The Bank also takes necessary preventive measures in order to keep operational risk at an acceptable level.

#### Other Risks

Other risks the Bank is exposed to are strategic risk, reputation risk, counterparty risk, compliance risk, residual risk, country risk, and concentration risk.

The Bank's risk management system, in order to prevent and/or control strategic risks, is prepared against changes in economic, political and socio-political conditions, laws, legislation and similar regulations that could affect the Bank's operations, status and strategies significantly and observes these issues in contingency and business continuity plan implementations.

Reputation risk is defined as events and situations arising from all services, functions and relations of the Bank that would cause to lose confidence in the Bank and damage its image. The Bank's risk management system in order to prevent and/or control reputation risk, switches on a proactive communication mechanism by giving priority to its customers whenever it is determined that the Bank's reputation or image is damaged. The system, ready for the worst case scenarios in advance, takes into account the level of the relationship between operational risks and reputation risk, its level and its effect.

Residual risk is the risk that arises in case that the risk mitigation techniques are not as effective as expected. Senior management procures the implementation of residual risk management policy and strategy that is approved by Board of Directors. Moreover, It considers maturity match between credit and collateral, some factors like changes due to negative market movements for risk management.

Counterparty credit risk is the probability that one of the parties of a transaction where both sides are imposed with liability becomes default on his liability before the last payment in the cash flow of the transaction. The Bank should manage counterparty credit risk in accordance with the volume, quality and complexity of its activities within the framework of legal legislation.

Compliance risk means those risks which are related to sanctions, financial losses and/ or loss of reputation that the Bank may suffer in the event that the Bank's operations and the attitudes and acts of the Bank's staff members are not in conformity and compliance with the current legislation, regulations and standards. The Head of Legislation and Compliance Unit, who shall be appointed by the Board of Directors, shall be accountable for the purposes of planning, arranging, conducting, managing, assessing, monitoring and coordinating the corporate compliance activities.

### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### XI. Explanations on risk management objectives and policies (continued):

Country risk is the probability of loss that the Bank may be exposed to in case borrowers in one country fall or shirk to fulfill their foreign obligations due to uncertainties in economic, social and political conditions. The Bank constitutes its commercial connections with foreign fiscal institutions and countries, as a result of feasibility studies made for country's economic conditions within legal restrictions and through consideration of market conditions and customer satisfaction.

Concentration risk is the probability of experiencing large scale losses due to one single risk amount or risk amounts in particular risk types that may threaten the body of the Bank and the capability of operating its principal activities. Policies in regards to concentration risk are classified as sectoral concentration, concentration to be created on the basis of collateral, concentration on the basis of market risk, concentration on the basis of types of losses, concentration arising from participation fund and other financing providers.

#### XII. Explanations on presentation of financial assets and liabilities at fair value:

#### a. Information on fair value of financial assets and liabilities :

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated profit share accruals of corresponding financial assets or liabilities.

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of held-to-maturity investments are determined based on market prices.

The fair value of loans and receivables are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

The fair values of funds collected from financial institutions are determined by calculating the discounted cash flows using the current market profit share rates.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# XII. Explanations on presentation of financial assets and liabilities at fair value (continued):

	Carryin	g value	Fair value		
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	
Financial Assets					
Money market placements	-	-	· · · · · · ·		
Banks	2.482.614	1,648.235	2.482.614	1.648.235	
Financial assets at fair value through profit and loss Financial assets available for sale Held to maturity investments Loans and financial lease receivables	22.283 1.051.566 762.890 19.505.392	5,611 659,760 783,309 16,183,692	22.283 1.051.566 771.264 19.198,865	5.611 659.760 794.685 15.593.643	
Financial Liabilities Funds collected from banks via current account	te				
and profit sharing accounts Other current and profit sharing accounts Funds provided from other financial institutions Marketable securities issued Miscellaneous payables	526.489 19.819.689 5.344.245 686.386	572.717 16.070.501 3.688.424 510.172	526,489 19,819,689 4,904,160 686,386	572.717 16.070.501 3.682.518 - 510.172	

# b. Information on fair value measurement recognized in the financial statements:

TFRS 7 (Financial Instruments: Turkish Financial Reporting Standard Related to Explanations) sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish a basis for fair value measurement. Aforesaid fair value hierarchy is determined as follows:

- a. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I);
- b. Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in Level 1 (Level II);
- c. Data not based on observable data regarding assets and liabilities (Level III).

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles are given in the table below:

Current period (**)	Levell	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	790	21.493	-	22.283
Public sector debt securities		-	ús.	-
Equity securities	790	•		790
Derivative financial assets held for trading		20.822	-	20.822
Other	w	671	*	671
Financial assets- available for sale	1.038.701	•	10.743	1,049,444
Equity securities (*)			10.743	10.743
Public sector debt securities	887.157	+	*	887.157
Other marketable securities	151.544	4	-	151.544
04/01 1101/10/2010 0000/		-	-	**
Financial liabilities				
Derivative financial liabilities held for trading		•	*	-
Derivative financial liabilities for hedging purposes	144	•	•	~

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### XII. Explanations on presentation of financial assets and liabilities at fair value (continued):

Prior period	Level	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	5.611	•		5.611
Public sector debt securities	*	~	~	-
Equity securities	5,611	_	_	5.611
Derivative financial assets held for trading	<b>60-</b>	۵.	-	-
Other	-		*	ω.
Financial assets- available for sale	658.085	_	•	658.085
Equity securities (*)	**	-	-	-
Public sector debt securities	588.615	₩		588.615
Other marketable securities	69.470	~	•	69.470
Financial liabilities				
Derivative financial liabilities held for trading	-	w		**
Derivative financial liabilities for hedging purposes	_		-	

<sup>(\*)</sup> The shares of Visa Europa, which are not traded in an active market and presented under equity securities in available for sale assets and carried at cost since it is impossible to determine its fair value before December 31, 2015, are revalued basing on its indicator transaction value (cash to be collected and preferred stock) related to mentioned shares' take-over to Visa Inc. and the related revaluation difference are presented in shareholders' equity.

As of December 31, 2015 and 2014 the Bank carries the real estates at fair value under tangible assets. Level III section is used in determining the related fair values.

#### XIII. Explanations regarding the activities carried out on behalf and account of other persons:

The Bank does not perform purchases, sales and custody services on behalf of its customers. The Bank has no fiduciary transactions.

<sup>(\*\*)</sup> In the current period, there is no classification between level I and level II.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# XIV. Explanations on business segments:

The Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

Current Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	2.772.567	17.685.898	2.263.190	6.840.344	29.561.999
Total Liabilities	13.119.733	8.367.686	5.570.834	399.832	27,458,085
Total Equity	*	- Car	•	2.103.914	2.103.914
Net profit share income/(expense)(*)(**)	(335.961)	1,289,175	(66.717)	(816)	885.681
Net fees and commissions income/(expense)	15.291	144.737	(17.866)	(6.165)	135.997
Other operating income /(expense)	14.574	16.274	65.787	(584,392)	(487.757)
Joher operating incurrie ((expense) Provision for loan losses and other receivables	(14,738)	(94.013)	~	(48.392)	(157.143)
	(320.834)	1.356.173	(18,796)	(639.765)	376,778
Profit/(loss) before tax Provision for tax	(320,004)	1.000.110		(73.915)	(73.915)
Net profit / (loss) for the period	(320,834)	1.356.173	(18.795)	(713.680)	302.863

Prior Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	1.935.081	14.168.295	1,844.257	5.098.791	23.046.424
Total Liabilities	11,475,842	5.358.452	4.057.039	364,164	21.255.497
Total Equity	*		-	1,790,927	1.790.927
Net profit share income/(expense)(*)(**)	(349.075)	1.059.456	(11.407)	-	698.974
Net fees and commissions income/(expense)	8.849	129.097	(8.955)	(655)	128.336
Other operating income /(expense)	12.578	36.621	2.289	(403.670)	(352.182)
Provision for loan losses and other receivables	(12.559)	(91.955)	**	(45.062)	(149.576)
Profit/(loss) before tax	(340.207)	1,133.219	(18.073)	(449.387)	325.552
Provision for tax	4	•		(72.921)	(72.921)
Net profit / (loss) for the period	(340.207)	1,133.219	(18.073)	(522.308)	252.631

<sup>(\*)</sup> The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Bank.

<sup>(\*\*)</sup> Since the management uses net profit share income/ (expense) as a performance measurement criteria, profit share income and expense is presented net.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### Section five

#### Explanations and notes on the unconsolidated financial statements

#### I. Explanations and notes related to assets:

#### 1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT):

	Current Period		Prior Pe	riod
	TL	FC	TL	FC
Cash / Foreign currency	124.648	283,565	88.803	106.119
CBRT	698.140	3.371.781	263.590	2.670.136
Other (*)	71.416	355.248		538
Total	894.204	4.010.594	352.393	2.776.793

<sup>(\*)</sup> Includes precious metals amounting to TL 12.370 (December 31, 2014: TL 538) and cash in transit amounting to TL 414.294 (December 31, 2014: None) as of December 31, 2015

#### b) Information related to CBRT:

	Current Pe	riod	Prior Period		
	TL	FC	TL	FC	
Unrestricted demand deposit	695.445	377.110	263.328	278.761	
Unrestricted time deposit	-	**	*	~	
Restricted time deposit (*)	2.695	2.994.671	262	2.391.375	
Total	698.140	3.371.781	263,590	2,670,136	

<sup>(\*)</sup> As of December 31, 2015, the reserve requirement held in standard gold is TL 433.751 (December 31, 2014; TL 340.792).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of December 31, 2015, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 5% to 11,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 25% depending on maturity of deposits.

The Central Bank of Republic of Turkey has launched to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# i. Explanations and notes related to assets (continued):

# a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked;

None. (December 31, 2014: None)

# b) Table of positive differences related to derivative financial assets held for trading:

	Cu	rrent Period	Pr	ior Period
- Literature con the second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second se	TL	FC	TL	FC
y		_	_	
Forward Transactions Swap Transactions	*	20.822	-	4
Futures Transactions	w	-	~	*
Options	**	-	•	**
Other	**	20 822		······································
Total		#4.4=F	<del>~</del>	30 

# 3. a) Information on banks:

	Current Period			Prior Period	
	TL	FC	TL.	FC	
Banks					
Domestic (*)	599.970	1,456,406	511,402	731,224	
Abroad		426.238	**	405.609	
Foreign head offices and branches	-	<u></u>	•	•	
Total	599.970	1.882.644	511.402	1.136.833	

<sup>(\*)</sup> Includes blockaged amount TL 569,474 (December 31, 2014; TL 475.384) blocked under TL accounts arising from POS transactions.

# b) Information on foreign bank accounts:

A CONTRACTOR OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY O	Current p	Current period		riod
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	194,411		83.042	,
JSA and Canada	77.021	-	225.731	
OECD Countries (*)	5,316	-	2.696	-
Off-shore banking regions	3.096	#	758	,
Other	146.394	-	93.382	
Total	426.238	****	405.609	

<sup>(\*)</sup> OECD countries other than EU countries, USA and Canada,

# 4. Information on financial assets available-for-sale:

 a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

The Bank has collateralized sukuk investments with a nominal amount of TL 217.577 and carrying value of TL 226.102 to CBRT with respect to money market transactions and subjected to repurchase agreements. (December 31, 2014; None)

As of December 31,2015, available for sale investments given as a guarantee or blocked amount to TL 34.132. ( December 31, 2014: None)

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### ı. Explanations and notes related to assets (continued):

#### b) Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	1,040.924	658,435
Quoted on a stock exchange(*)	1.040.924	658,435
Unquoted	•	04.
Share certificates	12.865	1. <b>67</b> 5
Quoted on a stock exchange	w	~
Unquoted (**)	12.865	1.675
Impairment provision (-)	2.223	350
Total	1,051.566	659,760

#### 5. Information on loans and receivables:

#### Information on all types of loans and advances given to shareholders and employees a) of the Bank:

	Current Period			Prior Period
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	80.073	62.236	8.808	35.469
Corporate shareholders	79.777	61.294	8.663	35,119
Real person shareholders	296	942	145	350
Indirect loans granted to shareholders	47.947	62,416	50.238	69.492
Loans granted to employees	8,985	28	7.742	<b>-</b> *<
Total	137.005	124.680	66.788	104.961

#### Information on the first and second group loans, other receivables and restructured or b) rescheduled loans and other receivables:

	Standard loans and other receivables			and other receivabler close monitoring	95	
Cash toans	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructure or reschedul	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	17.754.205	212.812	18.546	616,194	55,255	20,557
Export loans	405.706	2.365	; <del>**</del>	838	**	-
Import loans	1,431,798	19,465	2.312	10.718	803	40
Business loans	9.269.509	161.888	10.572	398.946	44.946	11.359
Consumer loans	2.700.852	6.505	1.009	25.316	175	62
Credit cards Loans given to	189.347	₩.		4.092	*	•
financial sector	4.337		-	_	w	*
Other (*)	3.752.656	22.589	4.653	176.284	9,331	9,096
Other receivables	-	<b></b>	-	-	ou	*
Total	17.754.205	212.812	18,546	616.194	55,255	20.557

Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

Besides including unquoted equity securities, The shares of Visa Europa, which are not traded in an active market and (\*) (\*\*) carried at cost since it is impossible to determine its fair value before December 31, 2015, are revalued basing on its indicator transaction value related to mentioned shares' take-over to VIsa Inc. and the related revaluation difference is presented in financial statements of December 31, 2015

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# I. Explanations and notes related to assets (continued):

## (\*) Details of other loans are provided below:

Commercial loans with Installments	1.917.320
Other investment credits	860.946
Loans given to abroad	490.739
Profit and loss sharing investments (**)	362,430
Loans for purchase of marketable securities for customer	263.529
Other	33.976
Total	3,928,940

(\*\*) As of December 30, 2015, the related balance represents profit and loss sharing investment projects (12 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project / stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. In the current period the Bank recognized TL 54.862 (December 31, 2014; TL 57.388) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement

***************************************	Extension of Repayment Plan			
	Standard loans and other receivables	Loans and other receivables under close monitoring		
1 or 2 times	212.81	2 55.255		
3, 4 or 5 times		÷ -		
Over 5 times		•		
Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring		
0 - 6 months	32,99	6 14.773		
6 - 12 months	28.34	9 3.137		
1 - 2 years	41.99	*		
2 - 5 years	94.05	•		
5 years and over	15.41	5 1.894		

In accordance with the Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans" published in Official Gazette dated December 30, 2011 and numbered 28158, information related to the loans granted to maritime sector:

As of December 31, 2015, the Bank has loan receivables amounting to TL 21.971 arising from rescheduled loans within the scope of related Communiqué.

## c) Maturity analysis of cash loans:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
Cash Loans	Loans and Other Receivables	Restructured or Rescheduled(**)	Loans and Other Receivables	Restructured or Rescheduled
Short term loans and other receivables Loans	4.013.248 4.013.248	<b>46.538</b> 46.538	<b>72.664</b> 72.664	<b>8.323</b> 8.323
Other receivables		*	M	•
Medium and long-term loans and other receivables(*)	13.509.599	184.820	467.718	67.489
Loans Other receivables	13.509.599	184.820 -	467.718	67.489
Total	17.522.847	231.358	540.382	75,812

<sup>(\*)</sup> Loans with original maturities longer than a year are classified as "Medium and Long Term Loans".

(\*\*) includes extensions, reducements and other changes in payment plans.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# 1. Explanations and notes related to assets (continued):

# c) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

		Medium and	
	Short-term	long-term	Tota
Consumer loans-TL	22,080	2.698.962	2,721,04
Housing loans	3.613	2.427.216	2.430.82
Vehicle loans	3.581	119.160	122.74
Consumer loans	14.886	152.586	
Other	14.000	102.000	167.47
Consumer loans-FC indexed	P#-	*	
Housing loans	-	-	
Vehicle loans	-	w.	
Consumer loans	-	•	
Other	-	-	
Consumer loans-FC	-	*	
	<b>→</b>	•	
Housing loans	Ger	**	
Vehicle loans	*	<u></u>	
Consumer loans	•	*	
Other	-	Ev .	
Retail credit cards-TL	57.240	80	57,240
With installment	21,188	w	21.188
Without installment	36.052	~	36.052
Retail credit cards-FC	•	м	
With installment	-	-4	
Without installment	<u></u>	щ.	
Personnel loans-TL	3.145	1.981	5.126
Housing loans	ow-	243	243
Vehicle loans	95	1.266	1.361
Consumer loans	3.050	472	3,522
Other	-	**	
Personnel loans-FC Indexed	42	•	
Housing loans	*	*	
Vehicle loans	ew.	-	-
Consumer loans	ster		
Other	we.	*	_
Personnel loans-FC	<del>-</del>	-	<b>.</b>
Housing loans		-	-0
Vehicle loans	*	- mri	-
Consumer loans	Ł	vu	54
Other	-	75	
Personnel credit cards-TL	3.859	_	3.859
With installment	1.752		1,752
Without installment	2.107		2.107
Personnel credit cards-FC	*** / 1 No 4		x. 10:
With installment	_		7
Without-installment	*	•	*
Overdraft account-TL(real person)	- -	₩-	-
Overdraft account-FC(real person)			-
~ & S. F.		2705 220	
fotal	86,324	2.700.943	2.787.267

## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# I. Explanations and notes related to assets (continued):

# d) Information on commercial loans with installments and corporate credit cards:

	**************************************	***************************************	
	Short-term	long-term	Total
Commercial installment loans-TL	39.142	1,303,165	1.342,307
Business loans	7,241	365.312	372.553
Vehicle loans	19,252	306.872	326.124
Consumer loans	12.649	630.981	643.630
Other		*	
Commercial installment loans-FC indexed	863	527,186	528.049
Business loans	**	189.345	189.345
Vehicle loans	548	80.080	80.628
Consumer loans	315	257.761	258.076
Other	144	-	-4
Commercial installment Loans-FC	-	46.954	46.964
Business loans		•	
Vehicle loans	ar.	•	**
Consumer loans	*	46.964	46.964
Other	wi	**	_
Corporate credit cards-TL	132.340	-	132.340
With installment	28.942	<b></b>	28.942
Without installment	103.398	-	103.398
Corporate credit cards-FC	ш	···	
With installment	_	-	**
Without installment	H	н	_
Overdraft account-TL (legal entity)			•
Overdraft account-FC(legal entity)	_	4	-
Total	172,345	1.877.315	2.049.660

# e) Aliocation of loans by customers:

	Current Period	Prior Period
	40.040	400 554
Public	13.012	106.554
Private	18.357.387	15,327.778
Total	18.370.399	15.434.332

#### f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans Foreign loans	17.879.660 490.739	15.093.302 341.030
Total	18.370.399	15.434.332

# g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

## I. Explanations and notes related to assets (continued):

# ğ) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	20.420	23.769
Loans and receivables with doubtful collectability	56.714	40.451
Uncollectible loans and receivables	192.801	212.500
Total	269.935	276.720

In addition to specific provision for loans amounting TL 269.935 (December 31, 2014: TL 276.720), provision amounting to TL 10.912 (December 31, 2014: TL 10.541) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 280.847 (December 31, 2014: TL 287.261), Specific provision for loans amounting to TL 179.220 (December 31, 2014: TL 183.120) represents participation account share of specific provisions of loans provided from participation accounts.

# h) Information on non-performing loans and receivables (net):

# h.1) Non-performing loans and receivables which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited	Loans and receivables with doubtful	Uncollectible loans and
	collectibility	collectibility	receivables
Current period			
(Gross amount before specific provisions)	49.844	9.817	14.785
Restructured loans and other receivables	49.844	9.817	14.785
Rescheduled loans and other receivables	<u></u>	•	
Prior period			
(Gross amounts before specific provisions)	62	1.132	19.288
Restructured loans and other receivables	62	1.132	19.288
Rescheduled loans and other receivables		-	+

#### h.2) Movements of non-performing loans:

**************************************	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	receivables with	receivables with	Uncollectible
	limited	doubtful	loans and
	collectibility	collectibility	receivables
Closing balance of prior period	39:183	48,450	228.801
Additions in the current period (+)	295.816	17.714	37.087
Transfers from other categories of non-performing loans (+)		177.282	100.133
Transfers to other categories of non-performing loans (-)	177.282	100.133	*
Transfers to standard loans (-)	<b>↔</b>	1.711	267
Collections in the current period (-)	34.115	27.902	53.019
Write offs (-)	3	1.098	91,435
Corporate and commercial loans	*	1.097	89.199
Retail loans	3	1	2.212
Credit cards	۵۰	•	24
Other	_	<u> </u>	*
Closing balance of the current period	123.599	112,602	221,300
Specific provisions (-)	20.420	56,714	192,801
Net balance at the balance sheet	103.179	55.888	28.499

## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### I. Explanations and notes related to assets (continued):

Non-performing loans and receivables in the amount of TL 457.501 (December 31, 2014; TL 316.434) comprise TL 281.719 (December 31, 2014; TL 194.337) of participation account share of loans and receivables provided from participation accounts.

In addition to non- performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 10.912 (December 31, 2014; TL 10.541). In the current period, collections from fees, commissions and other receivables with doubtful collectability amounted to TL 3.763.

h.3) Non-performing loans and other receivables in foreign currencies:

**************************************	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period:			
Period end balance	1.114	43	•
Specific provision (-)	317	12	শ
Net balance on balance sheet	797	31	**************************************
Prior period:			
Period end balance	15	12	w
Specific provision (-)	4	7	•
Net balance on balance sheet	11	5	- w

h.4) Gross and net non-performing loans and other receivables per customer categories:

<u> </u>	III. Group	IV. Group	V. Group
	Loans and	Loans and	11
	receivables with limited	receivables with doubtful	Uncollectible loads and
	collectability	collectability	receivables
Current period (net)	103,179	55.888	28.499
Loans to individuals and corporates (gross)	123,599	112.602	221.300
Specific provision (-)	20.420	56.714	192.801
Loans to individuals and corporates (net)	103.179	55.888	28.499
Banks (gross)	_		**
Specific provision (-)	<b>+</b>	4	
Banks (net)	w w	**	e:
Other loans and receivables (gross)	*	~	•
Specific provision (-)	-		*
Other loans and receivables (net)	*		*
Prior period (net)	15.414	7,999	16.301
Loans to individuals and corporates (gross)	39.183	48.450	228.801
Specific provision (-)	23.769	40,451	212.500
Loans to individuals and corporates (net)	15.414	7.999	16.301
Banks (gross)	£r	*	-
Specific provision (-)	w	*	-
Banks (net)	***		w
Other loans and receivables (gross)	**	•	~
Specific provision (-)	*	•	
Other loans and receivables (net)	-		*

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# I. Explanations and notes related to assets (continued):

# Liquidation policy for uncollectible loans and receivables:

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

# i) Information on "Write-off" policies:

The write-off policy of the Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of Bank management.

Loans and other receivables, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette numbered 26333 dated November 01, 2006, have been written-off as per the decision of the Bank Management dated October 28, 2015 numbered 1480. In 2015, non-performing loans amounting to TL 94.592 were written-off (2014 – TL 19.336).

# j) Other explanations on loans and receivables:

Aging analysis of past due but not impaired financial assets per classes of financial instruments is stated below:

Current Period	Less than 30 days	31-60 days	61-90 days	Total
Chilett Letton				<del></del>
Loans and Receivables				
Corporate Loans	1.307.983	296.077	294.939	1.898.999
Consumer Loans	135.307	25.018	4.579	164,904
Credit Cards	37.982	739	386	39.107
Total	1.481.272	321.834	299,904	2.103.010
	Jan Sans	31.60	80.13	
	Less than	31-60	61-90	Total
Prior Period	Less than 30 days	31-60 days	61-90 days	Total
	30 days	days	days	
Prior Period Loans and Receivables Corporate Loans	30 days 422.348	days 92.033	days 221.102	735.483
Loans and Receivables	30 days	92.033 14.155	days 221.102 2.874	735.483 96.157
Loans and Receivables Corporate Loans	30 days 422.348	days 92.033	days 221.102	735.483

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

### I. Explanations and notes related to assets (continued):

# 6. Information on held-to-maturity investments:

# 6.1) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of December 31, 2015, held to maturity investments given as a guarantee or blocked amount to TL 80,576. Held to maturity investments subject to repurchase agreements amount to TL 553,490 (December 31, 2014: Held to maturity investments given as a guarantee or blocked amount to TL 30,982, held to maturity investments subject to repurchase agreements amount to TL 113,775).

# 6.2) Information related to government securities held to maturity:

	Current Period	Prior Period	
Government Bonds	70'	-	
Treasury Bills	***		
Other Government Securities (*)	762.890	783.309	
Total	762.890	783.309	

<sup>(\*)</sup> Consists of Sukook certificates issued by Undersecretariat of Treasury of Turkey.

# 6.3) Information on held-to-maturity investments:

**************************************	Current Period	Prior Period
Debt Securities	762.890	783,309
Quoted on a stock exchange(*)	762.890	783,309
Unguoted	uite	-
Impairment provision(-)	•	•
Total	762.890	783.309

<sup>(\*)</sup> Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

#### 6.4) Movement of held-to-maturity investments:

	Current Period	Prior Period
Balance at beginning of period	783,309	745.390
Foreign currency differences on monetary assets	ún.	Carlo
Purchases during period	391.427	35 <b>0.0</b> 00
Disposals through sales and redemptions	(476.442)	(366.063)
Impairment provision (-)	·	<del>~</del>
Income accruals	64.596	53.982
Closing balance	762.890	783.309

#### ALBARAKA TÜRK KATILIM BANKASI A.S.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### I. Explanations and notes related to assets (continued):

#### 7. Associates (net):

#### a) Information on unconsolidated associates:

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and have significant influence over this associate, it has not been consolidated.

	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	Bank's share	
		percentage-	Bank's risk
	Address	If different voting	group share
Name	(City/ Country)	percentage (%)	percentage (%)
Kredi Garanti Fonu A.Ş	Ankara / Turkey	1.69	»

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the unaudited financial statements as of September 30, 2015.

		·····	Dividend			***************************************	
		Total	or profit	income from	Current		
Total	Shareholders'	fixed	share	marketable	period	Prior period	
assets	equity	assets	income	securities	income/loss	income/loss	Fair value
316,348	313.416	5.836	4	_	19.899	_	÷

#### b) Information on consolidated associates:

As of balance sheet date, the Bank does not have consolidated associates.

#### 8. Information on subsidiaries (net):

#### a) Information on unconsolidated subsidiaries:

As of balance sheet date, the Bank does not have unconsolidated subsidiary,

## b) Information on consolidated subsidiaries:

i) The balances of Bereket Varlik Kiralama A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2015.

Name			Addre (City/ Ca		Bank's share percentage- If different voting percentage (%)	percenta	share ge of other olders (%)
Bereket Va	rlık Kiralama A.	Ş	Istanbul	/ Türkiye	100,00		
V							
Total	Shareholders'	Total fixed	Dividend or profit share	Income from marketable	Current period	Prior period	<b></b>

Total or profit from Current
Total Shareholders' fixed share marketable period Prior period
assets equity assets income securities income/loss income/loss Fair value

1.018.176 106 4 - (67) (77) -

ii) In the Board of Directors meeting dated February 25, 2015, the Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The balances of Albaraka Gayrimenkul Portföy Yönetimi A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2015.

#### ALBARAKA TÜRK KATILIM BANKASI A.S.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

## I. Explanations and notes related to assets (continued):

# 9. Information on investments in joint-ventures:

The Bank has founded Katılım Emeklilik ve Hayat A.Ş ("Company") – a private pension and insurance company- through equal partnership with Kuveyt Turk Katılım Bankası A.Ş in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. Company registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. The financials from unaudited financial statements as of December 31, 2015 are below.

Joint-Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non- Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	24.970	236.128	237.340	24,948	29.400

Investment in joint venture in the unconsolidated financial statements is carried at cost.

# 10. Information on lease receivables (net):

# a) Presentation of remaining maturities of funds lent under finance lease method:

	Curren	Prior Period			
	Gross	Net	Gross	Net	
Less than a year	325.587	257.672	208.180	173.564	
1 to 4 years	577.191	523,390	352.652	315,581	
More than 4 years	187.285	166.365	221.780	220,501	
Total	1.090.063	947.427	782.612	709.646	

### b) Information on net investments through finance lease:

	Current Period	Prior Period
Gross finance lease receivables Unearned finance lease receivable (-)	1.090.063 142.636	782.612
Offication infance lease receivable (-)	142.030	72.966
Net receivable from finance leases	947.427	709.646

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# I. Explanations and notes related to assets (continued):

# c) General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

		ndard loans and her receivables		nd other receivables close monitoring	3			
34444444444444444444444444444444444444	Loans and other receivables	Restructured or rescheduled		other or		Loans and other receivables	Restructure or rescheduler	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other		
Finance lease receivables (Net)	916.510	89.366		30.917	4+ 	-		

# 11. Information on derivative financial assets for hedging purposes:

None. (December 31, 2014: None)

# 12. Information on tangible assets:

The state of the s		Leased			Assets held for	***************************************		
Current period	Immovables	tangible assets	Vehicles	Other	sale	Total		
Cost		naireach an t-aireann an anuary 1,2015	338,576	+	1.667	196.420	70.775	607.438
Additions	9.492	•	801	22.112	27	32.432		
Revaluation differences	31.988	<u></u>		-	_	31.988		
	(16.035)	-	(821)	(2.559)	(20.482)	(39.897)		
Disposals	(10,000)		,/	, ,	, ,			
Impairment losses(-)/Reversal of impairment losses		•	_	-	94	94		
Transfers		٠,	_	-	23.549	23.549		
	364.021	-	1.647	215.973	73.963	655.604		
Ending balance: December 31,2015	204,021	-	1.0	2.0	,			
Accumulated depreciation(-)								
Opening balance: January 1,2015	27.733	-	1.278	88.827	2.461	120.299		
Depreciation expense	7,494	-	230	30.083	1.307	39.114		
Reversal of depreciation of the								
disposed assets	(2.540)		(609)	(566)	(1,233)	(4.948)		
Transfers	,	*		_	-	-		
Ending balance: December 31,2015	32,687	-	899	118.344	2.535	154.465		
Citing palance, pecetimer of work	22.20							
Total cost at the end of the year	364.021	-	1.647	215.973	73.963	656.604		
	004.02.							
Total accumulated depreciation at	(32.687)	_	(899)	(118.344)	(2.535)	(154,465)		
the end of the year	331.334		748	97.629	71.428	501,139		
Closing net book value	991.554	•	170	5.1020				

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### I. Explanations and notes related to assets (continued):

ingenting open production and the second second second second second second second second second second second		Leased tangible		<del></del>	Assets Held for	
Prior period	Immovables	assets	Vehicles	Other	sale	Total
Cost						
Opening balance: January 1, 2014	262.486	*	2.077	155.578	56,224	476.365
Additions	2.226		14	49.058	218	51.517
Revaluation differences	73,598	•	₩.	•		73,598
Disposals	-		(424)	(8.216)	(7.619)	(16.259)
Impairment losses(-)/Reversal of			• •	, ,	,	•
impairment losses	266		-		(1.093)	(828)
Transfers	•	34	-		23.045	23,045
Ending balance: December 31, 2014	338.576	•	1.667	196.420	70.775	607,438
Accumulated depreciation(-)						
Opening balance: January 1, 2014	21.837	-	1,423	71.083	1.408	95.751
Depreciation expense	5.896	+	277	25,653	1.255	33.082
Reversal of depreciation of the						
disposed assets	~	••	(422)	(7.909)	(202)	(8.534)
Transfers	-	*	` _	,		
Ending balance: December 31, 2014	27.733	*	1.278	88,827	2.461	120.299
Total cost at the end of the year Total accumulated depreciation at	338,576	÷	1.667	196.420	70.775	607.438
the end of the year	(27.733)	_	(1.278)	(88.827)	(2.461)	(120.299)
•	, ,	_	- ,		68.314	487,139
Closing net book value	310.843	-	389	107,593	68.314	487.139

As of December 31, 2015, the immovables of the Bank have been revalued by an independent valuer and revaluation fund of TL 189.092 (December 31, 2014: TL 153.179) net of deferred tax and depreciation has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 109.007 (December 31, 2014: TL 106.810) if revaluation method had not been adopted.

### 13. Information on intangible assets:

# a) Opening and ending book values and accumulated depreciation balances:

	Current Period	Prior Period
Cost Accumulated depreciation (-)	86,623 42,351	50,447 23,556
Total (net)	44.272	26.891

# b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
	nem izenetik in enemisi in mirini in manik in mirini in mere ese enrive	
Opening balance	26.891	15.929
Additions	36.115	20.565
Disposals (-) nel	úr.	-
Depreciation expense (-)	18.734	9,603
		55.564
Closing net book value	44.272	26.891

#### 14. Information on investment property:

None. (December 31, 2014: None)

#### ALBARAKA TÜRK KATILIM BANKASI A.S.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# I. Explanations and notes related to assets (continued):

#### 15. Information related to deferred tax asset:

As of December 31, 2015, the Bank calculated deferred tax asset of TL 44.887 (December 31, 2014: TL 35.388) and deferred tax liability of TL 29.716 (December 31, 2014: TL 43.681) on all tax deductible/ taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods and presented them as net in the accompanying financial statements. (December 31, 2014: TL 8.293 Deferred Tax Liability)

	Tax Base	Deferred Tax Amount
Rediscount on profit share and prepaid fees and commission income and		
unearned revenues	165.320	33.064
Provisions for retirement and vacation pay liabilities	53.033	10.607
Difference between carrying value and tax base of tangible assets	3,680	736
Provision for impairment	2.070	414
Other	332	66
Deferred tax asset	224,435	44.887
Revaluation difference of property	90.650	18,130
Financial assets available for sale valuation difference	2,630	2.673
Trading securities valuation difference		
Rediscount on profit share	7.020	1.404
Other	48.280	7.509
Deferred tax liability	148,580	29.716
Deferred tax asset (net)	75.855	15,171

### 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans and are accounted in the unconsolidated financial statements in accordance with the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Assets Held for Sale".

	Current Period	Prior Period
And the second s	······································	1 01200
Opening Balance	27.678	28.407
Additions	37.242	34,403
Disposals	(18.246)	(12.634)
Transfers (*)	(23.549)	(23.045)
Impairment Provision(-)/Reversal of Impairment Provision	30 <del>6</del>	547
Net closing balance	22.819	27.678

<sup>(\*)</sup> The balance has been transferred from assets held for sale tangible assets to assets to be sold.

As of December 31, 2015, 22.539 of the assets held for sale is comprised of real estates, TL 280 is comprised of other tangible assets.

The Bank has no discontinued operations and assets of discontinued operations, (December 31, 2014; None)

#### 17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 218.262 (December 31, 2014: TL 76.411) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# II. Explanations and notes related to liabilities:

## 1. Information on funds collected:

# a) Information on maturity structure of funds collected:

(Augustus Burden of	Demand	Up to	Up to 3 months	Up to 6	Up to 9 months	Up to	Over 1 year	Accumulated participation accounts	Tola
Current Period	pattenn	1 100000	Livoustus	Romas	urouns	· year	OVERTIMENT	accounts.	1012
I. Real Persons Current Accounts									
Non-Trade TL	771.214	ю.		**		•	*		771.214
II. Real Persons Participation									
Accounts Non-Trade Tl.		418.523	5.626.945	84.267		91.904	533.772		6.755.51
Ili, Current Account other-TL	1.236,070				*		-		1,236,074
Public Sector	38.481		•	•	5-				35,48
Commercial Institutions	1.138,310	-	-		~	-	-		1.138,330
Other Institutions	52,254			*		•	-		62.25
Commercial and Other									
Institutions	6,056	_				4	-	~	6,056
Banks and Participation Banks	969	_	_	-	نہ	_		_	969
Central Bank of Turkey		_	_	_		_	×	_	~
Domestic Banks	2			-			*		4
Foreign Banks	947		~	*					947
Perticipation Banks	20								20
Other			-	ž	_		-		2/1
IV. Participation Accounts-TL		128,900	2.253.037	62,236	-	22.997	106.211		7,673,38
Public Sector		140,000	2.114	WEYEUV.	-				2,134
Commercial Institutions		127,370	1,899,813	48,471		21.761	102.397	•	2,199,813
Other Institutions	•	1.528	162,899	13,765	Ť.	1,236	3,814	•	183.342
Commercial and Other	•	1.020	102,833	13.760	*	1,2,50	3,014	-	100.052
kistitetons		2	170.828						176.830
	•	2	17.283	•	-	•			17,283
Banks and Participation Banks		-	17.203	-		-	•	-	17.200
V. Real Persons Current Accounts	* *** ***								4 *** ***
Non-Trade FC	1.005.988	-	*	•	-	-		•	1.005.968
VI, Real Persons Participation				40,000		472 * * *	****		
Accounts Non-Yrade FC		259.827	3,269,145	65,884	~	176,141	558.294	-	4.349,691
VII. Other Current Accounts FC	1.142.114								1.142.114
Residents in Turkey-Corporate	796.423	•	٠	•	-		-		798.423
Residents Abread-Corporate	207.863				*	-	-		207,862
Banks and Participation Banks	137.828		w					•	137,828
Central Bank of Turkey		*	**	_	-	·		-	
Domestic Banks	•			*	_	<b>₽</b>	*	,	,
Foreign Banks	106.227						*	o.	106,227
Participation Banks	31,601				_			*	31.601
Other			*	•	_	_			
VIS. Participation Accounts									
other- FC		109,229	1,805,612	164,175		55.447	B4.338		2,218,801
Public sector					_	_		_	
		77,065	1.087.442	84,549	-	34.474	16.457		1,299,987
Commercial institutions					*		16.451	*	
Other institutions		901	231,702	4	-	2,980	-	*	235,583
Commercial and Other									
institutions		995	237,658	4,087	>-	2.201	67.881		312,822
Banks and Participation Banks		30.268	248,810	75.539		15.792			370,409
IX. Precious Metals Deposits X. Participation Accounts	\$05,805	41.027	132,729	7.025	•	3,736	3.685	*	294,008
Special Fund Pools TL	×			-			*	4	
Residents in Turkey		<u>.</u> .				_		4.	
Residents Abroac	-	_	,			_		_	
XI. Participation Accounts		_	•	-		_	-	_	
Special Fund Pools - FC		··.			-de				
Residents in Turkey		-							
Residents Abroad		-		Ĵ.		-		1	
, reproducts myrelated	3	•	-	Ť	-	*	-	Ť	-
Total (I+H+;,+IX+X+XI)	4.281.191	957,605	13.007.468	403.387		350.225	1,286,301		20.346.176

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# II. Explanations and notes related to liabilities (continued):

Prior Period	Demand	Up to 1 menth	Up to I months	Up to 6 months	Up to 9 months	Up to	Over	Accumulated participation	₩
List Letico	Dausva	1 1250th	_ 181011118	s monus	nb to a usouser	1 year	t year	\$600000£\$	Tota
I. Real Persons Current Accounts									
Non-Trade TL	651.085					_	_	_	681.085
II. Real Persons Participation	001.000			•		-	-	•	001.000
Accounts Non-Trade TL	_	3,221,702	2,450,686	129,932		38.736	433.932		6.274.991
		4.221.182	2,430,535	129.234	*		634.932	•	
III. Current Account other-TL	1,084.752	*	*	*	-	4	+	*	1.084.752
Public Sector	27.473	*		*		_	•	-	27,473
Commercial Institutions	1.027,822	4			~		×		1.027.822
Other Institutions	28.554	-	*	04		-	•		28,554
Commercial and Other									
Institutions	49	•				•			49
Banks and Participation Sanks	854		-			_			854
Central Bank of Turkey					_				
Domestic Banks	2			-			-	•	ź
Foreign Banks	801	-	4	*	•	•	•	*	
		-	*	-	*		•	-	805
Participation Banks	5.1	-	•	-		*	•	•	51
Other	-					Op.	*	•	
IV, Participation Accounts-TL	>	512,441	984.976	123,546	-	30,191	120,187		1,771,335
Public Sector		18,575	41					~	18,616
Commercial Institutions		446,099	883.116	24,953	-	8,209	116,749	w.	1,478,128
Other Institutions		35,074	65.275	7.311		888	4.438		112,984
Commercial and Other		Specifical 1	94.2.14			000	47.500	*	114,400
Institutions		12,693	7,107					4	19.800
Banks and Participation Banks	•	12.093	29,431	D# 303	-	A. 000	**	7	
	*	~	23.431	9 <b>1</b> .282	-	21.096	+		141.809
V. Real Persons Current									
Accounts Non-Trade FC	764,756	-	-		-	م	-	*	764.756
VI. Real Persons Participation									
Accounts Non-Trade FC	-	1.711.026	1.199.277	151.563	*	26,657	422,339	•	3,510,862
VII. Other Current Accounts FC	743,223	-	•	-		=			743,223
Residents In Turkey-Corporate	578,703		-						576,703
Residents abroad-Corporate	51,011		٠				_		51.011
Banks and Participation Banks	116.609	_							115.509
Central Bank of Turkey	110.003	*	•	•	•	-	*	*	+ 62.003
	•	*	•	-	•	*	•	**	•
Domestic Banks		•	-	•	7*	•	-	-	
Foreign Banks	115.091	-	<b>.</b>	-		-	•		115.091
Participation Banks	418	*	•	•	-			•	416
Other			*:	•	*	~	-		
VIII. Participation Accounts									
other- FC	•	406.717	922.390	43.286	-	117,148	11.558		1.803.099
Public Sector									,
Commercial Institutions	_	327,919	679.277	5.108	-	92,151	95†		1,105,416
Other Institutions		26.777	7.296	9.700	•	34,101	221	•	34.081
Commercial and Other	•	20,611	1.230	э	-	~		*	34.681
		24 -04	40.048						
Institutions	*	25.756	10,315	4	-	2,379	10,607	*	49,057
Banks and Participation Banks		28.265	225.503	38,169	p-	22,608	٠	•	314,545
IX. Precious Metals Doposits	137,119	\$6,393	102.886	3.585	<b>&gt;</b>	€11	3,520	**	339,115
X. Participation Accounts Special									
Fund Pools TL	4	*	•	٠	<u>.</u>			43	
Residents in Turkey	~				u.		_	1	
Residents abroad	_	_					-	-	*
XI. Participation Accounts	·	•	-	· ·	•			•	-
Special Fund Pools -FC									
	-	~		-	•	-	•	•	
Residents in Turkey	·	•		-	*	•		-	
Residenis abroad	~	wt	-	-	*	=	*		٠
the second second									
Yotaf (1484:+(X+X+XI)	3.378.935	8.950.279	5,680,209	451,913	*	213,346	991.538	*********************	16.643.218

### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# II. Explanations and notes related to liabilities (continued):

# bj Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

# b.1) Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Unde guaran Insur	tee of	Exceeding the guarantee of Insurance		
	Current Period	Prior Period	Current Period	Prior Period	
Real persons' current and participation accounts not subject to					
trading transactions  Turkish Lira accounts	4.031.698	3.576.170	3,495,029	3.349.906	
Foreign currency accounts	1,550.831	1.296.029	4.115.302	3.265.958	
Foreign branches' deposits subject to foreign					
authorities insurance	•	-	**	-	
Off-shore deposits under foreign authorities' insurance		۵	+	*	

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

b.2) Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	21.595	29.444
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	<b>↔</b>	u.
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	8.825	7.451
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	_	_
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities	•	7

# 2. Information on derivative financial liabilities held for trading:

None (December 31; 2014: None)

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations and notes related to liabilities (continued):

#### 3. Information on borrowings:

The Bank has obtained a Syndicated Murabaha Loan from international markets amounting to USD 87.500.000 and EUR 98.250.000 with maturity of one year, amounting to USD 458.500.000 and EUR 56.250.000 with maturity of more than one year, totaling to USD 546.000.000 and EUR 154.500.000. (December 31, 2014: one year maturity: USD 151.000.000 and EUR 54.400.000, more than one year maturity: USD 135.000.000 and EUR 98.000.000).

As of December 31, 2015, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 161.448,187 and EUR 112.419.953 (December 31, 2014: USD 359.955,589 and EUR 113.435,323).

The Bank has issued sukuk at September 30, 2014 in the amounts of USD 350.000.000 with five year maturity and 6.25% yearly profit rate determined to collect funds from various investors. The Bank has practised this transaction through its subsidiary Bereket Varlik Kiralama A.Ş. founded particularly for the related issue.

#### a) Information on banks and other financial institutions:

**************************************	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	_··	<b>"</b>	-	*
Loans from domestic banks and institutions	**	1.158.248	-	884.691
Loans from foreign banks, institutions and funds	~	2.946.440	**	2.331,307
Total	_	4.104.688	<b>~</b>	3.215.998

#### b) Maturity analysis of funds borrowed:

	Curre	nt Period	Prio	r Period
	TL.	FC	TL	FC
Short-Term	-	884.552	<b>*</b>	1.746.725
Medium and Long-Term	-	3.220.136	-rx	1.469.273
Total	.= .	4.104.688	o.	3.215.998

### c) Additional disclosures on concentration areas of Bank's liabilities:

The Bank does not have concentration on customer or sector group providing funds.

4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None. (December 31, 2014: None)

#### 5. Lease payables:

#### a) Information on finance lease transactions:

a.1) Information on financial lease agreements:

The Bank has no obligation from finance lease operations as of balance sheet date.

a.2) Explanations on the changes in agreements and new obligations originating from these changes:

None.

a.3) Explanations on the obligations originating from finance leases: None.

## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

## II. Explanations and notes related to liabilities (continued):

## b) Explanations on operational leases:

The Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	40.057	34.737
1 to 4 years	103,291	92.312
Over 4 years	96.642	95.845
Total	239,990	222.894

# 6. Information on hedging derivative financial liabilities:

None. (December 31, 2014: None)

#### 7. Information on provisions:

## a) Information on general provisions:

	Current Period	Prior Period
General provision for	170.885	153.910
I. Group loans and receivables (Total)	142.268	115.490
Participation Accounts' Share	87.710	67.736
Bank's Share	54.558	47.754
Others	**	-
Additional provision for loans and receivables with extended maturities for loans and receivables in		<del></del>
Group I	8.270	49
Participation Accounts' Share	3.586	44
Bank's Share	4.684	5
Others	<u></u>	-
II. Group loans and receivables (Total)	14.436	23.414
Participation Accounts' Share	8.356	15.227
Bank's Share	6.080	8.187
Others	-	**
Additional provision for loans and receivables with	······································	\\ <del>\.\.\.\.\.\.\.\.\.\.\.\.\.\.\.\.</del>
extended maturities for loans and receivables in		
Group II	3.494	8.743
Participation Accounts' Share	2.692	5.694
Bank's Share	802	3.049
Others		**
Non-cash loans	14.181	15.006
Others	y.u.	~

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations and notes related to liabilities (continued):

b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2015, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 27.874 (December 31, 2014: TL 15.086) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

## c) Information on specific provisions for non-cash loans that are not indemnified:

As of December 31, 2015, the Bank has provided specific provisions amounting to TL 22.394 (December 31, 2014; TL 15.328) for non-cash loans that are not indemnified.

#### c) Other provisions:

c.1) Information on general reserves for possible losses:

	Current Period	Prior Period
General Reserves for Possible Losses (*)	88	88
Total	88	88

<sup>(\*)</sup> The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

## ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations and notes related to liabilities (continued):

c.2) Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current	Prior
	Period	Period
Provisions allocated from profit shares to be distributed to		
profit sharing accounts(*)	40	23,117
Provision for unindemnified letter of guarantees	18.469	15.328
Payment commitments for cheques	3.925	2.574
Provision for promotions related with credit cards and		
promotion of banking services	80	217
General reserves for possible losses	88	88
Financial assets at fair value through profit and loss	429	
Other (**)	4,910	5.061
Total	27,941	46.385

<sup>(\*)</sup> Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

#### d) Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 30.235 (December 31, 2014: TL 26.201), vacation pay liability amounting to TL 7.048 (December 31, 2014: TL 6.328) and performance premium reserve amounting to TL 15.750 (December 31, 2014: None) totaling to TL 53.033 (December 31, 2014: TL 32.529). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%) Estimated increase rate of salary ceiling (%) Rate used in relation to possibility of retirement (*) (%)	8,40 6,90 62,26	8,40 6,00 73.71

<sup>(\*)</sup> The rate has been calculated depending on the years of service of the employees; the rate presented in the table represents the average of such rates.

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	26.201	16.526
Provisions made in the period	6.480	4.324
Actuarial gain/(loss)	358	6.958
Paid during the period	(2.804)	(1.607)
Balance at the end of the period	30.235	26.201

<sup>(\*\*)</sup> Indicates other provision amount for possible losses in loan portfolio

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# II. Explanations and notes related to liabilities (continued):

# 8. Information on taxes payable:

# a) Explanations on current tax liability:

a.1) As of December 31, 2015, the Bank's corporate tax payable is TL 21.165 (December 31, 2014; TL 24.034) after offsetting prepaid corporate tax.

# a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	21.165	24.034
Banking insurance transaction tax	11.775	11.050
Taxation on securities income	11.747	9.391
Value added tax payable	895	710
Taxation on real estate income	665	561
Foreign exchange transaction tax	-	**-
Other	6.130	5.048
Total	52.377	50.794

#### a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	2.645	2.190
Social security premiums-employer	2.876	2.380
Bank pension fund premium- employees	***	-
Bank pension fund premium- employer	••	ar .
Pension fund membership fees and provisions- employees	-	_
Pension fund membership fees and provisions- employer	-	-
Unemployment insurance-employee	187	154
Unemployment insurance-employer	373	308
Other		-
Total	6.081	5,032

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### II. Explanations and notes related to liabilities (continued):

#### b) Information on deferred tax liability:

There is not any deferred tax liability as of December 31, 2015. The information for December 31, 2014 is as follows:

	Tax Base	Deferred Tax Amount
Rediscount on profit share and prepaid fees and commission income and		
unearned revenues	137.820	27.564
Provisions for retirement and vacation pay liabilities	32.529	6.506
Difference between carrying value and tax base of tangible assets	4.105	821
Provision for Impairment	2.215	443
Other	271	54
Deferred tax asset	176.940	35.388
Revaluation difference of property	191.475	38.295
Financial assets available for sale valuation difference	12.485	2,497
Trading securitles valuation difference	1.930	386
Rediscount on profit share	125	25
Other	12.390	2.478
Deferred tax liability	218.405	43.681
Deferred tax liability (net)	41.465	8.293

#### 9. Liabilities for assets held for sale and discontinued operations:

None. (December 31, 2014: None)

#### Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

+ 14 - 14 - 14 - 14 - 14 - 14 - 14 - 14	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Domestic Banks			_	**
Loans from other Institutions			-	*
Loans from Foreign Banks			4	-
Loans from other Foreign Institutions		1,239,557	-	472.426
Total	<u> </u>	1.239,557	**	472.426

The Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity Albaraka Türk Sukuk Limited amounting to USD 200.000.000 with 10 years malurity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of five years with 10 years total maturity was determined as 7,75%.

The Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,50%. The Bank has repurchased the sukuk issued in the amount of USD 24.000.000 and this amount is offset in available for sale assets and subordinated loans.

#### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

- II. Explanations and notes related to liabilities (continued):
  - 11. Information on shareholders' equity:
    - a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	900.000	900.000
Preferred stock	-	

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Bank has taken a resolution on transition to registered capital system. The Bank's application to the Capital Market Board on the same date was approved on March 7, 2013 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2017.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500.000

c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

There is no capital increase in the current period.

c) Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

d) Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# II. Explanations and notes related to liabilities (continued):

e) Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

### f) Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

#### g) Information on marketable securities valuation reserve:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint				
ventures Valuation difference (*)	4.203	6.488	9.155	835
Foreign exchange difference	w.		•	-
Total	4.203	6.488	9.155	835

<sup>(\*)</sup> The amount represents the net balance after deferred tax liability.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### III. Explanations and notes related to off-balance sheet:

#### 1. Explanations on off balance sheet:

# a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	521.562	510.257
Payment commitments for cheques	500.882	353,093
Asset purchase and sale commitments	187,332	-
Loan granting commitments	116,862	59.439
Tax and funds liabilities arising from export commitments	2.035	1.506
Commitments for promotions related with credit cards		
and banking activities	599	523
Other irrevocable commitments	203	3.832
Total	1.329.475	928.650

# b) Type and amount of possible losses and commitments arising from off-balance sheet items:

b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit;

	Current Period	Prior Period
Guarantees	7.730.288	6.872.641
Bank loans	28.324	33.055
Letters of credit	639.592	589.270
Other guaranties and sureties	265.853	583.543
Total	8.664.057	8.078.509

#### b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	7.730.288	6.872.641
Long standing letters of guarantees	4.956.813	4.602,603
Temporary letters of guarantees	293.937	345,357
Advance letters of guarantees	278.642	289.778
Letters of guarantees given to customs	247.773	219.657
Letters of guarantees given for obtaining cash loans	1.953.123	1.415.246
Sureties and similar transactions	265.853	583.543
Total	7.996.141	7,456.184

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# III. Explanations and notes related to off-balance sheet (continued):

### c) Within the Non-cash Loans

### c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	1,953.123	1,415.246
With original maturity of 1 year or less	441.733	903.720
With original maturity of more than 1 year	1,511,390	511.526
Other non-cash loans	6.710.934	6.663,263
Total	8.664.057	8.078.509

### c.2) Sectoral risk concentration of non-cash loans:

<u>~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~</u>		Current	period	V=-040-4	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	Prior period		
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	TP	(%)	FC	(%)	TP	(%)	FC	(%)
Agricultural	73,452	1,72	39.514	0,90	99,639	2,41	25.056	0,64
Farming and stockbreeding	60.693	1,42	13.675	0.31	54.739	1,32	23,906	0,61
Forestry	11.284	0.26	23.341	0,53	44.856	1,08	-	•
Fishery	1.475	0,04	2.498	0,06	44	0,01	1.150	0,03
Manufacturing	932.582	21,81	2.434.207	55,47	1.119.292	26,98	1.955.461	49,77
Mining	22.933	0,54	61.431	1,40	33.103	0,80	78.965	2,01
Production	678.558	15,87	1.627.801	37,09	772,471	18,62	1,335,795	34,00
Electricity, gas and water	231.091	5,40	744.975	16,98	313,718	7,56	540.701	13,76
Construction	1,176,191	27.51	645.842	14,72	1.077.293	25,96	606.437	15,43
Services	1,691,894	39,57	1,150,416	26,21	1.662.751	40,06	1.076.420	27,40
Wholesale and retail trade	690.202	16,14	555.381	12,65	276.452	6,66	97,533	2,48
Hotel, food and beverage services	22.976	0,54	96.734	2,20	8.320	0,20	77.802	1,98
Transportation and telecommunication	65,131	1,52	71.640	1,63	50.769	1,22	182.038	4,63
Financial Institutions	17.638	0,41	118.816	2,71	79.009	1,90	522.572	13,30
Real estate and renting	622,039	14,55	103.532	2,36	134,764	3,25	39.300	1,00
Services	119.216	2,79	187.680	4,28	15.253	0,37	4.073	0,10
Self-employment services Education services	31,998	0.75	1.319	0.03	21,604	0,52	41	0.01
	122.694	2,87	15.314	0,35	1.076.580	25.94	153,061	3,90
Health and social services	401.283	9,39	118.676	2,70	190.390	4,59	265.770	6,76
Other	401.203	3,33	110.010	2,10	,,,,,,,,,	4100	200///0	3,
Total	4.275.402	100	4,388,655	100,00	4.149.365	100,00	3.929.144	100,00

## c.3) Information on the non-cash loans classified in Group I and Group II:

	l st Gro	up	II nd Gro	up
	TL	rc FC	TL.	FC
Non-cash loans	4.238.879	4.368.945	36.523	19.710
Letters of guarantee	4,232,955	3.445.448	36.523	15.362
Bank loans	ar.	28.324	-	-
Letters of credit	-	635.244	*	4.348
Endorsements				
Underwriting commitments		*	*	
Factoring commitments			-	
Other commitments and conlingencies	5.924	259.929	*	

### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

## III. Explanations and notes related to off-balance sheet (continued):

### Explanations on derivative transactions:

	Derivative transactions according to purpose		
	December 31,2015	December 31,2014	
Trading Derivatives			
Foreign Currency Related Derivative Transactions (1)	417.005	-	
Currency Forwards-Purchases, sales	-	•	
Currency Swaps-Purchases, sales	417,005	*	
Currency Futures	-	-	
Currency Options-Purchases, sales	•	•	
Interest Rate Related Derivative Transactions (II)		•	
Interest rates forwards-Purchase, sales	-	-	
Interest rates swaps-Purchases, sales	~	~	
Interest rates options-Purchases, sales	-	•	
Interest rates futures-Purchases, sales	•	*	
Other Trading Derivatives ( III )	-	*	
A. Total Trading Derivatives (   +    +    )	417.005		
		DA.	
Hedging Derivatives	•	•	
Fair value hedges	•	<b>25</b>	
Cash flow hedges	<b>*</b>	•	
Foreign currency investment hedges	•	м.	
B. Total Hedging Derivatives	<u> </u>		
Total Derivatives Transactions ( A+B)	417.005	<u>.</u>	

# 3. Explanations on contingent assets and liabilities:

The Bank has made a provision amounting to TL 88 (December 31,2014: TL 88), as presented under "Other Provisions" note in Section Five Note II.7.¢, for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Bank, the Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

### 4. Explanations on services rendered on behalf of third parties:

The Bank has no operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

### IV. Explanations and notes related to the statement of income:

### 1. Information on profit share income:

### a) Information on profit share income received from loans:

	Current P	Prior Period		
	TL	FC	TL	FC
Profit share received from loans (*)	1.527.470	181.419	1,255.868	120.550
Short Term Loans	418.602	20.455	552.910	13.494
Medium and Long Term Loans	1.100.716	160.958	695.778	107.045
Profit Share on Non-Performing Loans	8.152	6	7.180	11

<sup>(\*)</sup> Includes fees and commission income on cash loans.

### b) Information on profit share income received from banks:

	Current Period		Prior Pe	riod
	TL	FC	TL	FC
CBRT	6.718	3.545	492	_
Domestic Banks	N.	-	4	-
Foreign Banks	-	36		1.882
Head Offices and Branches Abroad	-	-	•	
Total	6.718	3.581	492	1.882

### c) Information on profit share income received from marketable securities:

MARKET THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PROPERTY OF THE PRO	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets held for trading	мо	_	•	-
From financial assets at fair value through profit or				
loss	-	_	000	-
From financial assets available-for-sale	62.858	7.761	36,656	4.498
From held-to-maturity investments	64.596	***	53.982	<u>~</u>
Total	127.454	7.761	90.638	4.498

### ç) Information on profit share income received from associates and subsidiaries:

	Current Period		Prior Period		
	TL	FC	TL	FC	
Profit shares income received from associates and subsidiaries	*	2.326	~	920	
Total	*	2.326		920	

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# IV. Explanations and notes related to the statement of income (continued):

### 2. Explanations on profit share expenses:

## a) Information on profit share expense paid to funds borrowed:

	Current	Current Period		eriod
	TL	FC	TL	FC
Banks	-	50.701	w	39.791
CBRT	-	-	~	-
Domestic banks	<b>←</b>	3.127	*	473
Foreign banks	₩.	47.574	4	39,318
Head offices and branches abroad	~	-	_	٠
Other institutions	**	112.827	→	60.245
Total	-	163.528		100.036

## b) Profit share expense paid to associates and subsidiaries:

	Current	Period	Prior Period		
	TL	FC	TL	FC	
Profit share paid to Investments in Associates and Subsidiaries	255	61.491	179	25.684	
Total	255	61.491	179	25.684	

## c) Profit share expenses paid to marketable securities issued:

None. (December 31,2014: None)

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

## IV. Explanations and notes related to the statement of income (continued):

### c) Distribution of profit share expense on funds collected based on maturity of funds collected:

			Pro	fit sharing i	accounts			
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year	Accumulated profit sharing account	Total
TŁ.								
Funds collected from banks through current and profit sharing accounts Real persons' non-trading profit	*	4.139	2.914	•	6	•	-	7.059
sharing accounts	112.942	351.446	8.701		6.821	42,840		522,750
Public sector profit sharing accounts  Commercial sector profit sharing	382	420	•	-	*	~	٠	802
accounts	22.591	120.309	5.278	-	1.015	8.901	٠	158.094
Other institutions profit sharing accounts	1.575	17,858	1,173	-	101	369	-	21.076
Total	137.490	494.172	18,066	· · · · · · · · · · · · · · · · · · ·	7.943	52,110	#	709.781
FC								
Banks	1,196	6.806	807	**	643	•		9.452
Real persons' non-trading profit sharing accounts	15,439	47.227	2.237	•	2,703	11.079		78.685
Public sector profit sharing accounts  Commercial sector profit sharing				-	4 500		<b>3</b> 4	04 500
accounts	3.377	15.647	727	•	1.593	246	•	21,590
Other institutions profit sharing	643	4,430	129	_	74	743	+	6.019
accounts Precious metals deposits	927	2,757	165		55	103	_	4.007
Total	21.582	76,867	4.065		5,068	12.171	HF	119.753
Grand total	159.072	571,039	22,131		13.011	64,281		829.534

### 3. Information on dividend income:

	Current Period		Prior Period		
	TP	YP	TP	ΥP	
Some And All Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control of the Control					
From trading financial assets	10	-	180	-	
From financial assets at fair value through profit and loss	-	w	<del>t-</del>	w.	
From available for sale financial assets	*	-	-	-	
Other	509	-	ale -	-	
Total	519		180	*	

4. Explanations on trading income/loss (net):

	Current Period	Prior Period
Income	6.809.954	3.295.553
Income from capital market transactions	2.243	1.484
Income from derivative financial instruments	73.239	21.681
Foreign exchange income	6.734.472	3.272.388
Loss (-)	6.757.384	3.242.296
Loss on capital market transactions	20	10
Loss on derivative financial instruments	5.146	540
Foreign exchange losses	6,752.218	3.241.746
Trading income/loss (net)	52.570	53,257

### ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

### IV. Explanations and notes related to the statement of income (continued):

#### 5. Explanations related to other operating income:

	Current Period	Prior Period	
Reversal of prior year provisions	89.166	79.768	
Income from sale of assets	16.742	9.863	
Reimbursement for communication expenses	3,798	3.295	
Reimbursement for bank statement expenses	120	980	
Cheque book charges	806	754	
Other income	2.775	2.159	
Total	113.407	96.819	

### 6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	130.834	86.262
Loans and receivables in III. Group	43,412	64.093
Loans and receivables in IV, Group	46.642	10.500
Loans and receivables in V. Group	36.222	6.530
Doubtful commission, fee and other receivables	4.558	5.139
General provision expenses	12.869	45.361
Provision expenses for possible losses	-	31
Impairment losses on marketable securities	194	26
Financial assets at fair value through profit and loss	124	26
Financial assets available for sale	70	-
Impairment losses on associates, subsidiaries, joint		
ventures and held to maturity investments	w	•
Associates	**	
Subsidiaries	úre	*
Joint ventures	wir	•
Held to maturity investments	-	***
Other	13.246	17.896
Total	157.143	149.576

TL 78.376 (December 31, 2014: TL 59.340) of the total specific provisions provided for loan and other receivables amounting to TL 130.834 (December 31, 2014: TL 86.262) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 9.287 (December 31, 2014: TL 18.515) of the total general loan loss provisions provided for loan and other receivables amounting to 12.869 (December 31, 2014: TL 45.361) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

### IV. Explanations and notes related to the statement of income (continued):

### 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	354.129	281.884
Provision for retirement pay liability	3.676	2.717
Deficit provision for pension fund	0.0.0	2.111
Impairment expenses of tangible assets		-
Depreciation expenses of tangible assets	39.114	31.812
Impairment expenses of intangible assets		01.012
Impairment expense of goodwill		
Amortization expenses of intangible assets	18.734	9.603
impairment provision for investments accounted for under equity method	10.10-	0.000
Impairment expenses of assets to be disposed	404	1.347
Depreciation expenses of assets to be disposed	1.307	1,257
Impairment expenses of assets held for sale and assets of discontinued	1.001	14441
operations	1.036	3
Other operating expenses	136.719	106.864
Operating lease expenses	53.531	41,220
Maintenance expenses	10.639	6.256
Advertisement expenses	10,192	8.166
Other expenses	62.357	51,222
Loss on sale of assets	1.215	351
Other(*)	97.919	66.600
Total	654.253	502.438

### (\*) Details of other balance are provided as below:

One of the second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second second secon	Current Period	Prior Period	
Saving Deposit Insurance Fund	32.571	27.223	
Taxes, Duties, Charges and Funds	23.735	19,445	
Bonus Reserve Expenses	15.750		
Expertise and information Expenses	11.825	9.170	
Audit and Consultancy Fees	7.632	7.174	
Other	6.406	3.588	
Total	97.919	66.600	

### 8. Explanations on income/loss from continued operations before taxes:

As the Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Bank's income before tax increased by 16 % compared to prior period and is realized as TL 376.778. Income before tax comprises net profit share income in the amount of TL 885.681 and fees and commission income in the amount of TL 135.997. Total other operating expenses amount to TL 654.253.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# IV. Explanations and notes related to the statement of income (continued):

# Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

Charge and the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the contro	Current Period	Prior Period
Income before tax Tax calculated with tax rate of 20% Other additions and disallowable expenses Deductions Provision for current taxes Provision for deferred taxes Continuing Operations Tax Provision	376.778 75.356 18.276 (15.466) 78.166 (4.251) 73.915	325.552 65.110 15.939 (7.767) 73.282 (361) 72.921

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

# 10. Explanations on net income/loss from continued and discontinued operations:

The Bank has no discontinued operations. Net income for the period has been realized as TL 376.778 (December 31, 2014; TL 325.552) by deducting tax provision expense amounting to TL 73.915 (December 31,2014; TL 72.921) from profit from continued operations amounting to TL 302.863 (December 31,2014; TL 252.631).

# 11. Explanations on net income/ loss:

a) The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

None,

b) The effect of the change in accounting estimates to the net income/loss; including the effects on the future period:

None.

c) Income / loss of minority interest:

None.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# IV. Explanations and notes related to the statement of income (continued):

### 12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10 % of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS fees and commissions	33.618	30,130
Clearing room fees and commissions	15,482	16.039
Commissions on money orders	10.602	8.323
Appraisal fees	8.808	7.389
Insurance and brokerage commissions	8.229	5.109
Other	12.842	12.230
Total	89.581	79.220

Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed fees and commisions Credit cards fees and commisions	17.941	11.526
Member firm-POS fees and commissions	8.002	6.092
Other	11.162	7.469
	14.204	7.329
Total	# # # A.A.	
	51.309	32.410

# V. Explanations and notes related to the statement of changes in shareholders' equity:

a) There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements.

Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.

- b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income.TL 876 increase has occurred after the revaluation of available-for-sale securities (December 31, 2014; TL 18,415 increase).
- c) Revaluation funds related to tangible and intangible assets and foreign exchange differences arising from translation of tangible and intangible assets of foreign branch of the Bank are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.
- d) Foreign exchange differences arising from translation of income statement of foreign branch of the Bank are accounted in other capital reserves amounts to TL 4.368. (December 31, 2014: TL 1.305).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# VI. Explanations and disclosures related to the statement of cash flows:

- a) Components of cash and cash equivalents and accounting policy applied in their determination: "Cash" is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.
- (i). Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
Cash Cash in TL/foreign currency Cash in transit CBRT Cash equivalents Domestic banks Foreign banks	737.011 194.922 542.089 1.171.537 767.242 404.295	503.284 128.349 374.935 1.028.493 700.780 327.713
otal cash and cash equivalents	1.908.548	1.531.777

# (ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash		<del></del>
Cash in TL/foreign currency	1.895.062	737,011
Cash in transit	408.213	194,922
CBRT	414,294	-
Cash equivalents	1.072.555	542.089
Domestic banks	1.912.992	1.171.537
Foreign banks	1.486.902	767.242
as organization	426.090	404.295
Total cash and cash equivalents		
	3.808.054	1.908.548

# Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations:

Restricted time deposits held at the Central Bank of Turkey and blockaged amount arising from POS are not considered as cash and cash equivalent items.

# Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:

The "Others" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 178.518 (December 31, 2014: TL 161.836) mainly comprises other operating expenses excluding personnel expenses and amortization expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 191.237 (December 31, 2014: TL 88.741) mainly comprises changes in miscellaneous payables, other liabilities and taxes and other duties payable.

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately as TL 124.317 as of December 31, 2015 (December 31, 2014: TL 58.299).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# VII. Explanations related to the risk group of the Bank:

 Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

### a) Current period:

Risk Group of the Bank (*)	Investment in subsidiaries ventures (i parinen	s and joint business	Direct an		Other real or le include the risk	ed in
Loans and other receivables	Cash	Non-cash		Non-cash	Cash	Non-cash
Balance at the beginning of the period Balance at the end of the period Profit share and commission income	*	•	5 8	* •	50.238 47.939	69.492 62.444
received	2.326	•	**	•	23	582

### b) Prior period:

Risk Group of the Bank		Investment ir subsidiarie ventures ( partner	s and joint business	Other real of Direct and Indirect incli		Other real or leg included the risk gr	uded in	
Loan	ns and other receivables	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash	
Balar Balar	nce at the beginning of period nce at end of period it share and commission income	•	-	28 5	*	1,476 50,238	15,514 69,492	
Γ¢ (*\	Ceived	920	-		•	437	257	

<sup>(\*)</sup> Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

# c.1) Information on current and profit sharing accounts of the Bank's risk group:

Risk Group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect Shareholders of the Bank		Other real or legal persons included in the risk group	
Current and profit sharing accounts	Current	Prior	Current	Prior	Current	Prior
	Period	Period	Period	Period	Period	Period
Balance at the beginning of period Balance at the end of period Profit share expense	1.594	5.703	5,354	3.224	248.343	185,192
	7.810	1.594	5,563	5.354	266.101	248,343
	521	500	123	152	13.214	7,368

<sup>(\*)</sup> As of December 31, 2015 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 125.440.079 and EURO 90.816.893 (December 31,2014: USD 241.859.711 and EURO 100.017.980). The profit share expense relating to such borrowings for the period between January 1, 2015 — December 31, 2015 is TL 12.345 (December 31, 2014: 16.656 TL). The Bank has issued Sukuk in the amounts of USD 350.000.000 through "Bereket Varlik Kiralama A.Ş" which exists in the risk group of the Bank. The expense for the related issue is TL 61.491 as of December 31, 2015.

# c.2) Information on forward and option agreements and other similar agreements with related parties:

The Bank does not have forward and option agreements with the risk group of the Bank.

As of December 31, 2015; the Bank has paid TL 12.014 (December 31, 2014; TL 10.033) to top management.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

# VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

 Information on the domestic and foreign branches and representative offices of the Bank;

	Number	Number of Personnel			
Domestic Branches	212	3.720			
Correction (2)		. <u></u>	Country		
Foreign Representation Office	-	-	-		
		**************************************	· · · · · · · · · · · · · · · · · · ·		
and the second			W	Total Assets (thousand TL)	Statutory Share Capita
oreign Branches		16	penl	244.001	USD 7.000.000
SEC CI.					
Yf-Shore Branches		-			
		·			

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:

In 2015, the Bank has opened 11 domestic branches.

# IX. Explanations related to subsequent events:

According to the framework of Repurchase Programme approved in the General Assembly of the Bank dated March 25, 2015, The Bank has repurchased its shares with a nominal value of TL 1.900 between January 18, 2016 and January 26, 2016.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Notes related to unconsolidated financial statements as of December 31, 2015 (Currency - Thousand Turkish Lira)

#### Section slx

I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:

None.

### Section seven

Independent Auditors' report

i. Explanations on independent auditors' report:

The Bank's unconsolidated financial statements as of and for the period ended December 31, 2015 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated February 22, 2015 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.

#### THE TRUSTEE

#### Bereket One Ltd.

c/o MaplesFS Limited P.O. Box 1093 Queensgate House Grand Cayman KY1-1102 Cayman Islands

#### THE BANK

#### Albaraka Türk Katılım Bankası A.Ş.

Saray Mah. Dr. Adnan Büyükdeniz Cad. No: 6 34768 Ümraniye Istanbul Republic of Turkey

#### THE DELEGATE

#### **BNY Mellon Corporate Trustee Services Limited**

One Canada Square London E14 5AL United Kingdom

### REGISTRAR AND TRANSFER AGENT The Bank of New York Mellon S.A./N.V., Luxembourg Branch

Vertigo Building-Polaris 2-4 rue Eugene Ruppert L-2453 Luxembourg

# PRINCIPAL PAYING AGENT AND CALCULATION AGENT

### The Bank of New York Mellon, London Branch

One Canada Square London E14 5AL United Kingdom

#### **LEGAL ADVISERS**

To the Bank as to English law

### Norton Rose Fulbright (Middle East) LLP

4<sup>th</sup> Floor Gate Precinct Building 3 Dubai International Financial Centre P.O. Box 103747 Dubai United Arab Emirates To the Bank as to Turkish law

### Paksoy Ortak Avukat Bürosu

Eski Büyükdere Caddesí No:27 Kat:11 Maslak 34398 Istanbul Republic of Turkey

To the Trustee as to Cayman Islands law

#### Maples and Calder (Dubai) LLP

The Exchange Building, 5<sup>th</sup> Floor Dubai International Financial Centre P.O. Box 119980 Dubai United Arab Emirates

To the Joint Lead Managers as to English law

### **Clifford Chance LLP**

Level 15
Burj Daman
Dubai International Financial Centre
P.O. Box 9380
Dubai, United Arab Emirates

To the Joint Lead Managers as to Turkish law

### Yegin Çiftçi Attorney Partnership

Kanyon Ofis Binası Kat. 10 Büyükdere Cad. No. 185 34394 Levent Istanbul Turkey To the Delegate as to English law

#### **Clifford Chance LLP**

10 Upper Bank Street London E14 5JJ United Kingdom

### IRISH LISTING AGENT

### **Arthur Cox Listing Services Limited**

Ten Earlsfort Terrace Dublin 2 Ireland

#### **AUDITORS**

To the Bank

# KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of KPMG International Cooperative

İş Kuleleri, Kule 3, Kat:2-9 Levent, 34330 Beşiktaş/İstanbul Turkey

### JOINT LEAD MANAGERS

#### **Arab Banking Corporation (B.S.C.)**

Bank ABC Tower P.O. Box 5698 Manama Bahrain

#### **Emirates NBD Bank PJSC**

c/o Emirates NBD Capital Limited
Gate Building West Wing, Level 12
Dubai International Financial Centre (DIFC)
P.O. Box 506710
Dubai
United Arab Emirates

### **Noor Bank PJSC**

Building 1, Level 8
Emaar Square
P.O. Box 8822
Dubai
United Arab Emirates

#### **QInvest LLC**

Tornado Tower, 39th Floor West Bay, Doha P.O. Box 26222 State of Qatar

### **Standard Chartered Bank**

One Basinghall Avenue London EC2V 5DD United Kingdom