PROSPECTUS

BEREKET VARLIK KIRALAMA A.Ş.

(incorporated in the Republic of Turkey as an asset lease company in the form of a joint stock company)

U.S.$350,000,000 Certificates due 2019

The U.S.$350,000,000 Certificates due 2019 (the "**Certificates**") of Bereket Varlık Kiralama Anonim Şirketi (the "**Issuer**") will be authorised and issued in accordance with the terms of the Transaction Documents (as defined herein) including an agreement (the "**Representative Agreement**") dated on or around 30 June 2014 (the "**Closing Date**") between the Issuer, Albaraka Türk Katilim Bankası Anonim Şirketi ("**Albaraka**" or the "**Bank**") and BNY Mellon Corporate Trustee Services Limited (the "**Representative**"). The proceeds of issuance of the Certificates shall be applied by the Issuer towards the acquisition of Sukuk Assets (as defined herein) as authorised and directed by the Certificateholders (as defined herein) in the terms and conditions of the Certificates (the "**Conditions**"). The Issuer will hold its interests in the Sukuk Assets on its own behalf and for the account of the Certificateholders pursuant to the Representative Agreement. Under the laws of the Republic of Turkey ("**Turkey**"), the Issuer will hold its interest in the Sukuk Assets in its own name and on its own behalf and for the account and benefit of the Certificateholders and the income from the Sukuk Assets, together with any capital arising from the disposal of any Sukuk Assets, shall be for the Issuer and for the account and benefit of the Certificateholders.
On 30 June and 30 December in each year commencing on 30 December 2014 (each, a "**Periodic Distribution Date**"), the Issuer will pay Periodic Distribution Amounts (as defined herein) to Certificateholders calculated at the rate of 6.250 per cent. per annum on the outstanding face amount of the Certificates as at the beginning of the relevant Return Accumulation Period (as defined herein) on a 30/360 day basis.

The Issuer will pay such Periodic Distribution Amounts from the proceeds received in respect of the Sukuk Assets which include payments received under the Portfolio Assets pursuant to the Initial Asset Portfolio Sale and Purchase Agreement and amounts of Deferred Payment Price received pursuant to the Murabaha Agreement (all terms as defined herein). Unless previously redeemed in the circumstances described in Condition 13 (*Dissolution Events*), the Certificates will be redeemed on the Periodic Distribution Date falling on 30 June 2019 (the "**Scheduled Dissolution Date**") at the Dissolution Distribution Amount (as defined herein). The Issuer will pay the Dissolution Distribution Amount solely from the proceeds received in respect of the Sukuk Assets (see "*Structure Diagram and Cashflows — Dissolution Payment by Albaraka*").

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

This Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). Such approval relates only to the Certificates which are to be admitted to trading on the Main Securities Market or any other regulated markets for the purposes of Directive 2004/39/EC (each such regulated market being a "**MiFID Regulated Market**") or which are to be offered to the public in any member state of the European Economic Area (each a "**Member State**").

Application has been made to the Capital Markets Board of Turkey (the "**CMB**") in its capacity as competent authority under Law No. 6362 of Turkey relating to capital markets (the "**Capital Markets Law**") for the approval of and the issuance and sale of the Certificates by the Issuer outside Turkey. The issuance of the Certificates was approved by the CMB on 5 June 2014 and the approved issuance document relating to the Certificates is expected to be obtained from the CMB on or before 30 June 2014.

The Certificates are expected to be assigned a rating of BB by Standard and Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, S&P is included in the list of credit ratings agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Turkey has been assigned a long-term debt rating of BB+ (negative outlook) by Standard & Poor's Credit Market Services Europe Limited, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"), Baa3 (negative outlook) by Moody's Investors Service Limited ("**Moody's**") and BBB- (stable outlook) by Fitch. Each of Standard & Poor's and Moody's is established in the European Union and is registered under the CRA Regulation. As such, each of Standard & Poor's and Moody's is included in the list of credit ratings agencies published by ESMA on its website in accordance with the CRA Regulation.

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.

The Certificates have not been and will not be registered under the United States 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. Accordingly, the Certificates are being offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Delivery of the Certificates in book-entry form will be made on the Closing Date. The Certificates will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Closing Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank S.A/N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**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 transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Albaraka Türk Katilim Bankası A.Ş. *Shari'a* Advisory Board, the Sharia'a Supervisory Board of QInvest LLC 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 described in such approvals referred to above is in compliance with Shari'a principles.

Joint Lead Managers

Emirates NBD Capital	**Nomura**	**QInvest**	**Standard Chartered Bank**

The date of this Prospectus is 26 June 2014

IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer, Albaraka and the Certificates which, according to the particular nature of the Issuer, Albaraka and 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 Issuer and Albaraka.

The Issuer and Albaraka accept responsibility for the information contained in this Prospectus and each declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Joint Lead Managers (as defined herein) and the Representative have not independently confirmed the accuracy and completeness of the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers and the Representative as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Joint Lead Managers and the Representative in connection with the offering of the Certificates.

Certain information under the headings "*Risk Factors*", "*Description of Albaraka Türk Katilim Bankası A.Ş.*", "*Financial Review*", "*Turkish Banking System*" and "*Turkish Regulatory Environment*" has been extracted from: The Banks' Association of Turkey, the Banking Regulation and Supervision Agency of Turkey (the "**BRSA**"), the Central Bank of the Republic of Turkey (the "**Turkish Central Bank**"), the Turkish Statistical Institute, the Turkish Treasury, the International Monetary Fund (the "**IMF**"), the Participation Banks' Association of Turkey and the Turkish participation banks' published financial statements. Each of Albaraka and the Issuer confirms that third party information contained in this Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information is stated where such information appears in this Prospectus.

No person has been authorised by the Issuer or Albaraka 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 any information supplied by the Issuer or Albaraka or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, Albaraka, the Representative or any of the Joint Lead Managers.

None of the Joint Lead Managers, the Representative or any of their respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor any sale of any Certificates shall, under any circumstances, create any implication that the information contained in this Prospectus is true 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 financial or trading position of the Issuer or Albaraka 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. The Representative and the Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer or Albaraka during the life of the Certificates or to advise any investor in the Certificates of any information coming to their attention.

No comment is made or advice given by the Issuer, Albaraka, the Representative or the Joint Lead Managers in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any other information supplied in connection with the Certificates comes are required by the Issuer, Albaraka and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain 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*". In particular, Certificates have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"). Subject to certain exceptions, Certificates may not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulation S under the Securities Act ("**Regulation S**"). The Issuer, Albaraka, the Representative and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any 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 assume any responsibility for facilitating any such distribution or offering.

Neither this Prospectus nor any other information supplied in connection with the Certificates constitutes an offer or an invitation to subscribe for or purchase any Certificates and should not be considered as a recommendation by the Issuer, Albaraka, the Representative and the Joint Lead Managers or any of them that any recipient of this Prospectus or any other information supplied in connection with the Certificates should subscribe for or purchase any Certificates. Each recipient of this Prospectus or any other information supplied in connection with the Certificates shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and Albaraka.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be "forward-looking statements". Forward- looking statements include statements concerning Albaraka's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. Albaraka has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although Albaraka believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those which Albaraka has identified in this Prospectus, or if any of Albaraka's underlying assumptions prove to be incomplete or inaccurate, Albaraka's actual results of operation may vary from those expected, estimated or predicted.

These forward-looking statements speak only as at the date of this Prospectus. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, Albaraka expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward looking statement is based.

The investment activities of certain investors are subject to legal investment laws and regulations, or the review of such laws and regulations by certain governmental or regulatory authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Certificates constitute legal investments for it; (ii) the Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. 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 and regulations.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Accounting Records

Albaraka maintains its books and prepares its consolidated 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 on 1 November 2006, published by the BRSA, Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the BRSA in accordance with Article 37 and Article 38 of the Banking Law No. 5411 (collectively, "**BRSA Principles**"), the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 26430 dated 10 February 2007, the Banking Law No. 5411 which is effective from 1 November 2005, the Turkish Commercial Code and Turkish tax legislation.

The Bank's foreign branch maintain its books and prepares its financial statements in accordance with generally accepted accounting principles and the related legislation applicable in the countries in which they operate.

BRSA Financial Statements

The Bank prepares consolidated annual accounts in accordance with BRSA. The Bank also prepares quarterly and half-yearly interim consolidated accounts in accordance with BRSA.. The audited consolidated financial statements of the Bank as at and for the year ended 31 December 2013, the audited unconsolidated financial statements of the Bank as at and for the year ended 31 December 2012 (the "**Audited Annual Financial Statements**") and the unaudited consolidated financial statements for the three month period ended 31 March 2014 presented herein have been prepared in accordance with BRSA. The Audited Annual Financial Statements were audited by the Bank's independent auditors Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Musavirlik A.Ş, a member firm of Ernst & Young Global Limited ("**EY**").

Except as otherwise indicated, the financial information presented in this Prospectus has been extracted from the Audited Annual Financial Statements and the unaudited consolidated financial statements for the three month period ended 31 March 2014.

Where historical financial information of the Bank 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.

Turkish GAAP and IFRS

Turkish GAAP differs from International Financial Reporting Standards ("**IFRS**"). For a detailed discussion of the differences between Turkish GAAP and IFRS, see "*Annex A – Summary of Differences between IFRS and Turkish GAAP*".

Certain Conventions

In this Prospectus, references to "**Turkish Lira**" and "**TL**" are to the currency of Turkey; references to "**U.S. dollars**", "**U.S.$**", "**dollars**" and "**$**" refer to United States dollars being the legal currency for the time being of the United States of America; and references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the Treaty on the Functioning of the European Union, as amended. 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.

Unless otherwise indicated, all amounts in this Prospectus are presented in Turkish Lira. References to a "**billion**" are to a thousand million.

Foreign Language

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

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 a "**Member State**" herein are references to a Member State of the European Economic Area;
- references to "**Turkey**" or to the "**Republic**" herein are to the Republic of Turkey; and
- references to "**Turkish Central Bank**" are to the Central Bank of the Republic of Turkey.

CREDIT RATING AGENCIES

S&P has assigned Albaraka a rating of BB (negative outlook), and assigned the Certificates a rating of BB. See pages i and 9.

S&P is established in the European Union and is registered under the CRA Regulation.

STABILISATION

In connection with the issue of the Certificates, a Joint Lead Manager acting as Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Certificates is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Certificates and sixty (60) days after the date of the allotment of the Certificates. Any stabilisation action must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

SUITABILITY OF INVESTMENTS

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

(a) 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;

(b) 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;

(c) 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;

(d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(e) 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.

NOTICE TO UK RESIDENTS

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 ("FSMA") as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. 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"); and (ii) persons falling within any of the categories of persons described in Article 49 (*High net worth companies, unincorporated associations, etc*) of 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 (*High net worth companies, unincorporated associations, etc.*) of the Promotion of CISs Order; and (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 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 any investment described in this Prospectus 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 TURKEY

The offering of the Certificates will be approved by the CMB only for the purpose of the sale of the Certificates outside of Turkey in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency ("Decree 32") and Article 11 of the Capital Markets Law (Law No. 6362) and accordingly the Certificates may only be offered or sold to real persons and legal entities domiciled outside of Turkey in accordance with the BRSA decision dated 6 May 2010 No. 3665 (as notified by the BRSA in its letter to the Participation Banks Association of Turkey dated 10 May 2010 and numbered B.02.1.BDK.0.11.00.00.31.2- 9394). The CMB has authorised the offering of the Certificates provided that, following the primary sale of the Certificates, no party may engage in any transaction that may be deemed a sale of the Certificates in Turkey by way of private placement, public offering or otherwise. However, pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Certificates in secondary markets by residents of Turkey, provided that they purchase or sell such Certificates in financial markets outside of Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions authorised pursuant to CMB regulations. The CMB approval for the sale of the Certificates and the approved issuance document are expected to be obtained from the CMB on or about 30 June 2014.

NOTICE TO THE KINGDOM OF BAHRAIN RESIDENTS

A copy of this prospectus has been submitted and filed with the Central Bank of Bahrain. Filing of this prospectus with the Central Bank of Bahrain does not imply that any Bahraini legal or regulatory requirements have been complied with. The Central Bank of Bahrain has not in any way considered the merits of the Securities to be offered for investment whether in or outside of the Kingdom of Bahrain.

Neither the Central Bank of Bahrain nor the licensed exchange assumes responsibility for the accuracy and completeness of the statements and information contained in this prospectus and each expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this prospectus. The Issuer and Albaraka together with any local agent or adviser accepts responsibility for the information contained in this prospectus. To the best of the knowledge of the Issuer and Albaraka (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.

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 or in categories falling within Schedule 6 or Section 229(l)(b), Schedule 7 or Section 230(l)(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 Issuer or Albaraka and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

KINGDOM OF SAUDI ARABIA NOTICE

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom 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 the 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 QATARI RESIDENTS

This Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar. The Certificates have not been and will not be authorised by the Qatar Financial Markets Authority ("QFMA"), the Qatar Financial Centre ("QFC") or the Qatar Central Bank ("QCB") in accordance with their regulations or any other regulations in the State of Qatar. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (5) of 2002 (the "Commercial Companies Law") or otherwise under any laws of the State of Qatar.

CONTENTS

Page

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 may not contain all of the information that prospective investors should consider before deciding to invest in the Certificates. Accordingly, any decision by a prospective investor to invest in the Certificates should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this overview. Reference to a "Condition" is to a numbered condition of the Conditions.

Issuer	Bereket Varlık Kiralama A.Ş. (the "**Issuer**"), a joint stock company (*anonim şirket*) incorporated in accordance with the laws of, and formed and registered in, Turkey. The Issuer has been incorporated for the purpose of issuing lease certificates and entering into related transaction documents and participating in the transactions contemplated by the Transaction Documents to which it is a party. The Issuer shall on the Closing Date issue the Certificates to the Certificateholders.
Ownership of the Issuer	The authorised share capital of the Issuer is TL 50,000 consisting of 50,000 shares of TL 1 each, of which 50,000 shares are fully paid up and issued. The Issuer's entire issued share capital is held by Albaraka.
Asset Seller	Albaraka as seller (in such capacity, the "**Asset Seller**"). In accordance with the Initial Asset Portfolio Sale and Purchase Agreement, the Asset Seller will sell and transfer, and the Issuer in its capacity as purchaser (in such capacity, the "**Asset Purchaser**") will purchase and accept the transfer of, all of the Asset Seller's interest, rights, benefits and entitlements, to and under: (i) certain assets held and leased by the Asset Seller to customers pursuant to the related lease finance documents (together with the interests, rights, benefits and entitlements of the Asset Seller thereunder) (except legal title, which shall remain with the Asset Seller) (the "**Lease Assets**"); and (ii) certain *Shari'a* compliant sukuk or trust certificates that are fully backed by, or based on, underlying tangible assets (together with the interests, rights, benefits and entitlements of the Asset Seller under the associated sukuk documents) (the "**Investment Sukuk**", and together with the Lease Assets, the "**Initial Portfolio Assets**") comprised in a portfolio (the "**Initial Asset Portfolio**").
Commodity Purchaser	Albaraka as purchaser (in such capacity, the "**Commodity Purchaser**"). In accordance with the Murabaha Agreement, the Commodity Purchaser may request, by way of a Notice of Request to Purchase, the Issuer as seller (the "**Commodity Seller**") to purchase certain Commodities from the Supplier on spot payment and spot delivery terms. The Commodity Seller will purchase the Commodities from the Supplier using a portion of the proceeds from the issuance of the Certificates. After purchasing the Commodities, the Commodity Seller will offer to sell those Commodities to the Commodity Purchaser on spot delivery terms with payment on a deferred basis by submitting an Offer Notice to the Commodity Purchaser. The Commodity Purchaser may accept the offer by countersigning the Offer Notice.

Upon doing so a Murabaha Contract shall be concluded between the two parties. The Commodity Purchaser will pay the profit component of the Deferred Payment Price to the Commodity Seller, by crediting such amount to the Profit Collection Account, in equal instalments on the date falling one (1) Business Day prior to each Periodic Distribution Date. The Commodity Purchaser will undertake in the Murabaha Agreement to pay the outstanding Deferred Payment Price to the Commodity Seller in accordance with the terms of the Murabaha Agreement, including on the Business Day prior to a Dissolution Date.

(See "*Summary of Principal Transaction Documents — Murabaha Agreement*" for further details).

Obligor

Albaraka in its capacity as obligor (in such capacity, the "**Obligor**").

In accordance with the terms of the Purchase Undertaking, the Obligor will:

(a) following a Dissolution Event which is continuing or on the Business Day prior to the Scheduled Dissolution Date, and the service of an exercise notice (a "**Purchase Undertaking Exercise Notice**") by or on behalf of the Issuer, pay the Dissolution Event Exercise Price to the Issuer. Following payment of the Dissolution Event Exercise Price in accordance with the terms of the Purchase Undertaking, the Obligor will, as consideration therefore purchase the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets, in which case the Dissolution Event Exercise Price will represent the purchase price for the Portfolio Assets; and

(b) following the occurrence of a Change of Control and service of a change of control exercise notice (the "**Change of Control Exercise Notice**") by or on behalf of the Issuer, the Obligor will pay the Change of Control Exercise Price to the Issuer. Following the payment of the Change of Control Exercise Price in accordance with the terms of the Purchase Undertaking, the Obligor will, as consideration therefore, purchase the Issuer's interests, rights, benefits and entitlements in, to and under the Change of Control Redemption Assets, in which case the Change of Control Exercise Price will represent the purchase price for the relevant Change of Control Redemption Assets.

(See "*Summary of the Principal Transaction Documents — Purchase Undertaking*" for further details).

Managing Agent

Albaraka in its capacity as Managing Agent (the "**Managing Agent**"). In accordance with the terms of the Management Agency Agreement, the Managing Agent shall provide certain services with respect to the Sukuk Assets, including, but not limited to, maintaining a Principal Collection Account and Profit Collection Account, managing and ensuring the timely receipt of all Revenues from the Portfolio Assets, any Shari'a Compliant Investments and the Murabaha Contract from time to time, notifying the Issuer regarding the availability (if any) of Eligible Portfolio Assets and the amount standing to the credit of the

	Principal Collection Account which can be used for purchasing Eligible Portfolio Assets or making Shari'a Compliant Investments (as the case may be). Pursuant to the Management Agency Agreement, the Managing Agent will credit all Profit Revenues to the Profit Collection Account and will, on the Business Day prior to each Periodic Distribution Date, pay amounts standing to the credit of the Profit Collection Account to the Transaction Account for the purposes of payment of the Periodic Distribution Amounts payable by the Issuer under the Certificates. The Managing Agent shall, on the Business Day prior to the Dissolution Date: (a) ensure that all amounts standing to the credit of the Principal Collection Account are promptly credited to the Transaction Account; and (b) procure the liquidation of all Shari'a Compliant Investments and pay the Investment Liquidation Amount into the Transaction Account. (See "*Summary of the Principal Transaction Documents — Management Agency Agreement*" for further details).
Joint Bookrunners	Emirates NBD Capital Limited, Nomura International plc, QInvest LLC and Standard Chartered Bank.
Joint Lead Managers	Emirates NBD Capital Limited, Nomura International plc, QInvest LLC and Standard Chartered Bank.
Representative	BNY Mellon Corporate Trustee Services Limited. In accordance with the Representative Agreement, the Representative will agree to undertake certain administrative functions in respect of the Certificates and the Transaction Documents and, in such capacity, shall act solely as trustee of the Certificateholders. The appointment of the Representative does not affect the Issuer's continuing role and obligations.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Summary of the Structure	An overview of the structure of the transaction and the principal cash flows is set out in the section entitled "*Structure Diagram and Cash Flows*".
Summary of the Principal Transaction Documents	An overview of the principal terms of the principal Transaction Documents is set out in the section entitled "*Summary of the Principal Transaction Documents*".
Certificates	U.S.$350,000,000 Certificates due 2019.
Sukuk Assets	The Issuer will hold the Portfolio Assets, the right to receive the outstanding Deferred Payment Price under the Murabaha Contract, any Shari'a Compliant Investments and the amounts standing to the credit of the Principal Collection Account and Profit Collection Account from time to time (together, the "**Sukuk Assets**") on its own behalf and for the account of the Certificateholders.

Lease Certificate Assets

So long as the Lease Certificate Communiqué (Serial No. III/61.1 and published in the official gazette dated 7 June 2013 numbered 28670) applicable to asset leasing companies (the "**Sukuk Communiqué**") permits, each Certificate will evidence the entitlement of each Certificateholder to an undivided interest in:

(a) all of the Issuer's interest, rights, benefit and entitlements, present and future, in, to and under the relevant Sukuk Assets;

(b) the interest, rights, benefits and entitlements, present and future, of the Issuer in, to and under the Transaction Documents (excluding: (i) any representations given by Albaraka to the Issuer and the Representative pursuant to any of the Transaction Documents; and (ii) the indemnities given by Albaraka to the Issuer and the Representative pursuant to the Representative Agreement);

(c) all monies standing to the credit of the Transaction Account;

and all proceeds of the foregoing *pro rata* according to the face amount of Certificates held by each holder (together, the "**Lease Certificate Assets**").

Closing Date

30 June 2014.

Issue Price

100 per cent. of the aggregate face amount of the Certificates.

Periodic Distribution Dates

30 June and 30 December in each year commencing on 30 December 2014 and ending on 30 June 2019.

Periodic Distributions

On each Periodic Distribution Date, Certificateholders will receive a Periodic Distribution Amount in U.S. dollars equalling the product of: (a) 6.250 per cent. per annum; and (b) the face amount of their Certificates; and (c) the number of days in the relevant Return Accumulation Period calculated on the basis of a year of 12 30-day months divided by 360.

See Condition 9 (*Capital Distributions*).

Return Accumulation Period

The period from and including the Closing Date to, but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date or, if earlier, the Dissolution Date.

Scheduled Dissolution

The Scheduled Dissolution Date is 30 June 2019. The Issuer shall use the Dissolution Event Exercise Price payable in accordance with the terms of the Purchase.

Undertaking, the outstanding Deferred Payment Price payable in accordance with the terms of the Murabaha Agreement and any amounts standing to the credit of the Principal Collection Account or invested in Shari'a Compliant Investments in accordance with the Management Agency Agreement to redeem the outstanding Certificates at the Dissolution Distribution Amount.

Early Dissolution

The Certificates may be redeemed in full prior to the Scheduled Dissolution Date:

(a) on the Dissolution Event Redemption Date upon the occurrence of a Dissolution Event;

(b) on the Tax Redemption Date upon the occurrence of a Tax Event;

(c) on the Change of Control Redemption Date, upon the occurrence of a Change of Control and the exercise of the Change of Control Put Option by holders of 100 per cent. of the Certificates;

(d) at the option of the Issuer, in the event that, at any time, Certificates representing seventy five per cent. or more of the original aggregate outstanding face amount of the Certificates have been redeemed in accordance with Condition 9(d) (*Redemption at the Option of the Certificateholders (Change of Control Put Option)*) and/or purchased and cancelled in accordance with Condition 12 (*Purchase and Cancellation of Certificates*); or

(e) upon redemption and cancellation of all of the outstanding Certificates as a result of Albaraka holding all of the Certificates and delivering a Redemption and Cancellation Notice on a Redemption and Cancellation Date.

Dissolution Events

The Dissolution Events are set out in Condition 13 (*Dissolution Events*). Following the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed in full at the Dissolution Distribution Amount.

Dissolution Distribution Amount

The aggregate outstanding face amount of the Certificates plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificates.

Change of Control

In the event that:

(a) the Albaraka Banking Group ceases to have the power to direct the management and policies of Albaraka (whether through the ownership of voting capital, by contract, decree or otherwise); or

(b) there is a reduction in the principal share ownership of the Albaraka Banking Group in Albaraka to less than thirty per cent. (30%) of the issued share capital of Albaraka,

(each a "**Change of Control**"), each Certificateholder will have the right to require the redemption of its Certificates on the Change of Control Put Option Date. Following payment by

Albaraka of the Change of Control Exercise Price under the Purchase Undertaking, the Murabaha Contract Change of Control Amount, under the Murabaha Agreement and the Principal Collections Change of Control Amount and Shari'a Compliant Investments Change of Control Amount under the Management Agency Agreement, the Issuer will redeem the relevant Certificates on the Change of Control Redemption Date at the Change of Control Amount.

Early Dissolution for Tax Reasons

Where the Issuer has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 10 (*Taxation*) or Albaraka has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents to which it is a party as a result of a change in the laws of a Relevant Jurisdiction and such obligation cannot be avoided by the Issuer or the Managing Agent, as applicable, taking reasonable measures available to it, the Issuer shall, following receipt of a Sale Undertaking Exercise Notice from Albaraka pursuant to the Sale Undertaking and payment by Albaraka of the Sale Undertaking Exercise Price under the Sale Undertaking, the outstanding Deferred Payment Price under the Murabaha Agreement and any amounts standing to the credit of the Principal Collection Account or invested in Shari'a Compliant Investments under the Management Agency Agreement, redeem the Certificates in whole but not in part at an amount equal to the Early Dissolution Amount (Tax) together with any accrued but unpaid Periodic Distribution Amounts on the relevant Dissolution Date.

Covenants

The Purchase Undertaking contains a negative pledge given by Albaraka and events of default that apply to Albaraka.

(See "*Summary of the Principal Transaction Documents — Purchase Undertaking*" for further details.)

Role of the Representative

Pursuant to the Representative Agreement, the Representative has agreed to act as trustee of the Certificateholders and undertake certain administrative functions in respect of the Certificates and the Transaction Documents. In particular, the Representative shall have the power to determine, in accordance with the Conditions, whether any Dissolution Event has occurred. In addition, the Representative has the benefit of the Issuer's covenant to pay all amounts falling due under the Certificates from time to time.

Purchase of Certificates by Albaraka

In accordance with Condition 12 (*Purchase and Cancellation of Certificates*), Albaraka may at any time purchase Certificates in the open market or otherwise.

Where Albaraka has purchased Certificates and wishes to cancel those Certificates (the "**Redemption Certificates**"), Albaraka may deliver a cancellation notice (a "**Redemption and Cancellation Notice**") to the Issuer pursuant to the Redemption Undertaking obliging the Issuer to purchase and cancel the Redemption Certificates. Following the exercise of such right, the Issuer will: (i) purchase the Redemption Certificates from Albaraka; (ii) cancel such Redemption Certificates; (iii) sell to Albaraka the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets specified in the relevant Redemption and Cancellation Notice and the relevant Redemption Sale Agreement (the "**Redemption and**

	Cancellation Assets") (in which case the redemption and cancellation of the relevant proportion of the Redemption Certificates shall be the consideration for such purchase); (iv) subject to the terms of the Redemption Undertaking, pay the Redemption Amount (in which case the redemption and cancellation of the remaining proportion of the Redemption Certificates shall be the consideration for such payment); and (v) enter into a sale agreement (the "**Redemption Sale Agreement**") pursuant to which the Redemption and Cancellation Assets will be sold to Albaraka. (See "*Summary of the Principal Transaction Documents — Redemption Undertaking*" for further details).
Substitution of Portfolio Assets	Albaraka may substitute Portfolio Assets from time to time in accordance with the relevant provisions of the Sale Undertaking, **provided that**, amongst other things, the aggregate Outstanding Principal Value of the Eligible Portfolio Assets (the "**New Assets**") replacing the existing Portfolio Assets being substituted (the "**Substituted Assets**") is equal to the Outstanding Principal Value of the Substituted Assets immediately prior to the substitution. The Issuer may substitute Impaired Portfolio Assets with New Assets in accordance with the terms of the Purchase Undertaking. (See "*Summary of the Principal Transaction Documents*" for further details).
Form and Delivery of the Certificates	The Certificates will be issued in registered global form only. The Certificates will be represented on issue by interests in the Global Certificate which will be deposited with and registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in the limited circumstances described under the Global Certificate.
Clearance and Settlement	Holders of the Certificates must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg, as the case may be. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance systems.
Face Amounts of the Certificates	The Certificates will be issued in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Status of the Certificates	Subject to the terms of the Transaction Documents and the Conditions, each Certificate will rank *pari passu*, without any preference, with the other Certificates. All amounts due from Albaraka under the Transaction Documents to which it is a party will constitute direct, unconditional, unsubordinated and unsecured obligations of Albaraka and will rank at least *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of Albaraka, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Transaction Account

The Principal Paying Agent will maintain and operate a U.S. dollar account opened in the name of the Issuer (the "**Transaction Account**"). Payments to the Issuer by the Managing Agent and the Obligor under the Transaction Documents will be credited to the Transaction Account. Periodic Distribution Amounts and the Dissolution Distribution Amount will be paid to holders of the Certificates from funds standing to the credit of the Transaction Account in accordance with the order of priority described under Priority of Distributions below.

Priority of Distributions

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

(a) *first*, (to the extent not previously paid) to pay the Representative all amounts owing to it under the Transaction Documents in its capacity as Representative and to any agent, receiver, manager or administrative receiver or any other analogous officer appointed by the Representative in accordance with the Representative Agreement;

(b) *second*, to the extent not paid by Albaraka in accordance with the terms of the Paying Agency Agreement, each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Paying Agency Agreement or the other Transaction Documents in its capacity as Agent;

(c) *third* (to the extent not previously paid) to pay the Issuer in respect of all amounts properly incurred and documented owing to it under the Transaction Documents in its capacity as Issuer;

(d) *fourth*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(e) *fifth*, only if such payment is made on a Change of Control Redemption Date (which date is not a Dissolution Date), to the Principal Paying Agent for application in or towards payment of the relevant Change of Control Amount;

(f) *sixth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the Dissolution Distribution Amount; and

(g) *seventh*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Managing Agent as an incentive amount for its performance.

Limited Recourse

Each Certificate will evidence the entitlement of each Certificateholder to an undivided interest in the Sukuk Assets on a *pro rata* basis in accordance with the Sukuk Communiqué,

	the Representative Agreement and the Conditions. However, the Certificateholders will have no direct recourse over the Sukuk Assets under Turkish law. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the Sukuk Assets. Certificateholders have no recourse to the Lease Certificate Assets, the Issuer, the Representative, the Agents, the Asset Seller, the Commodity Purchaser, the Obligor or the Managing Agent (to the extent that each of them fulfils all of its obligations under the Transaction Documents to which it is a party) in respect of any shortfall in the expected amounts from the Sukuk Assets to the extent that the Sukuk Assets have been exhausted, following which all obligations of the Issuer shall be extinguished. (See "*Risk Factors— Risks relating to the Sukuk Assets and limited rights of enforcement*" for further details.)
Withholding Tax	All payments by the Issuer under the Certificates are to be made without withholding or deduction for or on account of Turkish taxes, unless the withholding or deduction of the taxes is required by law. In such event, subject to certain enumerated exceptions, the Issuer, failing which, Albaraka will be required pursuant to the relevant Transaction Documents to pay to the Issuer such additional amounts as may be necessary to ensure that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders. All payments by Albaraka under the Transaction Documents are to be made without withholding or deduction for or on account of any Turkish taxes, unless the withholding or deduction of the taxes is required by law. In such event, Albaraka will be required, pursuant to the terms of the relevant Transaction Document, to pay to the Issuer such additional amounts as may be necessary to ensure that the Issuer will receive the full amount which otherwise would have been due and payable.
Use of Proceeds	The proceeds of the issue of the Certificates will be applied by the Issuer in the following manner: (a) no less than fifty one per cent. (51%) of the proceeds will be used to purchase the Initial Asset Portfolio from Albaraka pursuant to the Initial Asset Portfolio Sale and Purchase Agreement; and (b) no more than forty nine per cent. (49%) will be used to purchase Commodities from the Supplier, which will be subsequently sold to Albaraka pursuant to the Murabaha Contract entered into pursuant to the Murabaha Agreement.
Listing	Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to be admitted to trading on the Main Securities Market.
Rating	On or prior to the Closing Date, the Certificates are expected to be assigned a rating of BB by S&P. S&P is established in the European Union and is registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to suspension, revision or

withdrawal at any time by the assigning rating organisation.

Certificateholder Meetings	A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 17 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).
Tax Considerations	See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.
Transaction Documents	The Transaction Documents are the Initial Asset Portfolio Sale and Purchase Agreement, the Murabaha Agreement, the Commodity Purchase Letter of Understanding, the Commodity Sale Letter of Understanding, the Netting Deed, the notice of request to purchase submitted by Albaraka to the Issuer (the "**Notice of Request to Purchase**") pursuant to the Murabaha Agreement, the offer notice from the Issuer and countersigned by Albaraka pursuant to the Murabaha Agreement (the "**Offer Notice**"), the Management Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Redemption Undertaking, each Transfer Agreement, the Representative Agreement, the Paying Agency Agreement and the Costs Undertaking.
Governing Law	The Initial Asset Portfolio Sale and Purchase Agreement, any Sale Agreement or Transfer Agreement entered into pursuant to the Purchase Undertaking or Sale Undertaking, any New Asset Sale Agreement entered into pursuant to the Purchase Undertaking and any Redemption Sale Agreement entered into pursuant to the Redemption Undertaking will be governed by Turkish law. The Certificates, the Murabaha Agreement, the Murabaha Contract, the Commodity Purchase Letter of Understanding, the Commodity Sale Letter of Understanding, the Netting Deed, the Management Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Redemption Undertaking, the Representative Agreement, the Paying Agency Agreement and the Costs Undertaking will be governed by English law.
Selling Restrictions	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, Malaysia, Turkey, the Kingdom of Saudi Arabia, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), the Qatar Financial Centre and such other restrictions as may be required in connection with the offering and sale of the Certificates.

RISK FACTORS

The purchase of 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 Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

If any of the risks described below actually materialise, the Issuer, Albaraka and/or the Group's business, results of operations, financial condition or prospects could be materially adversely affected. If that were to happen, the trading price of the Certificates could decline and investors could lose all or part of their investment.

Each of the Issuer and Albaraka believes that the factors described below represent the principal risks inherent in investing in the Certificates and may affect Albaraka's ability to perform its obligations under the Transaction Documents. However, the inability of the Issuer to pay any amounts on or in connection with any Certificate and the inability of Albaraka to perform its obligations under the Transaction Documents may occur for other reasons and none of the Issuer or Albaraka represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Issuer or Albaraka or which the Issuer or Albaraka 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 "Terms and Conditions of the Certificates" shall have the same meanings in this section.

Risk factors relating to the Issuer

The Issuer has no material assets and will depend on receipt of payments from Albaraka to make payments to Certificateholders

The Issuer is an entity formed under the laws of Turkey on 14 October 2011 and has no operating history. The Issuer will not engage in any business activity other than the issuance of lease certificates, the transfer of assets relating thereto (including the Sukuk Assets as described herein), the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Issuer'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 Lease Certificate Assets, the obligation of the Managing Agent to make payments under the Management Agency Agreement and the obligation of Albaraka to make payments under the Murabaha Agreement, the Purchase Undertaking, the Redemption Undertaking or, as the case may be, the Sale Undertaking to the Issuer. Therefore the Issuer is subject to all the risks to which Albaraka is subject to the extent that such risks could limit Albaraka'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 relating to Albaraka's Business*" below for a further description of these risks.

The ability of the Issuer to pay amounts due on any Certificates will primarily be dependent upon receipt by the Issuer from Albaraka, of all amounts due under the Management Agency Agreement, the Murabaha Agreement, the Purchase Undertaking, the Redemption Undertaking and the Sale Undertaking, respectively, which, in the aggregate, may not be sufficient to meet all claims under the relevant Certificates and the Transaction Documents in the event that Albaraka does not fully perform its obligations thereunder (as applicable).

The Issuer may issue lease certificates other than the Certificates

Pursuant to the terms of the Sukuk Communiqué asset leasing companies are permitted to undertake multiple issuances of certificates.

The Sukuk Communiqué provides that asset leasing companies are required to identify separately the assets related to each issuance. Additionally, pursuant to the terms of Article 61(3) of the Capital Markets Law and Article 4(3) of the Sukuk Communiqué each issuance remains segregated from the other until all non-defaulting issuances have been paid in full.

There have been no Turkish precedent decisions in relation to segregation of each issuance and accordingly there can be no assurances that the Turkish courts will treat each issuance by the Issuer as segregated from each other.

Political, Economic and Legal Risks relating to Turkey

The Turkish economy is undergoing continued transformation to a free market system, is subject to significant macroeconomic risks and has been dependent upon the support of the IMF in times of economic crisis

Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded well in general to this transformation, it has continued to experience severe macroeconomic imbalances and has frequently resorted to support from the International Monetary Fund (the "**IMF**"). While the economy has been significantly stabilised due, in part, to IMF requirements, Turkey may experience another significant economic crisis. If IMF or similar support is not provided or available in any future crisis, then this lack of assistance could have a material adverse effect on the Bank's business, financial condition and/or results of operations. Investors should note that notwithstanding Turkey's history of resort to the IMF in times of macroeconomic imbalance, as at the date of this Prospectus, no IMF support has been requested in connection with the recent global financial crisis.

Turkey's GDP grew by 8.4 per cent. in 2005, 6.9 per cent. in 2006, 4.7 per cent. in 2007 and 0.7 per cent. in 2008. Turkey's GDP contracted by 7.0 per cent. in the fourth quarter of 2008 and 4.8 per cent. in 2009, before rebounding in 2010 (9.2 per cent.) and 2011 (8.5 per cent.). The growth in the Turkish economy has started to increase and GDP increased by only 2.2 per cent. in 2012 and 4.0 per cent. in 2013. The ratio of public debt to GDP decreased from 52.7 per cent. in 2005 to 35.9 per cent. in 2013. The last stand-by arrangement with the IMF was completed in May 2008. In May 2013, Turkey paid its last installment to the IMF after a 50 year relationship. In October 2013, the government announced a three year medium-term economic programme from 2014 to 2016. Under this programme, the government has set growth targets of 5.0 per cent. for 2014 and 5.0 per cent. for 2015 by increasing support for the manufacturing sectors and financing from local savings as well as a growth strategy designed to boost productivity, according to the Ministry of Development.

The Bank's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to it. If the Turkish economy declines because of, among other factors, a reduction in the level of economic activity, devaluation of the Turkish lira, inflation or an increase in domestic interest rates, then a greater portion of the Bank's customers may not be able to repay loans when due or meet their other debt service requirements to the Bank, which would increase the Bank's past due loan portfolio and could materially reduce its net income and capital levels.

In addition, a decline in the Turkish economy would likely result in a decline in the demand for the Bank's products. The occurrence of any or all of the above could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Difficult macroeconomic and financial market conditions have affected and could continue to materially adversely affect the Bank's business, financial condition, results of operations and prospects

Starting in the second half of 2007, disruptions in global capital and credit markets, coupled with the re-pricing of credit risk have created difficult conditions in financial markets. These conditions have resulted in historically high levels of volatility across many markets (including capital markets), volatile commodity prices, decreased or no liquidity, widening of credit spreads, lack of price transparency in certain markets and the failure of a number of financial institutions in the United States and Europe.

The fiscal deterioration of Iceland during the global financial crisis and, more recently, of certain European countries including Greece, Spain, Portugal, Ireland and Italy, and the development of broader concerns about the liquidity and solvency of certain countries and their banking systems, has accentuated uncertainty and volatility in the global credit markets.

In response to the global financial crisis, the government of the United States, a number of European governments and international monetary organisations have taken steps intended to help stabilise the financial system and increase the flow of credit in the global economy. The failure of these measures and related actions to help stabilise the financial markets and a continuation or worsening of current financial market conditions could lead to a further decline in investor and consumer confidence, further market volatility and decline, further economic disruption and, as a result, could have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. Turkey's GDP contracted by 7.0 per cent. in the fourth quarter of 2008 and declined 4.8 per cent. in 2009. Following the implementation of fiscal and monetary measures during 2009, the Turkish economy began to recover in the fourth quarter of 2009, resulting in Turkey's GDP growing by 8.5 per cent. in 2011, 2.2 per cent. in 2012 and 4.0 per cent. in 2013 and its unemployment rate decreased from 16.1 per cent. in February 2009 to 10.0 per cent. in December 2013. There can be no assurance that the unemployment rate will, in fact, continue to improve, or even that it will not increase in the future. Continuing high levels of unemployment may affect the Bank's retail customers and business confidence, which could impair its business strategies and have a material adverse effect on its business, financial condition and results of operations.

Although there has been economic recovery, the recovery may not continue. Any deterioration in the condition of the global or Turkish economies, or continued uncertainty around the potential for such deterioration, could have a material adverse effect on the Bank's business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects or financial condition of the Bank's customers, which, in turn, could reduce the Bank's asset quality and demand for the Bank's products and services and negatively impact the Bank's growth plans. The Bank's business, financial condition and results of operations may also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

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 prospects

In December 2010, the Turkish Central Bank announced a policy of reducing interest rates while increasing Turkish Lira reserve requirements in order to tackle Turkey's current account deficit. Since that time, the Turkish Central Bank has announced significant increases in bank reserve requirements for Turkish Lira deposits as part of its strategy to lengthen the maturities of assets flowing into the country and to address concerns that maturities of liabilities in the Turkish banking sector are shorter than those of assets, which in turn exposes the sector to liquidity and interest rate risk.

As a consequence of these changes, the Bank was required to increase its capital reserves and may need to access more expensive sources of financing to meet its funding requirements. No assurances can be given that the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all, which could have a material adverse affect on the Bank's business, financial condition, results of operations and prospects. Reflecting its participation banking model in which returns paid on participation accounts reflect returns made on underlying loans in previous periods, reductions in interest rates tend to adversely affect the Bank's results of operations.

The Bank's deposits are highly concentrated in Turkish Lira accounts (59 per cent. of total funds collected as at 31 March 2014) (see "– *Concentration Risk*"). A significant portion of these deposits are short term. If the Bank is not able to increase the term of its deposits or attract foreign currency deposits, its Turkish Lira reserve requirements and associated costs will increase, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

International investors consider Turkey to be an emerging economy

Despite significant political and economic reform, Turkey is considered by many international investors to be an emerging market which involves a higher degree of risk than investing in more-developed markets.

Emerging markets such as Turkey are subject to greater risk of being perceived negatively by investors based upon external events than are more-developed markets, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment in Turkey. The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, Europe and the United

States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Bank's, which could adversely affect the market price of the Certificates.

Moreover, financial turmoil in one or more emerging markets tends to adversely affect stock prices and the prices for debt securities in all emerging market countries as investors move their money to markets that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Certificates (and thus their price) may be subject to fluctuations that may not necessarily be related to economic conditions in Turkey or the financial performance of the Bank.

Turkey's economy remains vulnerable to external shocks as evidenced by the global financial crisis, see "*Difficult macroeconomic and financial market conditions have affected and could continue to materially adversely affect the Bank's business, financial condition, results of operations and prospects*". Although Turkey's growth dynamics are to some extent dependent on domestic demand, Turkey is also dependent on trade with Europe and a significant decline in the growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Although Turkey has diversified its export market in recent years, the EU remain Turkey's largest export market. A decline in demand from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth.

There can be no assurance that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general, which could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Turkey's economy has been subject to a high current account deficit and significant inflationary pressures

In 2010, the Turkish current account deficit widened significantly to U.S.$46.6 billion from U.S.$13.4 billion in 2009, and then increased further to U.S.$77.1 billion in 2011, according to the Turkish Central Bank. This rapid acceleration has raised concerns regarding financial stability in Turkey, and the Turkish Central Bank, BRSA and Turkish Ministry of Finance have initiated coordinated measures to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures has been to slow down the current account deficit by controlling the rate of loan growth, but despite these measures and slower loan growth in 2011 to 2012, the current account deficit increased from U.S.$48.5 billion in 2012 to U.S.$65 billion in 2013 primarily driven by strong domestic demand and banking sector credit expansion. Further regulations may be introduced by the BRSA or the Turkish Central Bank with respect to loan growth ratios that could have a material adverse effect on the Bank's business, financial condition and results of operations.

As a result of the current financial situation in the EU, a decline in demand for imports could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit. However, during 2013, according to TurkStat, year-on-year imports to Turkey increased by 6.4 per cent., which was due, in part, to currency fluctuations.

Unless there is a decline in credit growth, the Minister of Finance has stated that bank-specific actions might be implemented which are likely to reduce economic growth and might adversely affect the Bank's business, financial condition and/or results of operations. The Turkish government has also declared its intention to take additional measures to decrease the current account deficit, decreasing the high growth rate of loans as one of the target areas. 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 prospects*" and "– *Risks relating to the Turkish Banking industry – 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 Turkish Central Bank has taken some measures to contain the deterioration in the current account balance since end-2010. To this end, the Turkish Central Bank has changed its policy framework by enriching the set of policy instruments and adopting financial stability as a supplementary objective. Through the support of these policies the government estimates that the current account deficit to reduce to U.S.$55.5 billion in 2014 and hopes that the ratio of Current Account Deficit to GDP will further decrease to 6.4 per cent.

There can be no assurances that any regulations that have been, or might in the future be, introduced by the BRSA or the Turkish Central Bank with respect to loan growth ratios would not have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 69 per cent. in the early 2000s. However, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5 per cent. at the end of 2009, the lowest level in many years. Consumer price inflation was 10.5 per cent. in 2011, 6.2 per cent. in 2012 and 7.4 per cent. in 2013. Producer price inflation was 13.3 per cent. in 2011, 2.5 per cent. in 2012 and 4.48 per cent. in 2013. Significant global price increases in major commodities such as oil, cotton, corn and wheat are likely to increase supply side inflation pressures throughout the world. These inflationary pressures may result in Turkish inflation exceeding the Turkish Central Bank's inflation target, which may cause the Turkish Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse affect on the Turkish economy. However, according to the medium-term economic programme from 2014 to 2016, inflation in the food sector will reach approximately 7 per cent. At the end of 2014, it is expected that the annual increase in the inflation rate will be 5 per cent. from 5.3 per cent. in 2013. Even if the level of inflation in Turkey were to fluctuate or increase significantly, this would have a limited adverse effect on the Bank's business, financial condition and results of operations.

Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Tunisia, Egypt, Jordan, Yemen, Syria and Libya as well as recent instability in Ukraine and Russia. Unrest in those countries may also have implications for the wider global economy and may negatively affect market sentiment towards other countries in the region, including Turkey. However, recent developments confirmed the geographical importance of Turkey especially with respect to providing Europe with a secure oil and energy supply and this provides Turkey with an important opportunity for the currency flow into the country.

Turkey has also experienced problems in the past with domestic terrorist and ethnic separatist groups. Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organisation that is listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States). Following the peace talks and negotiations initiated by the Turkish government, the PKK declared a formal ceasefire in Turkey on 21 March 2013. Since then, Turkey has not faced a serious terrorist event by this group.

Recent changes in Turkish law may have a significant impact on the Bank's business, financial condition, results of operations and 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 government shall issue new legislation based on which the state-owned Turkish banks will be entitled to either carry out participation banking activities or establish new participation 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 4 participation banks in Turkey. The new public participation banks may have a positive impact on overall the 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.

Recently, as part of major legislative reforms, five significant pieces of legislation have been subject to amendments, namely: the Turkish Code of Obligations No. 6098 replacing Code of Obligations No. 818; the Code of Civil Procedures No. 6100, replacing the Code of Civil Procedures No. 1086; the Turkish Commercial Code No. 6335 replacing the Turkish Commercial Code No. 6762; the Capital Markets Law No. 6362 replacing the Capital Markets Law No. 2499; and the Consumer Protection Law No. 6502 replacing the Consumer Protection Law No. 4077. Both the Turkish Code of Obligations and the Turkish

Commercial Code came into effect on 1 July 2012, the Turkish Code of Civil Procedures came into effect on 1 October 2011, the Capital Markets Law came into effect on 30 December 2012 and the Consumer Protection Law came into effect on 27 May 2014. These amendments have implemented substantial changes in Turkish law and have a significant impact on commercial life in Turkey. Accordingly, the amendments may adversely impact the Bank's business, financial condition, results of operations and prospects.

Turkey's accession to the EU is uncertain, which may lead to a loss of confidence in the Turkish economy

In 1963 Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. The EU resolved in 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged on the same criteria applied to other candidates. These criteria require the implementation of a range of political, legislative and economic reforms. Negotiations for Turkey's accession to the EU commenced in 2005 but, although Turkey has implemented various reforms and continued harmonisation efforts with the EU, progress has been limited and appears to have stalled. While Turkey continues to attempt to implement economic and political reforms, including amending its constitution, it may not be successful in implementing all the necessary reforms. Although Turkey continues to express a desire to become a member state of the EU, it may not attain membership for several more years, if at all.

Despite the continued uncertainty over EU membership for Turkey, trade finance volumes continue to grow. Import volumes had increased by 3.7 per cent. as at April 2014 compared to April 2013. Export volumes had increased by 20 per cent. as at April 2014 compared to April 2013.

Turkey is subject to the risk of significant seismic events

A significant portion of Turkey's population and most of its economic resources are located in a first degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. In October 2011, the eastern part of the country near the city of Van was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life.

Although the Bank maintains earthquake insurance, in the event of future earthquakes, effects from the direct impact of such events on the Bank and its employees, as well as measures that could be taken by the government (such as the imposition of taxes), could have a material adverse effect on the Bank's business, financial condition and/or results of operations. In addition, an earthquake or other large-scale disaster may have an adverse impact on the Bank's customers' ability to honour their obligations to the Bank.

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 three other participation banks in Turkey: Asya Katılım Bankası A.Ş., Türkiye Finans Katılım Bankası A.Ş. and Kuveyt Türk 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 four participation banks, there are currently 49 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 BRSA, as at 31 March 2014, the top five banks in Turkey (in terms of asset size), one of which is state controlled, held approximately 80 per cent. of the banking sector's total credit portfolio, approximately 73 per cent. of total bank assets in Turkey and approximately 70 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 the stood at 5.3 per cent. in terms of asset size, 5.9 per cent. in terms of total credits and 6.1 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.

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 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 and/or results of operations.

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

As banks are highly regulated entities, the Bank is subject to a number of banking, consumer protection, competition, antitrust and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries in which the Bank operates. Basel II regulations, which have been translated into national law in accordance with (where applicable) the capital requirements Directives of the European Community numbered 2006/48/EC and 2006/49/EC (the "**CRD**"), came into effect in Turkey for standardised approaches on 1 July 2012.

Turkish banks' capital adequacy requirements are further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. Basel III has been introduced by the BRSA and the BRSA's regulations. There are various adoption periods set by the BRSA for the adoption of capital adequacy and liquidity rules. The regulations for the adoption of Basel III rules were put into effect at the beginning of 2014 and this transition period is expected to end at the beginning of 2019. Accordingly, the Issuer will be required to comply with capital adequacy and liquidity rules which may affect its capital structure and pricing of its products. The BRSA published five new regulations for the implementation of Basel III in Turkey: Regulation on Equity of Banks, Amendments to the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, Regulation on Capital Protection and Cyclic Capital Buffer, the Regulation on Measurement and Evaluation of Leverage Levels of Banks and the Regulation on the calculation of the Liquidity Ratio Coverage of Banks. Apart from implementation of certain leverage ratios set out under the latter regulations that will become effective on 1 January 2015, these regulations are effective as of 1 January 2014.

"*Regulation on Capital Protection and Cyclical Capital Buffers*"

This regulation has been published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014.

The aim of this regulation is to regulate the required core capital of banks as a capital buffer, related to their operations, and to determine what actions should be taken if the banks do not have the requisite additional core capital.

"*Regulation on Measurement and Evaluation of Leverage Level of Banks*"

This regulation has been published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014.

The aim of this regulation is to measure and evaluate the leverage level of banks by dividing main capital to total risk items. The ratio is to be calculated every three months

"*Regulation on Liquidity Coverage Ratio*"

This regulation has been published in the Official Gazette, dated 21 March 2014 and numbered 28948 and entered into effect on 1 January 2014.

This regulation aims to evaluate the liquidity stocks of the banks in order to meet the liquidity needs of cash outflows.

"*Regulation on Equity of Banks*"

This regulation has been published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into effect on 1 January 2014.

The equity calculation method has been changed. This regulation introduced "core Tier 1 capital" and "additional Tier 1 capital". Correspondingly, the capital deduction items have been changed and brought into line with the new definitions.

"*Amendment to the Regulation on Measurement and Evaluation of Capital Adequacy of Banks*"

This amendment has been published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into effect on 1 January 2014.

Two new capital adequacy ratios has been defined. These are "core capital adequacy ratio" and "main capital adequacy ratio". The minimum core capital adequacy ratio with which banks have to comply is 4.5 per cent., and the minimum main capital adequacy ratio is 6 per cent. The capital adequacy ratio is still 12 per cent., with an additional 4 per cent. plus 8 per cent.

Basel requirements

As a result of the recent global financial crisis, policy makers in Turkey, the EU and other jurisdictions in which The Bank operates have enacted or proposed various new laws and regulations, including those that limit the fees and commissions that banks may charge their customers, and there is still uncertainty as to what impact these changes may have. The BRSA or the government also might introduce certain new laws and regulations that impose limits with respect to fees and commissions charged to customers or, as to credit cards, the monthly minimum payments required to be paid by cardholders. The Banking Regulation and Supervision Agency (the "**BDDK**") introduced new measures at the beginning of February 2014 to curb the use of credit cards to pay for goods in monthly installments in the hope that it would restrict the country's growing inflation and current account deficit. Under the new rules, consumers are no longer allowed to defer payments on small items such as food, petrol and mobile phones. Payments for larger items, such as TVs, furniture and appliances, can only be delayed for up to a maximum of nine months.

Reserve requirements are maintained in terms of Turkish Lira for Turkish Lira liabilities and in terms of U.S. Dollar and/or Euro for foreign exchange liabilities and also gold deposit accounts can be included in the liabilities subject to reserve requirements as of 14 October 2011 at the accounts of the Turkish Central Bank. Nevertheless, a certain portion of the Turkish Lira reserve requirements can be kept in U.S. Dollar and/or Euro or as standard gold. On the other hand, the entire amount of precious metal deposit accounts maintained for reserve requirements for FX liabilities can be kept in the form of standard gold in blocked accounts.

Reserves and Liquidity Reserve Requirement

The Banking Law requires Turkish banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSB. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following approval from the Turkish Central Bank.

The reserve requirements regarding foreign currency liabilities vary by category, as set out below:

Category of Foreign Currency Liabilities	**Required Reserve Ratio**
Demand deposits, notice deposits and private current accounts, precious metal deposit accounts, deposits/participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	13%
Deposits/participation accounts and precious metal deposit accounts, with 1-year and longer maturity and cumulative deposits/participation accounts	9%
Liabilities other than deposits/participation funds up to 1-year maturity (including 1-year).	13%
Liabilities other than deposits/participation funds up to 3-year maturity (including 3-year)	11%
Liabilities other than deposits/participation funds longer than 3-year maturity	6%
Special fund pools.	Ratios for corresponding maturities

The reserve requirements regarding Turkish Lira liabilities vary by category, as set out below.

Turkish Lira Liabilities	**Required Reserve Ratio**
Demand deposits, notice deposits and private current accounts.	11.5%
Deposits/participation accounts up to 1-month maturity (including 1-month)	11.5%
Deposits/participation accounts up to 3-month maturity (including 3-month)	11.5%
Deposits/participation accounts up to 6-month maturity (including 6-month)	8.5%
Deposits/participation accounts up to 1-year maturity	6.5%
Deposits/participation accounts up to 1 -year and longer maturity and cumulative deposits/participation accounts	5%
Liabilities other than deposits/participation funds up to 1-year maturity (including 1-year).	11.5%
Liabilities other than deposits/participation funds up to 3-year maturity (including 3-year)	8%
Liabilities other than deposits/participation funds with longer than 3-year maturity.	5%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (a) up to 60 per cent. (at least half of which must be in U.S. Dollar) of the Turkish Lira reserve requirements in U.S. Dollar and/or Euro (**provided that** at least 50 per cent. of such amount will be reserved in U.S. Dollar (first 30 per cent. at 1.4 times, second 5 per cent. at 1.5 times, third 5 per cent. at 1.8 times, fourth 5 per cent. at 2.6 times, fifth 5 per cent. at 2.9 times, sixth 5 per cent. at 3.1 times and seventh 5 per cent. at 3.2 times the reserve requirement) and up to 30 per cent. of the Turkish Lira reserve requirements in standard gold (first 15 per cent. at 1.4 times, second 5 per cent. at 1.5 times, third 5 per cent. at 2.0 times and fourth 5 per cent. at 2.5 times the reserve requirement); and (b) up to the total amount of the foreign currency reserve requirements applicable to precious metal deposit accounts in standard gold.

Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008). As of the date of this Prospectus, no interest is paid by the Turkish Central Bank on Turkish Lira or foreign currency liquidity reserve accounts.

The regulations further state that until 31 December 2013, foreign exchange-indexed assets and liabilities shall, for the purposes of calculations of foreign currency liquidity ratios, be deemed to be foreign currency assets and liabilities. However, such foreign exchange-indexed assets and liabilities shall continue to be deemed TL currency for the calculation of total liquidity adequacy ratios.

Pursuant to the Communiqué regarding Reserve Requirements numbered 2013/15, there is a new reserve requirement to be calculated based upon the financial leverage ratio of banks. The leverage ratio of a bank is determined as the ratio of the main capital of the bank to the sum of: (a) the total of its liabilities; (b) its non-cash loans and liabilities; (c) 10 per cent. of its revocable commitments; (d) the total amount to be calculated by the multiplication of each undertaking arising from derivative instruments with their own loan conversion ratio; and (e) total amount of irrevocable undertakings. The reserve requirement based on the financial leverage ratio of banks is required to be determined for three-month periods by calculating the arithmetic average of monthly leverage ratios. The additional reserve requirements to be set aside in the following quarter of the calculation period (calculated separately for each category of Turkish Lira and foreign currency liabilities) vary by leverage ratios, as set forth below:

Calculation Period for the Leverage Ratio	**Leverage Ratio**	**Additional Reserve 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%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Banks have been required to notify the Turkish Central Bank of their leverage ratios starting from 31 December 2012, and the above-described additional reserve requirements will first be implemented in 2014 starting with 2013 year-end financial.

Additionally, to curb loan growth, Turkish authorities reinstated a 15 per cent. tax on consumer loans and also limited mortgage loan-to-value ratios to 75 per cent.

Regulatory changes such as increased reserve requirements, the non-payment of interest on reserves and caps on interest rates charged on credit cards may have an adverse impact on the Bank's net interest income, thereby exerting downward pressure on the Bank's net interest margins. New laws and regulations may increase the Bank's cost of doing business or limit its activities and might be adopted, enforced or interpreted in a manner that could have an adverse affect on the Bank's business, financial condition, cash flows and results of operations. In addition, such measures could also limit or reduce growth of the Turkish economy and consequently the demand for the Bank's products and services.

In addition, as a consequence of certain of these changes, the Bank was required to increase its capital reserves and may need to access more expensive sources of financing to meet its funding requirements. Any failure by the Bank to adopt adequate responses to these or future changes in the regulatory framework could have an adverse affect on the Bank's business, financial condition and results of operations. In addition, non-compliance with regulatory guidelines could expose the Bank to potential liabilities and fines and damage its reputation.

The Turkish banking sector has experienced significant volatility in the past

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange 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 against 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.

Risk factors relating to the Bank and its business

The Bank may not achieve its growth strategy

The Bank has experienced significant growth in many of its business segments in recent years and the Bank's strategy is to continue expanding its business, both domestically and internationally (see "*Description of Albaraka Türk Katilim Bankasi A.Ş. – Strategy*"). Whether this can be achieved is largely dependent on several factors, including the performance of the Turkish economy. See "*Risk Factors – The Turkish economy is undergoing continued transformation to a free market system, is subject to significant macroeconomic risks and has been dependent upon the support of the IMF in times of economic crisis*".

The management of the Bank's growth will require, among other things, continued development of the Bank's financial and information management control systems, the ability to integrate new products and services, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistent levels of customer services. 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, cash flows and 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 31 December 2013 and 31 March 2014, such loans constituted approximately 69 per cent. and 67.6 per cent. 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, 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 "*Risk Factors – Risks relating to the Bank and its Business – 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, 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 2013, customer deposits comprised 73 per cent. of the Bank's total liabilities and, of all customer deposits, 88 per cent. had maturities of 3 months or less. As at 31 March 2014, customer deposits comprised 71 per cent. of the Bank's total liabilities and, of all customer deposits, 88 per cent. had maturities of 3 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 more expensive sources, which in turn could have a material adverse impact on its business, financial condition, results of operations, cash flows and 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, cash flows and prospects.

Concentration risk

The Bank has a high concentration of loans and deposits in both geographic and customer segment terms. Geographically, the Bank's loans are highly concentrated in Turkey (92 per cent. of funded loans as at 31 December 2013) and the Bank's deposits are highly concentrated in Turkish Lira accounts (60 per cent. of total funds collected as at 31 December 2013 and 58 per cent. of total funds collected as at 31 March 2014). Accordingly, the Bank is particularly exposed to any future downturn in the economy of Turkey 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 2013, TL 3.24 million, or 18 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 prospects of the Bank. In addition, the Bank has a high concentration of its loan portfolio on its 100 largest cash loan customers (as at 31 March 2014, the Bank's 100 largest cash loan customers accounted for 59 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, cash flows and prospects.

The Bank has been, and will likely continue to be, significantly negatively affected by the recent global financial crisis and concurrent economic slowdown

The recent 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 significant negative impact on the business, financial condition and results of operations of the Bank.

As a result of the global financial crisis and related economic volatility, the Bank's ability to access the financial markets may be restricted at a time when it would need financing, which could have an impact on its flexibility to react to changing economic and business conditions. The continuing impact of the financial crisis and economic volatility could have a material adverse effect on the Bank's customers as well as the Bank and therefore could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

Although there have been indications that the global economy has begun to recover from the economic deterioration of recent years, the recovery may not continue and concerns about the liquidity, the extent of budgetary deficits and, in some cases, even the solvency of countries such as Greece, Ireland, Spain, Italy and Portugal 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 relapse 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 and/or results of operations.

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

The Albaraka Banking Group ("**ABG**") owned 54.06 per cent. of the outstanding share capital of the Bank as at 31 March 2014. There can be no guarantee that the interests of ABG will coincide 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. Although it is the Bank's policy that transactions 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 parties related to, or affiliated with, ABG have been or will be extended on the above basis and terms.

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, customers of letters of credit provided by the Bank and other financial counterparties of the Bank, any of which might default in their obligations to the Bank due to bankruptcy, lack of liquidity, economic downturns, operational failures or other reasons.

The Bank's core banking businesses have historically been, and are expected to continue to be, 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 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 these risks could have a material adverse effect on the Bank's business, financial condition, results of operations, cash flows and prospects.

The Bank's loan portfolio:

	Corporate Credits	**SME Credits**	**Retail Credits**
31 December 2012	59.8	27.8	12.4
31 December 2013	38.8	48.9	12.3
31 March 2013	39.4	48.7	11.9
31 March 2014	40	48.1	11.9

(see "*Description of Albaraka Türk Katilim Bankasi A.Ş. – Strategy*").

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, the Bank may be unable to evaluate correctly the current financial condition of each prospective borrower and to determine its long-term financial viability.

The Bank's non-performing loans ("**NPLs**") at 31 March 2014, 31 December 2013, 31 March 2013, and 31 December 2012 were 2.32 per cent., 2.32 per cent., 2.23 per cent. and 2.46 per cent. respectively. It is generally accepted that lending to the SME segment represents a relatively 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 materially increase in the near to medium term, in particular if there is a deterioration in the macroeconomic conditions in Turkey or if the Bank is unable to accurately model the risk associated with the 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*"). Furthermore, growth in the Bank's loan portfolio is due to increasing loan demand, which may lead to deterioration in the underlying asset quality and an increase in loan to deposit ratios, due to a relatively slower growth in deposits.

The Bank might not correctly assess the creditworthiness of credit applicants or other counterparties (or their financial conditions 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 if any credit exposure fails to perform. Estimates of non-cash collateral value are inherently uncertain and are subject to change as a result of market and other conditions, and may lead to increased risk 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 great deal of judgment. As a result, the level of provisions 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.

In 2012, the Bank implemented a new banking credit system the aim of which was to improve the Bank's assessment of the credit strength of new and existing customers as at the end of 2013. The new system also integrates the Bank's internal rating system with its credit approval process.

The Bank has a significant 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 write-offs or defaults, which could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

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 from profit sharing assets and profit share expenses on profit sharing liabilities. 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 39 per cent. and 40 per cent. of income before tax for the years ended 31 December 2013 and 2012, respectively and the net profit share margin was 54.2 per cent. and 48.7 per cent. over the same periods. Unlike conventional banks, the Bank's interest 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 which 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 may be affected by the Turkish Central Bank's policy which has recently seen a rapid reduction in market interest rates (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 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 affected, as well as potentially its cost of funds, which could have a material adverse effect on the Bank's business, financial condition and/or results of operations. In particular, the Bank's participation accounts, which pay returns based on the return earned by the Bank from an underlying pool of loans in a prior period, mean 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 values 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 and results of operations. See "*Description of Albaraka Türk Katılım Bankası A.Ş. – 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 U.S. Dollar and Euro, which can have an impact on its financial position and results of operations. These risks are both systemic (i.e., the impact of exchange rate volatility on the markets broadly, 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 U.S.

Dollar or the Euro, then it would be more difficult for the Bank's customers with income 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 transactions are prohibited and foreign exchange transactions are made solely for the purpose of minimising open currency positions. In addition, regulatory limits prohibit the Bank from having a net currency short or long position of greater than 20 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, cash flows and 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

Liquidity risk 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 which 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, if the Bank may be limited in its ability to diversify funding sources and to increase the length 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 accessible funds. 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 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 prospects.

Correlation of financial risks – the occurrence of a 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 it 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 a market downturn 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 of 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, cash flows and 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 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 the applicable anti-money laundering and anti-terrorist financing laws and regulations. However, such measures, procedures and compliance may not be completely effective in preventing third parties from using the Bank (and its correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without the Bank's (and 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, cash flows and 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 which sovereign support have been seen, and strained, in other countries during the recent global financial crisis), this may not be the case for Turkey in general or 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 to provide liquidity or help 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 recent 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, cash flows and 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, retail 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 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, cash flows and 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, are 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 thus lose their business or experience negative publicity. In addition, despite its 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 cases of emergency, 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, cash flows and 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, cash flows and 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 outsiders (see "– *Operational Risks*"). 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 prospects.

Operational risks

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 error, 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. Any materialisation of such risks may have a material adverse effect on the Bank's business, financial condition, results of operations, cash flows and 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 participation banking may have an adverse effect on the Bank's business, financial condition, results of operations, cash flows and 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 government shall issue new legislation based on which the state-owned Turkish banks will be entitled to either carry out participation banking activities or establish new participation 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 4 participation banks in Turkey. The new public participation banks may have a positive impact on overall the 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.

Risk factors relating to the Certificates

There is currently no secondary market for the Certificates and there may be limited liquidity for Certificateholders

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 such 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. 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. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. An application has been made for the listing of the Certificates on the Irish Stock Exchange but there can be no assurance that any such listing will occur on or prior to the date of this Prospectus or at all, if it does occur, that it will enhance the liquidity of the Certificates.

The trading market for the Certificates may be volatile and may be adversely impacted by many events

The market for the Certificates is expected to be influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in the United States and Europe and other industrialised countries. There can be no assurance that events in Turkey, the United States, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Certificates or that economic and market conditions will not have any other adverse effect.

Certificateholders will have limited rights to proceed directly against the Issuer

Recourse to the Issuer in respect of Certificates is limited to the proceeds of the Lease Certificate Assets which are the sole source of payments on the Certificates. Upon the occurrence of a Dissolution Event or early dissolution pursuant to Condition 9(c) (*Capital Distributions — Redemption following a Tax Event*), the sole rights of each of the Issuer, the Representative and, through the Representative, the Certificateholders will be against Albaraka to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will otherwise have no recourse to any assets of the Representative, Albaraka, the Managing Agent, the Commodity Purchaser, the Issuer (including its directors and service providers), and the Principal Paying Agent or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the Lease Certificate Assets. Each of the Managing Agent, the Commodity Purchaser and Albaraka is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Issuer, and the Issuer and the Representative will have direct recourse against the Managing Agent, the Commodity Purchaser and Albaraka to recover payments due to the Issuer from the Managing Agent, the Commodity Purchaser and Albaraka pursuant to the Transaction Documents. There can be no assurance that the proceeds of the realisation of, or enforcement with respect to, the Lease Certificate Assets will be sufficient to make all payments due in respect of the Certificates. Furthermore, under no circumstances shall any Certificateholder, the Issuer or the Representative have: (i) any right to cause the sale or other disposition of any of the Lease Certificate Assets except pursuant to the Transaction Documents; or (ii) any other recourse against the Lease Certificate Assets, except the right to receive distributions derived from the Lease Certificate Assets in accordance with the Conditions, and the sole right of the Issuer, the Representative and the Certificateholders against Albaraka shall be to enforce the obligation of Albaraka to perform its obligations under the Transaction Documents to which it is a party.

The Certificates may be subject to early dissolution

The Certificates may be redeemed prior to their stated maturity if Albaraka has or will become obliged to provide funding to ensure that the funds available to the Issuer are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Distribution Amount by reason of Condition 10 (*Taxation*) and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. In such circumstances, Albaraka has the option to require the Issuer to redeem the Certificates prior to their scheduled maturity. Early dissolution in either instance may reduce the return that a Certificateholder would have realised had the Certificates been redeemed at maturity.

An early dissolution feature of any Certificate is likely to limit its market value. During any period when the Issuer may elect to redeem Certificates, the market value of those Certificates generally will not rise substantially above the dissolution amount payable. This also may be true prior to any dissolution period.

Certificates where denominations involve integral multiples: Definitive Certificates

As the Certificates have a denomination consisting of a minimum Specified Denomination (as defined in the Conditions) plus one or more higher integral multiples of another smaller amount, it is possible that such Certificates may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates.

If a Certificateholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time 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 a Specified Denomination.

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 Specified Denomination may be illiquid and difficult to trade.

No third-party guarantees

Investors should be aware that no guarantee is or will be given in relation to the Certificates by the shareholders of the Issuer or Albaraka or any other person.

Risks relating to the Sukuk Assets and limited rights of enforcement

Liability attaching to owners of Sukuk Assets

In order to comply with the requirements of *Shari'a*, the proceeds of issuance of the Certificates are required to be applied by the Issuer towards the acquisition of Sukuk Assets and, once the Issuer acquires the Sukuk Assets (in the manner described herein), the Certificateholders will have the right to receive from the Issuer the economic benefit of the use of the Sukuk Assets. The Issuer is required to hold its interests in the Sukuk Assets in its own name and on its own behalf and for the account and benefit of the Certificateholders pursuant to the Representative Agreement. Each Certificate will evidence the entitlement of each Certificateholder to an undivided interest in the Sukuk Assets on a *pro rata* basis unless transfer of such interests and rights in, to and under the Sukuk Assets is prohibited by, or ineffective under, any Turkish law that may be applicable (see "— *Transfer of the Portfolio Assets*" below). However, the Certificateholders will have no direct recourse over the Sukuk Assets under Turkish law. The income from the Sukuk Assets, together with any capital arising from the disposal of any Sukuk Assets, shall be for the Issuer and for the account and benefit of the Certificateholders.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Portfolio Asset. Only limited representations will be obtained from Albaraka in respect of the Portfolio Assets. In particular, the precise terms of the Portfolio Assets sold will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by Albaraka to give effect to the transfer of its interests in the Portfolio Assets). No steps will be taken to perfect any transfer of any interests or rights in the Portfolio Assets or otherwise give notice to any lessee or obligor in respect thereof. Obligors and lessees may have rights of set-off or counterclaim against Albaraka in respect of the Portfolio Assets.

In addition, if and to the extent that a third party is able to establish a direct claim against the Issuer, the Representative or any Certificateholders on the basis of a legal or other interest in the Sukuk Assets, Albaraka has agreed in the Representative Agreement to indemnify the Issuer, the Representative and the Certificateholders against any such liabilities. In the event that Albaraka is unable to meet any such claims then the Certificateholders may suffer losses in respect of both the principal amount invested in the Certificates, as well as any profit amounts that would have been payable in respect of the Certificates.

Transfer of the Portfolio Assets

No assurance has been or will be given as to whether any interest, rights, benefits and entitlements in, to and under any of the Portfolio Assets may be transferred as a matter of the law governing the Portfolio Assets, the law of the jurisdiction where such assets are located or any other relevant law. Furthermore, no opinion will be provided by Turkish or other counsel that the Initial Asset Portfolio Sale and Purchase Agreement is effective to transfer any interests, rights, benefits and entitlements in, to and under the assets described therein. In any event, the Certificateholders will not have any rights of enforcement as against the Portfolio Assets and their rights are limited to the proceeds of enforcement against Albaraka of its obligation to purchase the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets pursuant to the terms of the Purchase Undertaking.

In the event that the transfer to the Issuer of specified interests, rights, benefits and entitlements in, to and under the Portfolio Assets is for any reason found to have been, or is alleged to have been, ineffective so that the Issuer is unable to deliver such interests, rights, benefits and entitlements (or part thereof) to Albaraka in accordance with the terms of the Purchase Undertaking, Albaraka has agreed in the Purchase Undertaking to fully indemnify the Issuer. In such a situation, the Certificateholders will not have any rights of enforcement as against the Portfolio Assets and their rights are limited to the proceeds of enforcement against Albaraka of its obligation to indemnify the Issuer pursuant to the terms of the Purchase Undertaking, and consequently the effectiveness of any transfer of any interests, rights, benefits and entitlements in, to and under the Portfolio Assets to the Issuer is likely to be of limited consequence to the rights of the Certificateholders.

In the event that the Portfolio Assets are not repurchased by Albaraka for any reason, the Representative will seek to enforce the payment and indemnity obligations of Albaraka under the Purchase Undertaking. To the extent that it obtains an English judgment in its favour, it may seek to enforce that judgment or award in a Turkish court. This will be subject to general enforcement risks in Turkey (see "*Risk factors relating to enforcement — Investors may experience difficulty in enforcing foreign judgments in Turkey*").

Limited Recourse

The Certificateholders shall have no recourse against the Issuer other than in respect of the proceeds of the Lease Certificate Assets in accordance with the Transaction Documents. The sole right of the Certificateholders against the Lease Certificate Assets shall be the right to have the Representative enforce the respective obligations of the Issuer and Albaraka under the Transaction Documents.

Certificateholders have no recourse to any other assets of the Issuer or Albaraka or the Representative or any agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the Lease Certificate Assets to the extent the Lease Certificate Assets have been enforced, realised and fully discharged following which all obligations of the Issuer shall be extinguished.

Risk factors relating to taxation

Taxation risks on payments

Payments made by Albaraka to the Issuer under the Transaction Documents, by the Issuer in respect of the Certificates, or revenues generated by the Sukuk Assets and received by the Managing Agent, could become subject to withholding or deduction for or on account of taxation. The Initial Asset Portfolio Sale and Purchase Agreement, the Murabaha Agreement, the Management Agency Agreement, the Redemption Undertaking and the Purchase Undertaking each require Albaraka to pay additional amounts in the event that any withholding or deduction is required to be made by Turkish law in respect of payments made by it to the Issuer under those documents. Condition 10 (*Taxation*) provides that the Issuer is required to pay additional amounts in respect of any such withholdings or deductions imposed by Turkey in certain circumstances. In the event that the Issuer fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, Albaraka has, pursuant to the Representative Agreement, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Issuer (for the benefit of the Certificateholders) an amount equal to the liabilities of the Issuer in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 10 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

If Albaraka has or will become obliged to provide funding to ensure that the funds available to the Issuer are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Distribution Amount pursuant to Condition 10 (*Taxation*) and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, then Condition 9(c) (*Capital Distributions — Redemption following a Tax Event*) provides that, in such circumstances, Albaraka has the option to require the Issuer to redeem the Certificates prior to their scheduled maturity.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income, which may include Periodic Distribution Amounts) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries, including Turkey, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above (see also "*Taxation - The proposed financial transactions tax*"). Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State (or, pursuant to the EU Savings Directive in certain cases, through a relevant non EU country or territory) which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Risk factors relating to enforcement

Turkish Bankruptcy Law

Investors should note that if any bankruptcy proceedings were to be initiated against either the Issuer or Albaraka, they would be subject to Turkish bankruptcy law. In the event of Albaraka's or the Issuer's insolvency, Turkish bankruptcy law may adversely affect Albaraka's or the Issuer's ability to perform their respective obligations under the Purchase Undertaking and the Management Agency Agreement and therefore the Issuer's ability to make payments to Certificateholders. There is no precedent to predict how the claims on behalf of Certificateholders would be resolved in the case of any insolvency of Albaraka or the Issuer.

Claims for specific enforcement

In the event that Albaraka fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Issuer and the Representative include obtaining an order for specific enforcement of Albaraka's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement, which is a discretionary matter.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Issuer and the Representative to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by Albaraka to perform its obligations set out in the Transaction Documents to which it is a party.

Investors may experience difficulty in enforcing foreign judgments in Turkey

Ultimately the payments under the Certificates are dependent upon Albaraka making payments to the Issuer in the manner contemplated under the Transaction Documents. If Albaraka fails to do so, it may be necessary to bring an action against Albaraka to enforce its obligations which could be both time consuming and costly.

Albaraka is a joint stock company organised under the laws of Turkey. Certain of the directors and officers of Albaraka named herein reside inside Turkey and all or a significant portion of the assets of such persons may be, and substantially all of the assets of Albaraka are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons or entities 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 order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. 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;

(b) 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 (as defined below), 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 TL equivalent of the amount claimed plus a fixed application fee to the relevant courts.

In connection with the issuance of Certificates, Albaraka will appoint Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom 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 conditions of the Certificates, the structure and certain Transaction Documents are based on English 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 judicial decision or change to English or Turkish law or administrative practice 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 Issuer to make payments under the Certificates or of Albaraka or the Issuer to comply with their respective obligations under the Transaction Documents.

Additional risks

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non- EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Investors must make their own determination as to Shari'a compliance

Members of the Albaraka Türk Katilim Bankası A.Ş. *Shari'a* Advisory Board, the Sharia'a Supervisory Board of QInvest LLC and the *Shari'a* Supervisory Committee of Standard Chartered Bank have issued a fatwa in respect of the Certificates and the related structure and mechanism described in the Transaction Documents and their compliance with *Shari'a* principles. However, a fatwa is only an expression of the view of the relevant *Shari'a* advisory board based on its experience in the subject and is not a binding opinion. There can be no assurance as to the Shari'a permissibility of the structure or the issue and the trading of the Certificates and neither the Issuer, Albaraka, the Representative nor the Managing Agent make any representation as to the same. Investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shari'a* advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties in the transaction would be, if in dispute, the subject of court proceedings under the laws of Turkey or England and Wales. In such circumstances, the judge may first apply the relevant law rather than *Shari'a* principles in determining the obligations of the parties.

Consents to variation of Transaction Documents and other matters

The Conditions and the Representative Agreement contain provisions permitting the Issuer (or Representative as the case may be) from time to time and at any time without any consent or sanction of the Certificateholders to make any modification of, or agree to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Representative Agreement or of any other Transaction Document, or determine, without any such consent as aforesaid, that any Dissolution Event shall not be treated as such, if, in the opinion of the Issuer (or the Representative as the case may be): (a) such modification is of a formal, minor or technical nature; (b) such modification is made to correct a manifest error; (c) such modification, waiver, authorisation or determination is not materially prejudicial to the interests of Certificateholders and does not relate to a Reserved Matter (as such term is defined in the Conditions); or (d) such modification is required to effect cancellation of Certificates in accordance with Condition 17 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*). Unless the Issuer (or Representative as the case may be) otherwise decides, any such modification shall as soon as practicable thereafter be notified to the

Certificateholders and shall in any event be binding upon the Certificateholders. The Issuer (or the Representative as the case may be) may not consent to such modification, waiver, authorisation or determination in contravention of an express direction given by an Extraordinary Resolution (as such term is defined in the Conditions) of the Certificateholders or a request made pursuant to Condition 13 (*Dissolution Events*).

Exchange rate risks and exchange controls

The Issuer will pay Periodic Distribution Amounts and Dissolution Distribution Amounts 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.

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 Dissolution Distribution Amount payable on the Certificates; 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 a result, investors may receive a lower Dissolution Distribution Amount than expected, or no Dissolution Distribution Amount.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with and registered in the name of a nominee of 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 will maintain records of the interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their interests only through Euroclear and Clearstream, Luxembourg.

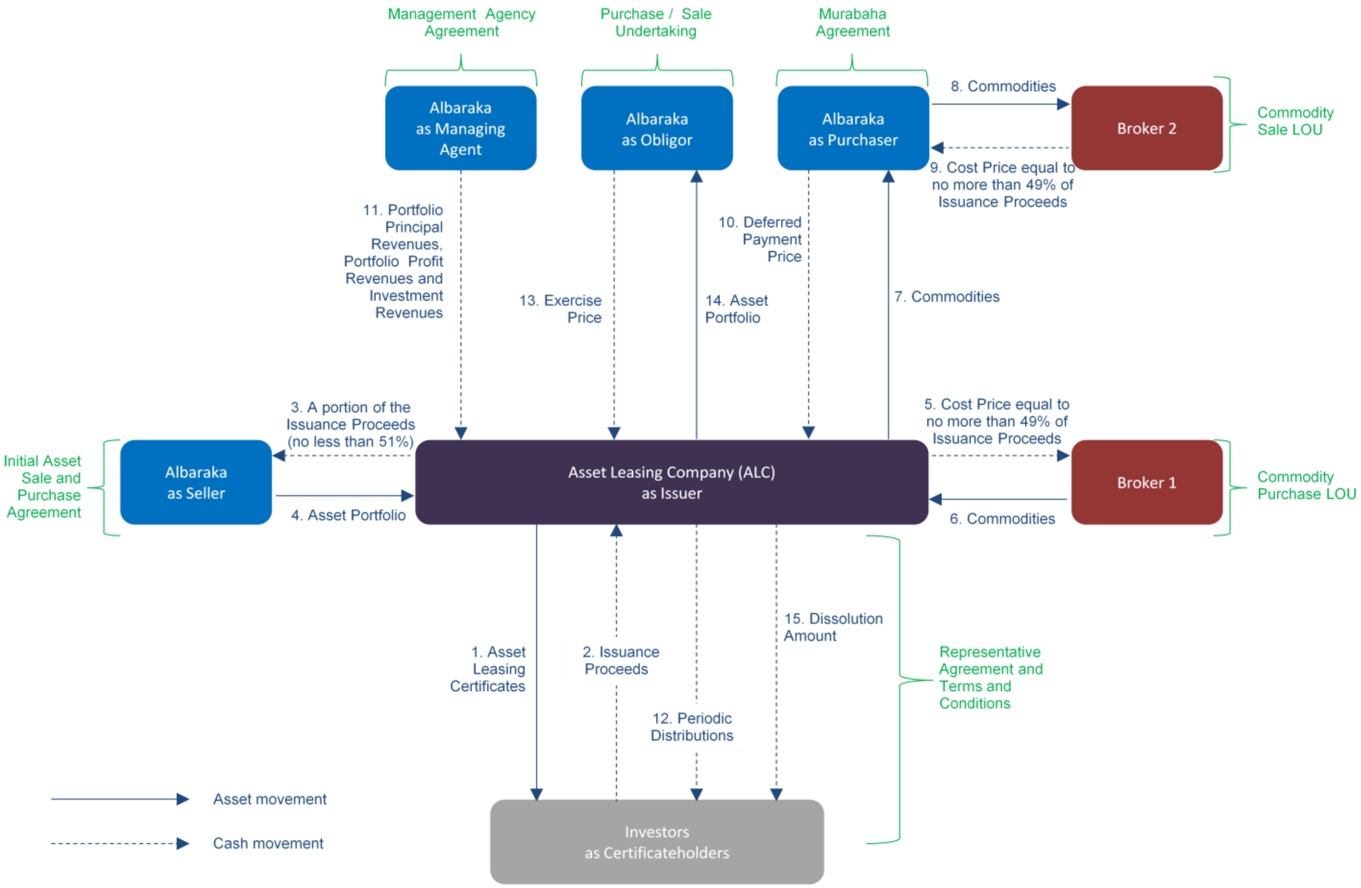
While the Certificates are represented by the Global Certificate, the Issuer will discharge its payment obligation under the Certificates by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg and, where applicable, such account holders to receive payments under the relevant Certificates. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Certificate.

Holders of 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 Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the transaction. Potential investors are referred to the terms and conditions of the Certificates 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.

Structure Diagram



Cashflows

Payments by the Certificateholders and the Issuer

On the Closing Date, the Certificateholders will pay the issue price in respect of the Certificates to the Issuer. The Issuer will:

(a) use at least fifty one per cent. (51%) of the proceeds of the issuance of the Certificates (the "**Initial Asset Portfolio Purchase Price**"), to purchase Albaraka's interests, rights, benefits and entitlements in, to and under the Initial Portfolio Assets pursuant to the Initial Asset Portfolio Sale and Purchase Agreement; and

(b) use the remaining portion of the proceeds of the issuance of the Certificates (the "**Commodity Purchase Price**") to purchase Commodities from the Supplier and subsequently sell them to Albaraka pursuant to the Murabaha Contract entered into pursuant to the Murabaha Agreement.

Periodic Distribution Payments

Pursuant to the Management Agency Agreement, the Managing Agent will credit all Profit Revenues to the Profit Collection Account and will, on the Business Day prior to each Periodic Distribution Date apply amounts standing to the credit of the Profit Collection Account to pay the Periodic Distribution Amounts payable by the Issuer under the Certificates and such amounts shall be paid to the Transaction Account and shall be applied by the Issuer for that purpose.

"**Profit Revenues**" means: (a) all revenues generated by, or in connection with, the Portfolio Assets and payable to the Managing Agent in the nature of profit; (b) all amounts payable to the Issuer under the Murabaha Contract as the Profit Amount; (c) all revenues in the nature of profit generated by the Shari'a Compliant Investments; and (d) all amounts payable by the Obligor, in the nature of profit, pursuant to clause 3 (*Duties and Rights of the Seller in Respect of the Initial Portfolio Assets*) of the Initial Asset Portfolio Sale and Purchase Agreement or any equivalent clause in any sale and purchase agreement entered into in connection with the sale and purchase of Eligible Portfolio Assets from time to time.

Dissolution Payment by Albaraka

On the Scheduled Dissolution Date, the Issuer will have the right under the Purchase Undertaking to require Albaraka, following the service of a Purchase Undertaking Exercise Notice by or on behalf of the Issuer, to pay to the Issuer the Dissolution Event Exercise Price. Upon payment of the Dissolution Event Exercise Price in accordance with the terms of the Purchase Undertaking, Albaraka will, as consideration therefore, purchase the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets, in which case the Dissolution Event Exercise Price shall be the purchase price for such Portfolio Assets. On the Business Day prior to the Scheduled Dissolution Date: (i) Albaraka (as Commodity Purchaser) shall pay the outstanding Deferred Payment Price to the Issuer in accordance with the terms of the Murabaha Agreement; and (ii) Albaraka (as Managing Agent) shall pay the Investment Liquidation Amount and the amounts standing to the credit of the Principal Collection Account at that time to the Issuer in accordance with the terms of the Management Agency Agreement.

The Dissolution Event Exercise Price, together with the outstanding Deferred Payment Price, any Investment Liquidation Amount and the amounts standing to the credit of the Principal Collection Account at that time, will be used to fund the Dissolution Distribution Amount payable by the Issuer under the Certificates.

The Certificates may be redeemed prior to the Scheduled Dissolution Date by reason of: (i) the occurrence of a Dissolution Event (as defined in Condition 13 (*Dissolution Events*)) that is continuing; (ii) the occurrence of a Tax Event that is continuing; (iii) the occurrence of a Change of Control and the exercise of the Change of Control Put Option by holders of 100 per cent. of the Certificates (see below for further details); (iv) at the option of the Issuer, in the event that, at any time, Certificates representing seventy five per cent. or more of the original aggregate outstanding face amount of the Certificates have been redeemed in accordance with Condition 9(d) (*Redemption at the Option of the Certificateholders (Change of Control Put Option)*) and/or purchased and cancelled in accordance with Condition 12

(*Purchase and Cancellation of Certificates*); or (v) upon redemption and cancellation of all of the outstanding Certificates as a result of Albaraka holding all of the Certificates and delivering a Redemption and Cancellation Notice (see below for further details).

In the case of paragraphs (i) and (ii) above, the amounts payable by the Issuer on the Dissolution Event Redemption Date or, as the case may be, the Tax Redemption Date will be part funded by Albaraka's obligation to pay the Dissolution Event Exercise Price or, as the case may be, the Sale Undertaking Exercise Price to the Issuer in accordance with the terms of the Purchase Undertaking or, as the case may be, the Sale Undertaking. The remainder of the amounts payable by the Issuer on the Dissolution Event Redemption Date or, as the case may be, the Tax Redemption Date shall be funded by: (i) the payment by Albaraka (as Commodity Purchaser) of the outstanding Deferred Payment Price on the Business Day prior to the Dissolution Date in accordance with the terms of the Murabaha Agreement; and (ii) the payment by Albaraka (as Managing Agent) to the Issuer of the Investment Liquidation Amount and all amounts standing to the credit of the Principal Collection Account at that time on the Business Day prior to the Dissolution Date in accordance with the terms of the Management Agency Agreement.

Change of Control

Following the occurrence of a Change of Control and service of a change of control exercise notice (the "**Change of Control Exercise Notice**") by or on behalf of the Issuer, Albaraka will pay the Change of Control Exercise Price to the Issuer. Following the payment of the Change of Control Exercise Price in accordance with the terms of the Purchase Undertaking, Albaraka will purchase and accept the transfer of the Issuer's interests, rights, benefits and entitlements in, to and under the Change of Control Redemption Assets, in which case the Change of Control Exercise Price will represent the purchase price for the relevant Change of Control Redemption Assets. The remainder of the amounts payable by the Issuer on the Change of Control Redemption Date shall be funded by: (i) the payment by Albaraka (as Commodity Purchaser) of an amount of the outstanding Deferred Principal Amount equal to the Murabaha Contract Change of Control Amount plus any Deferred Profit Amount relating to the relevant Certificates in accordance with the terms of the Murabaha Agreement; and (ii) the payment by Albaraka (as Managing Agent) to the Issuer of the Shari'a Compliant Investments Change of Control Amount and the Principal Collections Change of Control Amount no later than the Change of Control Redemption Date in accordance with the terms of the Management Agency Agreement.

In the case of the exercise of the Change of Control Put Option by holders of 100 per cent. of the Certificates, the amounts payable by the Issuer on the relevant Change of Control Redemption Date will be funded in the same way as on the occurrence of a Dissolution Event, as described above.

Cancellation of Certificates held by Albaraka

In accordance with Condition 12 (*Purchase and Cancellation of Certificates*), Albaraka may at any time purchase Certificates at any price in the open market or otherwise.

Where Albaraka has purchased Certificates and wishes to cancel those Certificates (the "**Redemption Certificates**"), Albaraka may deliver a Redemption and Cancellation Notice to the Issuer pursuant to the Redemption Undertaking obliging the Issuer to purchase and cancel the Redemption Certificates. Following the exercise of such right, the Issuer will: (i) purchase the Redemption Certificates from Albaraka; (ii) cancel such Redemption Certificates; (iii) sell to Albaraka the Issuer's interests, rights, benefits and entitlements in, to and under the Redemption and Cancellation Assets (in which case the redemption and cancellation of the relevant proportion of the Redemption Certificates shall be the consideration for such purchase); (iv) pay the Redemption Amount (in which case the redemption and cancellation of the remaining proportion of the Redemption Certificates shall be the consideration for such payment); and (v) enter into a Redemption Sale Agreement pursuant to which the Redemption and Cancellation Assets will be sold to Albaraka.

"**Redemption Amount**" means an amount to be paid by the Issuer to Albaraka which is equal to the aggregate of: (a) an amount equal to the product of the amount standing to the credit of the Principal Collection Account and the Redemption and Cancellation Percentage (the "**Principal Collections Redemption Amount**"); (b) an amount equal to the product of the principal amount invested in any Shari'a Compliant Investments and the Redemption and Cancellation Percentage (the

"**Shari'a Compliant Investments Redemption Amount**"); and (c) an amount equal to the product of the outstanding Deferred Principal Amount under the Murabaha Contract and the Redemption and Cancellation Percentage (the "**Murabaha Contract Redemption Amoun**t"), in each case, as determined on the relevant Redemption and Cancellation Date immediately prior to the redemption and cancellation of the relevant Redemption Certificates and specified in the relevant Redemption and Cancellation Notice.

Albaraka will acknowledge in the Redemption Undertaking that the Redemption Amount to be paid by the Issuer shall be paid as follows:

(i) the amount equal to the Principal Collections Redemption Amount shall be paid, and be deemed to have been paid, by the Issuer authorising the Managing Agent to debit such amount from the Principal Collection Account and retain it for its own account in accordance with the Management Agency Agreement;

(ii) the amount equal to the Shari'a Compliant Investments Redemption Amount shall be paid, and be deemed to have been paid, by the Issuer authorising the Managing Agent to liquidate a corresponding amount of the Shari'a Compliant Investments and retain such amount for its own account in accordance with the Management Agency Agreement; and

(iii) the amount equal to the Murabaha Contract Redemption Amount shall be set-off against the amount of the Deferred Principal Amount to be paid by Albaraka (as Commodity Purchaser) to the Issuer on the Redemption and Cancellation Date under the Murabaha Agreement.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the Terms and Conditions of the Certificates which will be incorporated by reference into the Global Certificate and each Definitive Certificate (as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Joint Lead Managers at the time of issue but, if not so permitted and agreed, such Definitive Certificates will have endorsed thereon or attached thereto such Terms and Conditions.

Bereket Varlık Kiralama A.Ş. (in its capacity as issuer, the "**Issuer**") has authorised the issue of its U.S.$350,000,000 Certificates due 2019 (the "**Certificates**").

In these Conditions, references to "**Certificates**" shall be references to the U.S.$350,000,000 lease certificates issued by the Issuer pursuant to the Sukuk Communiqué whether in global form as a global Certificate (each a "**Global Certificate**") or in definitive form as definitive Certificates (each a "**Definitive Certificate**").

Each Certificate will be issued pursuant to the Sukuk Communiqué and will be subject to an agreement (the "**Representative Agreement**") to be dated on or about 30 June 2014 (the "**Closing Date**") entered into by the Issuer and BNY Mellon Corporate Trustee Services Limited (in its capacity as representative of the Certificateholders pursuant to the Representative Agreement, the "**Representative**", which expression shall include any co-representative, any replacement representative and any successor thereto from time to time).

Payments relating to the Certificates will be made pursuant to a paying agency agreement to be dated on or about the Closing Date (the "**Paying Agency Agreement**") made between Albaraka Türk Katilim Bankası A.Ş ("**Albaraka**"), the Issuer, the Representative and 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**") and The Bank of New York Mellon (Luxembourg) S.A. as registrar (in such capacity, the "**Registrar**") and as transfer agent (in such capacity, the "**Transfer Agent**" and, together with any further or other transfer agents appointed from time to time in respect of the Certificates, the "**Transfer Agents**"). The Paying Agents, the Registrar and the Transfer Agents are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors from time to time.

The Certificateholders have the benefit of, are bound by, and are deemed to have notice of the following documents (copies of which are available for inspection during usual business hours at the designated office of the Issuer at Saray Mh. Dr. Adnan Büyükdeniz Cd. No: 6 34768 Ümraniye, Istanbul and at the Specified Offices of the Principal Paying Agent):

(i) the Representative Agreement;

(ii) the Paying Agency Agreement;

(iii) an initial asset portfolio sale and purchase agreement between the Issuer (in its capacity as purchaser), Albaraka (in its capacity as seller) and the Representative to be dated on or about the Closing Date (the "**Initial Asset Portfolio Sale and Purchase Agreement**");

(iv) a murabaha agreement between the Issuer (in its capacity as seller), Albaraka (in its capacity as purchaser) and the Representative to be dated on or about the Closing Date (the "**Murabaha Agreement**");

(v) a notice of request to purchase submitted by Albaraka to the Issuer pursuant to the Murabaha Agreement (the "**Notice of Request to Purchase**");

(vi) an offer notice from the Issuer, countersigned by Albaraka pursuant to the Murabaha Agreement (the "**Offer Notice**");

(vii) a commodity sale letter of understanding dated on or about the Closing Date between Condor Trading Limited (the "**On-Sale Broker**") as purchaser of Commodities and Albaraka as seller of the Commodities (the "**Commodity Sale Letter of Understanding**");

(viii) a commodity purchase letter of understanding dated on or about the Closing Date between the Issuer as purchaser of Commodities and the Supplier as seller of the Commodities (the "**Commodity Purchase Letter of Understanding**");

(ix) a netting deed dated on or about the Closing Date between the Issuer, Albaraka, the Supplier and the On-Sale Broker (the "**Netting Deed**");

(x) a management agency agreement between the Issuer, the Representative and Albaraka (in its capacity as Managing Agent) to be dated on or about the Closing Date (the "**Management Agency Agreement**");

(xi) a purchase undertaking granted by Albaraka in favour of the Issuer and the Representative to be dated on or about the Closing Date (the "**Purchase Undertaking**");

(xii) a sale undertaking granted by the Issuer in favour of Albaraka and acknowledged by the Representative to be dated on or about the Closing Date (the "**Sale Undertaking**");

(xiii) a redemption undertaking granted by the Issuer in favour of Albaraka and acknowledged by the Representative to be dated on or about the Closing Date (the "**Redemption Undertaking**"); and

(xiv) a costs undertaking deed granted by Albaraka in favour of the Issuer and the Representative to be dated on or about the Closing Date,

each as may be amended and restated from time to time.

The Issuer will, and by its acquisition and holding of the Certificates each of the Certificateholders shall be deemed to authorise and direct the Issuer to: (a) apply the proceeds of the issuance towards the acquisition of each of the Initial Portfolio Assets and the Commodities comprised in the Murabaha Contract; and (b) enter into each other Transaction Document to which it is a party. The Issuer will hold its interests in the Lease Certificate Assets in its own name and on its own behalf and for the account and benefit of the Certificateholders and the income accruing to the Issuer from the purchased Sukuk Assets, together with any capital arising from the disposal of such Sukuk Assets, shall be for the benefit of, and shall be accounted by the Issuer to the Certificateholders.

Pursuant to the Representative Agreement the Representative shall: (a) enter into the Transaction Documents to which it is a party and; (b) enforce its rights thereunder, subject to the terms and conditions of the Representative Agreement as supplemented by these Conditions.

These Conditions include summaries of, and are subject to, the detailed provisions of the Representative Agreement and the Paying Agency Agreement.

1. INTERPRETATION

Words and expressions defined in the Representative Agreement and the Paying Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In addition, in these Conditions the following expressions have the following meanings:

"**Additional Portfolio Asset Date**" means the date specified as such in an Additional Portfolio Asset Exercise Notice;

"**Additional Portfolio Asset Exercise Notice**" means a notice substantially in the form set out in Schedule 4 (*Form of Additional Portfolio Asset Exercise Notice*) of the Purchase Undertaking;

"**Additional Portfolio Asset Purchase Price**" means the amount specified as such in an Additional Portfolio Asset Exercise Notice;

"**Albaraka Event**" has the meaning given to it in Condition 13 (*Dissolution Events*);

"**Appointee**" has the meaning given in clause 11.1.10 of the Representative Agreement;

"**Asset Portfolio**" means the Initial Asset Portfolio together with any Eligible Portfolio Assets which (i) have been acquired by the Issuer pursuant to the terms of the Initial Asset Sale and Purchase Agreement or the Purchase Undertaking (and any corresponding New Asset Sale Agreement); or (ii) may have been substituted for any Portfolio Assets, from time to time, in accordance with the terms of the Initial Asset Sale and Purchase Agreement, the Purchase Undertaking and any related Transfer Agreement or the Sale Undertaking and any related Transfer Agreement but excluding any Portfolio Assets in relation to which clause 2.3 of the Initial Asset Portfolio Sale and Purchase Agreement or any equivalent provision in any sale and purchase agreement relating to any Eligible Portfolio Assets acquired by the Asset Purchaser pursuant to the Purchase Undertaking or the Sale Undertaking has become applicable and the Seller has paid an amount equal to the relevant purchase price for such Portfolio Asset to the Asset Purchaser;

"**Asset Purchaser**" means the Issuer in its capacity as purchaser pursuant to the Initial Asset Portfolio Sale and Purchase Agreement;

"**Asset Seller**" means Albaraka in its capacity as seller pursuant to the Initial Asset Portfolio Sale and Purchase Agreement;

"**authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration;

"**Business Day**" means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets in Istanbul, London and New York are open for general business;

"**Call Option**" has the meaning given to it in Condition 9(e) (*Capital Distributions — Redemption at the Option of the Issuer (Call Option)*);

"**Call Option Date**" means the date specified in a Sale Undertaking Exercise Notice (which shall be no less than 45 days and no more than 60 days after the date on which the Sale Undertaking Exercise Notice is delivered to the Issuer);

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

"**Change of Control**" means:

(i) the Albaraka Banking Group ceases to have the power to direct the management and policies of Albaraka (whether through the ownership of voting capital, by contract, decree or otherwise); or

(ii) there is a reduction in the principal share ownership of the Albaraka Banking Group in Albaraka to less than thirty per cent. (30%) of the issued share capital of Albaraka;

"**Change of Control Amount**" means, in respect of the Change of Control Redemption Certificates, an amount equal to the sum of:

(a) the outstanding face amount of such Certificates as of such date; and

(b) any accrued but unpaid Periodic Distribution Amounts as of such date;

"**Change of Control Asset Value**" means:

(a) the aggregate Outstanding Principal Value of the Portfolio Assets immediately prior to the sale and purchase of the Change of Control Redemption Assets; and

(b) the Change of Control Percentage;

"**Change of Control Exercise Notice**" means a notice substantially in the form set out in Schedule 2 (*Form of Change of Control Exercise Notice*) to the Purchase Undertaking;

"**Change of Control Exercise Price**" means an amount equal to the aggregate Outstanding Principal Value (or the relevant proportion thereof) of each Change of Control Redemption Asset on the Change of Control Redemption Date;

"**Change of Control Notice**" has the meaning given to it in Condition 9(d) (*Capital Distributions — Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Percentage**" means the aggregate face amount of the Change of Control Redemption Certificates divided by the aggregate face amount of all of the Certificates (including, for the avoidance of doubt, the Change of Control Redemption Certificates) then outstanding expressed as a percentage;

"**Change of Control Put Option**" has the meaning given to it in Condition 9(d) (*Capital Distributions — Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Put Option Notice**" has the meaning given to it in Condition 9(d) (*Capital Distributions — Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Put Option Period**" has the meaning given to it in Condition 9(d) (*Capital Distributions — Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Redemption Assets**" means those Portfolio Assets (or part thereof) as Albaraka may select following a Change of Control in accordance with the terms of the Purchase Undertaking and specified as such in a Sale Agreement;

"**Change of Control Redemption Certificates**" means those Certificates that are being redeemed by the relevant Certficateholders upon a Change of Control in accordance with Condition 9(d) (*Capital Distributions — Redemption at the Option of the Certificateholders (Change of Control Put Option)*);

"**Change of Control Redemption Date**" means the date specified in the Purchase Undertaking Exercise Notice or, as the case may be, the Change of Control Exercise Notice (which shall be no less than 45 days and no more than 60 days after the date on which the Purchase Undertaking Exercise Notice or, as the case may be, the Change of Control Exercise Notice, is delivered to Albaraka);

"**Commodities**" means Copper, Platinum, Palladium, Zinc, Lead, Aluminium, Aluminium alloy, Iridium, Nickel, Rufinium and Rhodium or such other Shari'a compliant commodities as may be agreed upon by the Commodity Seller and the Commodity Purchaser and as specified in a Notice of Request to Purchase;

"**Commodity Purchase Price**" means, in relation to the Murabaha Contract, an amount in U.S. Dollars equal to the aggregate of:

(a) the amount payable by the Commodity Seller to the Supplier for the purchase of Commodities described in the relevant Notice of Request to Purchase (including any fees, costs and expenses payable by the Commodity Seller to the Supplier);

(b) any Commodity Taxes applicable to that purchase; and

(c) any other actual direct or indirect costs and expenses including, without limitation, insurance and transport expenses applicable to that purchase;

"**Commodity Purchaser**" means Albaraka as purchaser of Commodities under the Murabaha Agreement;

"**Commodity Seller**" means the Issuer as seller of Commodities under the Murabaha Agreement;

"**Commodity Tax**" means any tax payable in connection with the purchase or sale of Commodities including, without limitation, any value added tax, sales tax, goods and service tax, import or excise tax or any other similar tax or duty;

"**Deferred Payment Price**" means, in relation to the Murabaha Contract, the applicable deferred price which is required to be paid by the Commodity Purchaser in U.S. Dollars (as set out in the relevant Offer Notice in accordance with the terms of the Murabaha Agreement), being the aggregate of: (a) the Commodity Purchase Price (being the "**Deferred Principal Amount**"); and (b) the Profit Amount;

"**Dissolution Date**" means, as the case may be:

(a) the Scheduled Dissolution Date;

(b) the Dissolution Event Redemption Date;

(c) the Tax Redemption Date;

(d) the Call Option Date;

(e) a Redemption and Cancellation Date where Albaraka has purchased and wishes to redeem all of the outstanding Certificates; and

(f) a Change of Control Redemption Date, following the exercise of the Change of Control Put Option by holders of 100 per cent. of the outstanding Certificates;

"**Dissolution Distribution Amount**" means, as of the Dissolution Date, the sum of:

(a) the outstanding face amount of the Certificates as of such date; and

(b) any accrued but unpaid Periodic Distribution Amounts as of such date;

"**Dissolution Event**" has the meaning given to it in Condition 13 (*Dissolution Events*);

"**Dissolution Event Exercise Price**" means an amount equal to the aggregate of:

(a) the Outstanding Principal Value of each Portfolio Asset on the Dissolution Date;

(b) without duplication or double-counting, an amount equal to any accrued but unpaid Management Costs; and

(c) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*)) in accordance with Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*);

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 13 (*Dissolution Events*);

"**Dissolution Request**" has the meaning given to it in Condition 13 (*Dissolution Events*);

"**Eligible Portfolio Asset**" means a Lease Asset or an Investment Sukuk:

(a) which, in the case of a Lease Asset, has been originated or, in the case of an Investment Sukuk, is held or owned by the Asset Seller in a manner consistent with its usual credit, origination and investment policies;

(b) which constitutes legal, valid, binding and, subject to any general principles of law limiting the obligations of the obligor, enforceable obligations of the obligor under the related Lease Finance Documents or, as the case may be, the Investment Sukuk Documents in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located;

(c) in respect of which the Asset Seller is entitled to receive all payments due to it;

(d) in respect of which there has not occurred any default, acceleration or analogous event (howsoever described);

(e) which is capable of being sold and transferred to the Asset Purchaser by the Asset Seller in accordance with the terms set out in the Initial Asset Portfolio Sale and Purchase Agreement, pursuant to the terms of the Purchase Undertaking and any related New Asset Sale Agreement or any related Transfer Agreement or pursuant to the terms of the Sale Undertaking and any related Transfer Agreement; and

(f) in respect of which the Outstanding Principal Value is equal to or greater than the value of the consideration given for such Eligible Portfolio Asset as at the date the asset is sold and transferred to the Asset Purchaser under the Initial Asset Portfolio Sale and Purchase Agreement, pursuant to the terms of the Purchase Undertaking and any related New Asset Sale Agreement or any related Transfer Agreement or pursuant to the terms of the Sale Undertaking and any related Transfer Agreement;

"**Extraordinary Resolution**" has the meaning given to it in Schedule 4 (*Provisions for Meetings of Certificateholders*) to the Representative Agreement;

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility;

(c) any amount raised pursuant to any note purchase facility or the issue of sukuk or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

(e) receivables sold (other than any receivables to the extent they are sold on a nonrecourse basis);

(f) any amount raised under any other transaction (including any purchase agreement) having the commercial effect of a borrowing;

(g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(h) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above;

"**Group**" means Albaraka and its subsidiary taken as a whole;

"**Guarantee**" means, in relation to any Financial Indebtedness of any person, any obligation of another person to pay such Financial Indebtedness following valid demand or claim on that person and includes (without limitation):

(i) any obligation to purchase such Financial Indebtedness;

(ii) any obligation to extend financing, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness;

(iv) any obligation to pay an exercise price or other amount under any undertaking or indemnity given in favour of the obligor in respect of such Financial Indebtedness as part of an Islamic financing transaction; and

(v) any other agreement to be responsible for such Financial Indebtedness;

"**Impaired Portfolio Asset**" means an asset in respect of which: (a) there has been a breach of any representations and warranty made by the Asset Seller in respect of a Portfolio Asset; or (b) any Portfolio Asset becomes subject to an encumbrance (except as otherwise permitted pursuant to the terms of the Transaction Documents, the Lease Finance Documents or the Investment Sukuk Documents, as applicable);

"**Impaired Portfolio Asset Substitution Date**" means the date specified as such in an Impaired Portfolio Asset Substitution Notice;

"**Impaired Portfolio Asset Substitution Notice**" means a notice substantially in the form set out in Schedule 3 (*Form of Impaired Portfolio Asset Substitution Notice*) of the Purchase Undertaking;

"**Initial Asset Portfolio Purchase Price**" has the meaning given to it in the Initial Asset Portfolio Sale and Purchase Agreement;

"**Initial Asset Portfolio**" means the portfolio comprised of the Initial Portfolio Assets;

"**Initial Portfolio Assets**" means the interests, rights, benefits and entitlements (except legal title, which shall remain with the Asset Seller) of Albaraka as asset seller in, to and under certain Lease Assets and Investment Sukuk, each as identified in Schedule 1 (*Initial Asset Portfolio*) to the Initial Asset Portfolio Sale and Purchase Agreement;

"**Investment Liquidation Amount**" means an amount in U.S. Dollars equal to the aggregate principal amount invested in Shari'a Compliant Investments.

"**Investment Sukuk**" means Shari'a compliant sukuk or trust certificates that are fully backed by or, as the case may be, fully based on underlying tangible assets (together with the interests, rights, benefits and entitlements of the Asset Seller under the associated Investment Sukuk Documents);

"**Investment Sukuk Documents**" means, in relation to any Investment Sukuk, the terms and conditions applicable to, and governing, those Investment Sukuk and any transaction documents referred to therein;

"**Issuance Proceeds**" means the proceeds of issuance of the Certificates;

"**Joint Lead Managers**" means Emirates NBD Capital Limited, Nomura International plc, QInvest LLC and Standard Chartered Bank and "**Joint Lead Manager**" means each of them;

"**Lease Asset**" means an asset held and leased by Albaraka (as lessor) to a customer pursuant to the related Lease Finance Documents (together with the interests, rights, benefits and entitlements of the Asset Seller under the associated Lease Finance Documents);

"**Lease Certificate Assets**" means, so long as the Sukuk Communiqué permits:

(a) all of the Issuer's interest, rights, benefit and entitlements, present and future, in, to and under the relevant Sukuk Assets;

(b) the interest, rights, benefits and entitlements, present and future, of the Issuer in, to and under the Transaction Documents (excluding: (i) any representations given by Albaraka to the Issuer and the Representative pursuant to any of the Transaction Documents; and (ii) the indemnities given by Albaraka to the Issuer pursuant to the Representative Agreement); and

(c) all monies standing to the credit of the Transaction Account;

and all proceeds of the foregoing *pro rata* according to the face amount of Certificates held by each holder;

"**Lease Finance Documents**" means, in relation to a Lease Asset, the lease contract (howsoever described) between the Asset Seller and a customer, pursuant to which the Asset Seller (as lessor) has leased that Lease Asset to the customer (as lessee), the related service agency agreement, purchase undertaking and sale undertaking (in each case, howsoever described and whether forming part of the lease contract or not) and any other documents related to that lease contract or the transactions contemplated by that lease contract;

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to "**Liabilities**" shall mean all of these;

"**Management Costs**" means the amount of any unpaid claims, losses, costs and expenses properly incurred or suffered by the Managing Agent in providing the Services during the Services Term;

"**Murabaha Contract**" means the individual contract for the sale of Commodities at a deferred purchase price and made pursuant to the provisions of the Murabaha Agreement by the delivery of an Offer Notice by the Commodity Seller to the Commodity Purchaser and the subsequent countersignature of such Offer Notice by the Commodity Purchaser in accordance with the terms of the Murabaha Agreement;

"**Murabaha Contract Change of Control Amount**" means an amount equal to the product of:

(a) the outstanding Deferred Principal Amount under the Murabaha Contract as of the Change of Control Redemption Date; and

(b) the Change of Control Percentage;

"**Murabaha Contract Redemption Amount**" means an amount equal to the product of the outstanding Deferred Principal Amount under the Murabaha Contract and the Redemption and Cancellation Percentage;

"**New Asset Sale Agreement**" has the meaning given to it in the Purchase Undertaking;

"**New Assets**" means the Lease Assets or Investment Sukuk specified as such in a Transfer Agreement or a New Asset Sale Agreement (as applicable), the identity of which shall be determined by Albaraka in its sole and absolute discretion subject to the terms of the Purchase Undertaking;

"**Notice of Request to Purchase**" means, in relation to a proposed Murabaha Contract, the notice from the Commodity Purchaser to the Commodity Seller requesting that the Commodity Seller purchase certain Commodities from the Supplier and containing the Commodity Purchaser's irrevocable undertaking to purchase the specified Commodities from the Commodity Seller in accordance with the terms of the Murabaha Agreement, substantially in the form set out in Schedule 1 (*Form of Notice of Request to Purchase*) of the Murabaha Agreement;

"**Outstanding Principal Value**" means at any time, in relation to a Portfolio Asset, an Eligible Portfolio Asset or an Impaired Portfolio Asset:

(a) which is a Lease Asset, an amount in U.S. Dollars equal to all unpaid, due or scheduled, fixed rental instalment amounts payable to the Asset Seller under the related Lease Finance Documents which have accrued or will accrue on and from the date on which the Asset Seller sells that Lease Asset to the Asset Purchaser; and

(b) which is an Investment Sukuk, an amount in U.S. Dollars equal to the outstanding face amount of that Investment Sukuk;

"**Payment Business Day**" means: (a) a day on which commercial banks in the relevant place of surrender of any Certificate settle payments and are open for presentation and payment of registered securities and for dealings in foreign currencies; and (b) in the case of payment by transfer to an account, any day which is a day on which commercial banks are open for general business and for dealings in foreign currencies in Istanbul, London and New York;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 7(a) (*Periodic Distribution Provisions — Periodic Distribution Amount*);

"**Periodic Distribution Date**" has the meaning given to it in Condition 7(a) (*Periodic Distribution Provisions — Periodic Distribution Amount*);

"**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;

"**Portfolio Asset**" means the interests, rights, benefits and entitlements of the Asset Seller in, to and under any Investment Sukuk or any Lease Asset sold and transferred to the Asset Purchaser and comprised in the Asset Portfolio from time to time;

"**Principal Collection Account**" means the principal collections account ledger maintained by the Managing Agent in accordance with the Managing Agency Agreement;

"**Principal Collections Change of Control Amount**" means an amount equal to the product of:

(a) the amount standing to the credit of the Principal Collection Account on the Business Day preceding the Change of Control Redemption Date; and

(b) the Change of Control Percentage;

"**Principal Collections Redemption Amount**" means an amount equal to the product of the amount standing to the credit of the Principal Collection Account and the Redemption and Cancellation Percentage;

"**Profit Amount**" has the meaning given to it in the Murabaha Agreement;

"**Profit Collection Account**" means the profit collections account ledger maintained by the Managing Agent in accordance with the Managing Agency Agreement;

"**Profit Rate**" means 6.250 per cent. per annum;

"**Purchase Undertaking Exercise Notice**" means a notice substantially in the form set out in Schedule 1 (*Form of Purchase Undertaking Exercise Notice*) to the Purchase Undertaking;

"**Record Date**" has the meaning given in Condition 8(a) (*Payment — Payments in Respect of Certificates*);

"**Redemption Amount**" means an amount to be paid by the Issuer to Albaraka which is equal to the aggregate of:

(a) the Principal Collections Redemption Amount;

(b) the Shari'a Compliant Investments Redemption Amount; and

(c) the Murabaha Contract Redemption Amount),

in each case, as determined on the relevant Redemption and Cancellation Date immediately prior to the redemption and cancellation of the relevant Redemption Certificates and specified in the relevant Redemption and Cancellation Notice;

"**Redemption and Cancellation Asset Value**" means an amount equal to the product of:

(a) the aggregate Outstanding Principal Value of the Portfolio Assets immediately prior to the redemption and cancellation of the relevant Redemption Certificates; and

(b) the Redemption and Cancellation Percentage;

"**Redemption and Cancellation Assets**" means those Portfolio Assets (or part thereof) as Albaraka may select in its sole and absolute discretion in accordance with the terms of the Redemption Undertaking, specified as such in a Redemption and Cancellation Notice and a Redemption Sale Agreement;

"**Redemption and Cancellation Date**" means the date specified as such in a Redemption and Cancellation Notice;

"**Redemption and Cancellation Notice**" means a redemption and cancellation notice in substantially the form set out at Schedule 1 (*Form of Redemption and Cancellation Notice*) to the Redemption Undertaking;

"**Redemption and Cancellation Percentage**" means the aggregate face amount of the relevant Redemption Certificates divided by the aggregate face amount of all of the Certificates (including, for the avoidance of doubt, the Redemption Certificates) then outstanding expressed as a percentage, as determined on the relevant Redemption and Cancellation Date;

"**Redemption Certificates**" has the meaning given in Condition 12(b) (*Purchase and Cancellation of Certificates — Cancellation of Certificates held by Albaraka)*;

"**Redemption Sale Agreement**" means an agreement to be executed by Albaraka and the Issuer in respect of any Redemption and Cancellation Assets pursuant to the exercise of the Redemption Undertaking (if applicable) substantially in the form set out at Schedule 2 (*Form of Redemption Sale Agreement*) to the Redemption Undertaking;

"**Register**" means the register maintained by the Registrar on which, among other things, the names and addresses of the holders from time to time of the Certificates, together with the particulars of the Certificates held by them respectively, and all transfers of Certificates are recorded;

"**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the relevant Paying Agent or the Issuer or the Registrar on or before the due date, it means the date on which the full amount of the money having been so received, notice to that effect shall have been duly given to Certificateholders by the Issuer in accordance with Condition 16 (*Notices*);

"**Relevant Jurisdiction**" means Turkey or, any political subdivision or authority thereof or therein having the power to tax;

"**Reserved Matter**" has the meaning given to it in Schedule 4 (*Provisions for Meetings of Certificateholders*) to the Representative Agreement;

"**Return Accumulation Period**" has the meaning given to it in Condition 7(b) (*Periodic Distribution Provisions — Determination of Periodic Distribution Amount*);

"**Sale Agreement**" means any sale agreement entered into in connection with the Purchase Undertaking or Sale Undertaking;

"**Sale Undertaking Exercise Notice**" means a notice substantially in the form set out in Schedule 1 (*Form of Sale Undertaking Exercise Notice*) to the Sale Undertaking;

"**Sale Undertaking Exercise Price**" means an amount equal to the aggregate of:

(a) the Outstanding Principal Value of each Portfolio Asset on the Dissolution Date;

(b) without duplication or double-counting, an amount equal to any accrued but unpaid Management Costs; and

(c) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*) in accordance with Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*);

"**Scheduled Dissolution Date**" means 30 June 2019;

"**Security Interest**" means any mortgage, charge, pledge, lien, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

"**Services**" means each of the services specified in Clause 4 (*Services*) of the Management Agency Agreement, in each case, in accordance with the terms and conditions of the Management Agency Agreement;

"**Services Term**" means the period from and including the date of the Management Agency Agreement to and including the date on which all of the Certificates have been redeemed in full in accordance with the Conditions and the other Transaction Documents;

"**Shari'a**" means the principles of *Shari'a* as interpreted by the Shari'a Board;

"**Shari'a Board**" means the *Shari'a* Advisory Board of Albaraka Türk Katilim Bankası A.Ş. from time to time;

"**Shari'a Compliant Investments**" has the meaning given to it in the Management Agency Agreement;

"**Shari'a Compliant Investments Change of Control Amount**" means an amount equal to the product of:

(a) the principal amount invested in Shari'a Compliant Investments as of the Business Day preceding the Change of Control Redemption Date; and

(b) the Change of Control Percentage;

"**Shari'a Compliant Investments Redemption Amount**" means an amount equal to the product of the principal amount invested in any Shari'a Compliant Investments and the Redemption and Cancellation Percentage;

"**Specified Denomination(s)**" means a minimum denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;

"**Specified Office**" means the initial specified offices of the Agents as set out in Condition 8(d) (*Payment — Agents*) or any other specified offices notified pursuant to Condition 8(d) (*Payment — Agents*);

"**Subsidiary**" means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership or which has been decreed to it or constituted as a subsidiary entity under applicable law and "**control**" for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise;

"**Substituted Impaired Portfolio Assets**" means the Portfolio Assets specified as such in an Impaired Portfolio Asset Substitution Notice;

"**Supplier**" means the vendor of Commodities as specified in the relevant Notice of Request to Purchase;

"**Sukuk Assets**" means the Portfolio Assets, the right to receive the outstanding Deferred Payment Price under the Murabaha Contract and the amounts standing to the credit of the Principal Collection Account and Profit Collection Account from time to time;

"**Tax Event**" has the meaning given to it in Condition 9(c) (*Capital Distributions — Redemption following a Tax Event*);

"**Tax Redemption Date**" means the date specified in the Sale Undertaking Exercise Notice which must also be a Periodic Distribution Date;

"**Taxes**" has the meaning given to it in Condition 10 (*Taxation*);

"**Transaction Account**" means the account opened by the Issuer with the Principal Paying Agent prior to the Closing Date and operated by the Principal Paying Agent on behalf of the Issuer;

"**Transaction Documents**" means the Initial Asset Portfolio Sale and Purchase Agreement, the Murabaha Agreement, the Commodity Purchase Letter of Understanding, the Commodity Sale Letter of Understanding, the Netting Deed, the Notice of Request to Purchase, the Offer Notice, the Management Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Redemption Undertaking, the Representative Agreement, the Paying Agency Agreement, the Costs Undertaking and the Certificates and any other agreements, deeds, undertakings, or documents entered into pursuant to any of the foregoing or which can be entered into by the parties to any of the foregoing from time to time and are designated as such by the parties thereto and the Representative; and

"**Transfer Agreement**" means an agreement substantially in the form set out at Schedule 6 (*Form of Transfer Agreement*) of the Purchase Undertaking or at Schedule 4 (*Form of Transfer Agreement*) of the Sale Undertaking, as applicable.

All references in these Conditions to "**U.S. dollars**", "**U.S.$**" and "**$**" are to the lawful currency of the United States of America.

The rules of interpretation set out in the Representative Agreement shall apply to these Conditions as if set out herein, *mutatis mutandis*.

2. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Certificates are issued in registered form in the Specified Denomination.

A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**") which the Issuer will cause to be kept by the Registrar outside the Republic of Turkey and the United Kingdom in accordance with the provisions of the Paying Agency Agreement.

Upon issue, Certificates will be represented by interests in the Global Certificate, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). 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.

(b) Title

Title to the Certificates passes only by registration in the Register. Subject to the terms of any relevant Global Certificate, the registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, obligation or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Issuer as entitled to his Certificate free from any equity, set off or counterclaim on the part of the Issuer against the original or any intermediate holder of such Certificate.

3. **TRANSFERS OF CERTIFICATES**

(a) **Transfers**

Subject to Condition 3(d) (*Transfers of Certificates — Closed Periods*), Condition 3(e) (*Transfers of Certificates — Regulations*), the limitations as to transfer set out in Condition 2(b) (*Form, Denomination and Title — Title*) and the provisions of the Paying Agency Agreement, a Certificate may be transferred in whole or in an amount equal to the Specified Denomination or any integral multiple thereof by depositing the Certificate, with the form of transfer on the back, duly completed and signed, at the Specified Office of the Registrar or the Transfer Agent 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 Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

(b) **Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within three (3) business days of receipt by the Registrar or the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be 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 3(b) (*Transfers of Certificates — Delivery of New Certificates*), "**business day** " shall mean a day on which banks are open for business in the city in which the Specified Office of the Registrar or the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located. Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five (5) business days of receipt by the Registrar or the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in a Global Certificate will not be entitled to receive physical delivery of Certificates.

(c) **Formalities Free of Charge**

Registration of any transfer of Certificates will be effected without charge on behalf of the Issuer by the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Issuer, Registrar or Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(d) **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen (15) days ending on (and including) the due date for any payment of the Dissolution Distribution Amount or any Periodic Distribution Amount.

(e) **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Paying Agency Agreement (as amended from time to time). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Certificateholder shall be entitled to receive, in accordance with Condition 2(b) (*Form, Denomination and Title — Title*), only one 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 Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3(b) (*Transfers of Certificates — Delivery of New Certificates*).

4. **STATUS AND LIMITED RECOURSE**

(a) **Status**

Each Certificate will constitute a limited recourse obligation of the Issuer to pay each Certificateholder Periodic Distribution Amounts and any Dissolution Distribution Amount. Each Certificate will rank *pari passu*, without preference or priority, with all other Certificates issued in accordance with these Conditions and with any other lease certificates issued by the Issuer in accordance with the Sukuk Communiqué. Each Certificate will evidence the entitlement of each Certificateholder to the economic benefit of the use of the Sukuk Assets on a *pro rata* basis and the income accruing to the Issuer from the purchased Sukuk Assets, together with any capital arising from disposal of such Sukuk Assets, shall be for the benefit of, and shall be accounted by the Issuer to, the Certificateholders in the proportion which the face amount of such Certificateholder's Certificates bears to the aggregate outstanding Certificates and will rank *pari passu*, without any preference, with the other Certificates.

(b) **Limited Recourse**

The proceeds of the Lease Certificate Assets are the sole source of payments due in respect of the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Issuer, the Representative, Albaraka, any of the Agents or any of their respective affiliates. Accordingly, by subscribing for or acquiring the Certificates, Certificateholders acknowledge that they will have no recourse to any assets of the Issuer (and/or its authorised representatives, officers, administrators, employees or shareholders) or Albaraka (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Representative or the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Lease Certificate Assets to the extent their obligations under the Lease Certificate Assets have been exhausted in accordance with the Transaction Documents following which all obligations of the Issuer, Albaraka, the Representative and the Agents shall be extinguished.

Albaraka is obliged to make payments under the relevant Transaction Documents to which it is a party directly to the Issuer or to the Representative (pursuant to the Representative Agreement) and/or the Agents, as may be specified in the Transaction Documents. The Representative will, acting pursuant to the Purchase Undertaking, have direct recourse against Albaraka to recover payments due to the Issuer from Albaraka pursuant to such Transaction Documents. The aggregate of the net proceeds following: (i) the exercise of the Purchase Undertaking with respect to the Portfolio Assets; (ii) the payment of the Deferred Payment Amount under the Murabaha Contract; (iii) the liquidation of any Shari'a Compliant Investments; and (iv) the payment of any amounts standing to the credit of the Principal Collection Account may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 14 (*Enforcement and Exercise of Rights*), no Certificateholder will have any claim against the Issuer (and/or its authorised representatives, officers or shareholders), Albaraka (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Representative, the Agents or any of their respective affiliates, or against any assets (other than the Lease Certificate Assets in accordance with the provisions of the Transaction Documents) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. Under no circumstances shall the Issuer, the Representative or any Certificateholder have any right to cause the sale or other disposition of any of the Sukuk Assets other than to Albaraka or its designee in accordance with the Transaction Documents and the sole right of the Representative and the Certificateholders against the Issuer or Albaraka shall be to enforce their respective obligations under the Transaction Documents. Subject to Condition 4(c) (*Status and Limited Recourse — Agreement of Certificateholders*), no Certificateholders will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer (and/or its authorised representatives), the Representative, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

(c) **Agreement of Certificateholders**

Notwithstanding anything to the contrary contained in these Conditions or any Transaction Document, the rights and entitlement of each Certificateholder under the Certificates are subject to the following provisions which are binding on each of them:

(i) no amount whatsoever shall be due and payable by or on behalf of the Issuer, or any of its agents on its behalf except to the extent funds are available therefore from the Lease Certificate Assets;

(ii) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Issuer (and/or its directors, officers, administrators or shareholders), Albaraka (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Representative, any Agent or any of their respective agents or affiliates to the extent the Lease Certificate Assets have been exhausted following which all obligations of the Issuer, the Representative, Albaraka, any Agents and their respective agents or affiliates shall be extinguished;

(iii) prior to the date which is one year and one day after the date on which all amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, each Certificateholder will not institute against, or join with any other person in instituting against, the Issuer any bankruptcy, concordat, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

(iv) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any shareholder, member, officer, employee, agent or director of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Issuer under the Transaction Documents to which it is a party are corporate limited recourse obligations of the Issuer and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Issuer save in the case of their wilful default or actual fraud;

(v) no Certificateholder shall 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 such Certificate. No collateral is or will be given for the payment obligations under the Certificates; and

(vi) under no circumstances will the Issuer or the Representative be entitled to sell or shall the Representative or any Certificateholder be entitled to cause the sale or other disposition of any of the Sukuk Assets otherwise than to Albaraka in accordance with the terms of the Transaction Documents and the Certificateholders shall only be entitled to enforce their rights against the Issuer under the Lease Certificate Assets in accordance with the Transaction Documents and the Representative shall only be entitled to enforce its rights against the Issuer or Albaraka in accordance with the Transaction Documents.

Reference in these Conditions to wilful default or actual fraud or gross negligence means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party.

5. THE ASSET LEASING CORPORATION

(a) Summary

Pursuant to the Representative Agreement entered into between Albaraka, the Issuer and the Representative on the Closing Date, the Issuer confirms that it has been established pursuant to the Sukuk Communiqué as an 'asset leasing corporation' and that it will hold the Lease Certificate Assets in its own name and on its own behalf and for the account and benefit of the Certificateholders and the income accruing to the Issuer from the Sukuk Assets, together with any capital arising from disposal of such Sukuk Assets, shall be for the benefit of, and shall be accounted by the Issuer to, the Certificateholders.

On the Closing Date, the Issuer will apply: (i) at least fifty one per cent. (51%) of the Issuance Proceeds (the "**Initial Asset Portfolio Purchase Price**"), to purchase Albaraka's interests, rights, benefits and entitlements in, to and under the Initial Asset Portfolio pursuant to the Initial Asset Portfolio Sale and Purchase Agreement; and (ii) the remaining portion of the Issuance Proceeds (the "**Commodity Purchase Price**") to purchase the Commodities comprised in the Murabaha Contract entered into pursuant to the Murabaha Agreement.

Under the Management Agency Agreement to be entered into on the Closing Date, the Issuer will appoint Albaraka as the Issuer's agent (in such capacity, the "**Managing Agent**") to perform certain Services in respect of the Sukuk Assets for the duration of the Services Term.

On the Closing Date, Albaraka will grant the Purchase Undertaking in favour of the Issuer and the Representative, pursuant to which Albaraka will undertake to pay the Dissolution Event Exercise Price or the Change of Control Exercise Price (as the case may be) to the Issuer in the circumstances specified in the Purchase Undertaking. Following the payment of the Dissolution Event Exercise Price or the Change of Control Exercise Price (as the case may be) to the Issuer, Albaraka and the Issuer will purchase and sell, respectively, all of the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets or the Change of Control Redemption Assets (as the case may be). Albaraka and the Issuer shall enter into a Sale Agreement to effect such sales.

Pursuant to the Purchase Undertaking, Albaraka will also grant the Issuer the right to require Albaraka: (i) to transfer to the Issuer on an Impaired Portfolio Asset Substitution Date all of Albaraka's interests, rights, benefits and entitlements in, to and under certain New Assets against the transfer to Albaraka's of all of the Issuer's interests, rights, benefits and entitlements in, to and under certain Substituted Impaired Portfolio Assets; and (ii) to sell and transfer to the Issuer on an Additional Portfolio Asset Date all of Albaraka's interests, rights, benefits and entitlements in, to and under certain New Assets against the payment by the Issuer of an amount equal to the Additional Portfolio Asset Purchase Price.

On the Closing Date, the Issuer will grant the Sale Undertaking in favour of Albaraka, pursuant to which the Issuer will undertake, upon the occurrence of a Tax Event which is continuing, to accept payment of the Sale Undertaking Exercise Price from Albaraka on the date specified in the Exercise Notice. Following the payment of the Sale Undertaking Exercise Price to the Issuer, Albaraka and the Issuer will purchase and sell, respectively, all of the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets. Albaraka and the Issuer shall enter into a Sale Agreement to effect such sale. Pursuant to the Sale Undertaking, the Issuer will also grant Albaraka the right to substitute Portfolio Assets from time to time in accordance with the terms thereof.

Following the exercise of the Purchase Undertaking or the Sale Undertaking (as applicable) on a Dissolution Event or a Tax Event respectively, in addition to paying the Dissolution Event Exercise Price, Albaraka will: (i) pay, as Commodity Purchaser, the outstanding Deferred Payment Price to the Issuer in accordance with the terms of the Murabaha Agreement; and (ii) pay, as Managing Agent, the Investment Liquidation Amount and all amounts standing to the credit of the Principal Collection Account to the Issuer on the Business Day prior to the Dissolution Date in accordance with the terms of the Management Agency Agreement.

Following the exercise of the Purchase Undertaking upon a Change of Control where the Change of Control Put Option has been exercised by holders of less than one hundred per cent. (100%) of the Certificates then outstanding, in addition to paying the Change of Control Exercise Price, Albaraka will: (i) pay, as Commodity Purchaser, an amount of the outstanding Deferred Principal Amount equal to the Murabaha Contract Change of Control Amount to the Issuer on the Business Day prior to the Dissolution Date in accordance with the terms of the Murabaha Agreement; and (ii) pay, as Managing Agent, the Shari'a Compliant Investments Change of Control Amount and the Principal Collections Change of Control Amount to the Issuer no later than the Change of Control Redemption Date in accordance with the terms of the Management Agency Agreement.

If, at any time, Certificates representing seventy five per cent. (75%) or more of the original aggregate outstanding face amount of the Certificates have been redeemed in accordance with Condition 9(d) (*Redemption at the Option of the Certificateholders (Change of Control Put Option)*) and/or purchased and cancelled in accordance with Condition 12 (*Purchase and Cancellation of Certificates*), Albaraka may, by exercising its option under the Sale Undertaking, oblige the Issuer to accept payment of the Sale Undertaking Exercise Price from Albaraka on the date specified in the Exercise Notice. Following the payment of the Sale Undertaking Exercise Price to the Issuer, Albaraka and the Issuer will purchase and sell, respectively, all of the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets. Albaraka and the Issuer shall enter into a Sale Agreement to effect such sale. Following such exercise of the Sale Undertaking, Albaraka will also: (i) pay, as Commodity Purchaser, the outstanding Deferred Payment Price to the Issuer in accordance with the terms of the Murabaha Agreement; and (ii) pay, as Managing Agent, the Investment Liquidation Amount and all amounts standing to the credit of the Principal Collection Account to the Issuer on the Business Day prior to the Dissolution Date in accordance with the terms of the Management Agency Agreement.

On the Closing Date, the Issuer will grant the Redemption Undertaking in favour of Albaraka, pursuant to which the Issuer will undertake to: (i) purchase the Redemption Certificates from Albaraka; (ii) cancel such Redemption Certificates; (iii) sell to Albaraka the Issuer's interests, rights, benefits and entitlements in to and under the Redemption and Cancellation Assets (in which case the redemption and cancellation of the relevant proportion of the Redemption Certificates shall be the consideration for such purchase); (iv) subject to the terms of the Redemption Undertaking, pay the Redemption Amount (in which case the redemption and cancellation of the remaining proportion of the Redemption Certificates shall be the consideration for such payment); and (v) enter into a Redemption Sale Agreement pursuant to which the Redemption and Cancellation Assets will be sold to Albaraka.

(b) **Application of Proceeds from Lease Certificate Assets**

On each Periodic Distribution Date or any Dissolution Date the relevant Paying Agent will apply the monies standing to the credit of the Transaction Account in the following order of priority:

(i) *first*, (to the extent not previously paid) to pay the Representative all amounts owing to it under the Transaction Documents in its capacity as Representative and to any agent, receiver, manager or administrative receiver or any other analogous officer appointed by the Representative in accordance with the Representative Agreement;

(ii) *second*, to the extent not paid by Albaraka in accordance with the terms of the Paying Agency Agreement, each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability properly incurred by such Agent pursuant to the Paying Agency Agreement or the other Transaction Documents in its capacity as Agent;

(iii) *third*, (to the extent not previously paid) to pay the Issuer in respect of all amounts properly incurred and documented owing to it under the Transaction Documents in its capacity as Issuer;

(iv) *fourth*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(v) *fifth*, only if such payment is made on a Change of Control Redemption Date (which date is not a Dissolution Date), to the Principal Paying Agent for application in or towards payment of the relevant Change of Control Amount;

(vi) *sixth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment of the Dissolution Distribution Amount; and

(vii) *seventh*, only if such payment is made on a Dissolution Date, payment of any residual amount to the Managing Agent as an incentive amount for its performance.

6. COVENANTS

The Issuer covenants that, among other things, for so long as any Certificate is outstanding (as defined in the Representative Agreement), except as contemplated in the Transaction Documents, it shall not:

(i) save in respect of the Outstanding Certificates and New Certificates, incur any indebtedness in respect of borrowed money whatsoever, 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;

(ii) create any Security Interest for any of its present or future indebtedness upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any));

(iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest (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 interests in any of the Sukuk Assets except pursuant to any of the Transaction Documents;

(iv) subject to Condition 17 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents without prior approval of the Representative or of the Certificateholders by way of Extraordinary Resolution;

(v) other than acting for the account and benefit of the Certificateholders as provided in the Representative Agreement, act as agent in respect of any other party save in respect of the Outstanding Certificates and the new Certificates;

(vi) have any subsidiaries or employees;

(vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

(viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(ix) prior to the date which is one year and one day after the date on which all amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than:

(A) as provided for or permitted in the Transaction Documents;

(B) the ownership, management and disposal of the Sukuk Assets as provided in the Transaction Documents;

(C) the service of the Outstanding Certificates or the issuance of New Certificates; and

(D) such other matters which are incidental thereto.

For the purposes of these Conditions:

"**New Certificates**" means lease certificates to be issued by the Issuer from time to time pursuant to the Sukuk Communiqué and ranking *pari passu* with the Certificates, whether represented by a Global Certificate or a Definitive Certificate, in each case, only where Albaraka is the sole obligor; and

"**Outstanding Certificates**" means all other lease certificates issued by the Issuer which are for the time being outstanding on the date of issuance of the Certificates.

7. **PERIODIC DISTRIBUTION PROVISIONS**

(a) **Periodic Distribution Amount**

Subject to Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*) and Condition 8 (*Payment*), the Principal Paying Agent shall distribute to holders of the Certificates, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount. The "Periodic Distribution Amount" payable on each Periodic Distribution Date shall be U.S.$31.25 per U.S.$1,000 in face amount of Certificates. For this purpose, "**Periodic Distribution Date**" means the thirtieth day of June and the thirtieth day of December in each year commencing on 30 December 2014 and, subject to Condition 7(c) (*Periodic Distribution Provisions — Cessation of Accrual*), ending on 30 June 2019.

(b) **Determination of Periodic Distribution Amount**

The Periodic Distribution Amount payable in respect of each Certificate for any Return Accumulation Period shall be an amount equal to the product of: (a) the Profit Rate; (b) the outstanding face amount of the relevant Certificate; and (c) the number of days in such Return Accumulation Period (calculated on the basis of twelve 30-day months) divided by 360 (such amount being the "**Periodic Distribution Amount**"). "**Return Accumulation Period**" means the period from and including 30 June 2014 to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date.

If any Periodic Distribution Amount is required to be calculated for a period other than a Return Accumulation Period, such Periodic Distribution Amount shall be calculated by multiplying: (a) the Profit Rate; (b) the face amount of the relevant Certificate; and (c) the number of days in the relevant period (calculated on the basis of twelve 30-day months) divided by 360 (with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards).

(c) **Cessation of Accrual**

No further amounts will be payable on any Certificate from and including its due date for redemption, unless default is made in payment of the Dissolution Distribution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 7 (*Periodic Distribution Provisions*).

8. **PAYMENT**

(a) **Payments in Respect of Certificates**

Payment of each Periodic Distribution Amount and, subject to Condition 8(c) (*Payment — Payment only on a Payment Business Day*), the relevant Dissolution Distribution Amount will be made to the holder shown on the Register at the close of business on the relevant Record Date and will be made by the relevant Paying Agent in U.S. dollars, by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the Dissolution Distribution Amount will only be made against surrender of the relevant Certificate at the Specified Office of the relevant Paying Agent.

For the purposes of these Conditions:

(i) a Certificateholder's "**registered account**" means an account denominated in U.S. dollars maintained by or on behalf of it 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;

(ii) a Certificateholder's "**registered address**" means its address appearing on the Register at that time; and

(iii) "**Record Date**" means:

(A) in the case of the payment of a Periodic Distribution Amount, the close of business on the Business Day prior to the relevant Periodic Distribution Date; and

(B) in the case of the payment of the Dissolution Distribution Amount, the date falling one Payment Business Day before the Dissolution Date or other due date for the payment of the Dissolution Distribution Amount.

(b) **Payments subject to Applicable Laws**

Payments in respect of Certificates are subject in all cases to any fiscal or other laws, regulations and directives applicable in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*).

(c) **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, for value the first following day which is a Payment Business Day) will be initiated by the relevant Paying Agent, on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the Specified Office of the relevant Paying Agent.

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

If the amount of the Dissolution Distribution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount actually paid.

(d) **Agents**

In acting under the Paying Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Issuer and (to the extent provided in the Representative Agreement and the Paying Agency Agreement) the Representative and do not assume any obligations towards or relationship of agency with any of the Certificateholders or any other party to the Transaction Documents.

The names of the initial Agents and their initial Specified Offices are set out in this Condition 8 (*Payment*). The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents **provided that**: (a) it will at all times maintain a Principal Paying Agent and a Registrar; (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent 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; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any such change or any change of any Specified Office shall be given to the Certificateholders in accordance with Condition 16 (*Notices*) and to the Issuer and the Representative in accordance with the provisions of the Paying Agency Agreement.

The name and specified office of the Principal Paying Agent:

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

The name and specified office of the Registrar and Transfer Agent:

The Bank of New York Mellon (Luxembourg) S.A.
2-3 rue Eugene Ruppèrt
Vertigo Building – Polaris
L-2453 Luxembourg
Luxembourg

9. CAPITAL DISTRIBUTIONS

(a) Redemption on the Scheduled Dissolution Date

Unless the Certificates are previously redeemed or purchased and cancelled, the Issuer will redeem the Certificates on the Scheduled Dissolution Date at the Dissolution Distribution Amount.

(b) Redemption following a Dissolution Event

If, following the occurrence of a Dissolution Event, the Certificates shall become due and payable in accordance with Condition 13 (*Dissolution Events*), the Issuer shall redeem the Certificates at the Dissolution Distribution Amount on the Dissolution Event Redemption Date in accordance with Condition 13 (*Dissolution Events*).

(c) Redemption following a Tax Event

If a Tax Event occurs, where "**Tax Event**" means:

(i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Issuer has received notice from Albaraka or the Managing Agent (as the case may be) that it has or will become obliged to pay additional amounts pursuant to the terms of the Transaction Documents to which it is a party as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date; and (B) such obligation cannot be avoided by Albaraka or the Managing Agent (as the case may be) taking reasonable measures available to it,

then Albaraka may exercise its option granted under the Sale Undertaking and deliver a Sale Undertaking Exercise Notice to the Issuer and the Principal Paying Agent specifying the Tax Redemption Date on which the Certificates shall be redeemed (in whole, but not in part). Pursuant to the Sale Undertaking, the Tax Redemption Date specified in the Sale Undertaking Exercise Notice must be a Periodic Distribution Date and any such Sale Undertaking Exercise Notice must be delivered to the Issuer and the Principal Paying Agent in the prescribed form set out in the Sale Undertaking not less than 45 nor more than 60 Business Days prior to the Tax Redemption Date stated therein.

Upon the service of the Sale Undertaking Exercise Notice to the Issuer, Albaraka shall deliver to the Issuer and the Representative an opinion of independent legal advisers of recognised standing or of independent accountants of recognised standing, to the effect either that such circumstances do exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or application thereof, of any Relevant Jurisdiction, which at the date of such opinion is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant Periodic Distribution Amount or, as the case may be, Dissolution Distribution Amount in respect of the Certificates would otherwise be made, becoming so effective, such circumstances would exist. The delivery of such opinion shall be sufficient to establish that the conditions precedent set out in this Condition 9(c) (*Capital Distributions — Redemption following a Tax Event*) to the right of the Issuer to redeem the Certificates have occurred and the Issuer or the Representative shall be entitled to accept such opinion as sufficient evidence of the satisfaction of such conditions precedent, in which event they shall be conclusive and binding on the Certificateholders.

Following receipt by the Issuer and the Principal Paying Agent of a duly completed Sale Undertaking Exercise Notice from Albaraka in accordance with the Sale Undertaking, the Issuer or the Principal Paying Agent acting on its behalf shall, on giving not less than 30 Business Days' notice to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), redeem the Certificates (in whole, but not in part) on the Tax Redemption Date at their Dissolution Distribution Amount.

Upon the expiry of any such notice period after the publication by or on behalf of the Issuer of such notice to the Certificateholders as are referred to above, the Issuer shall be bound to redeem the Certificates in accordance with this Condition 9(c) (*Capital Distributions — Redemption following a Tax Event*) **provided that** all the amounts due by Albaraka under the Sale Undertaking, the Murabaha Agreement and the Management Agency Agreement are received by the Principal Paying Agent in accordance therewith. Upon such redemption as aforesaid, no further amounts shall be payable in respect of the Certificates and the Issuer shall have no further obligations in respect thereof.

(d) **Redemption at the Option of the Certificateholders (Change of Control Put Option)**

Albaraka has undertaken in the Representative Agreement to promptly notify the Issuer and the Representative in writing upon the occurrence of a Change of Control and to provide details in respect thereof. The Issuer, upon receipt of such a notice from Albaraka or otherwise upon becoming aware of the occurrence of a Change of Control, shall promptly give notice (a "**Change of Control Notice**") of the occurrence of a Change of Control to the Certificateholders in accordance with Condition 16 (*Notices*).

A Change of Control Notice shall provide a description of the Change of Control and shall require Certificateholders, if so they wish, to elect within 60 Business Days (the "**Change of Control Put Option Period**") of the date of the Change of Control Notice to have all or any of their Certificates redeemed on the Change of Control Redemption Date (the "**Change of Control Put Option**").

To elect to redeem all or any of its Certificates in accordance with this Condition 9(d) (*Capital Distributions — Redemption at the Option of the Certificateholders (Change of Control Put Option)*), a Certificateholder must:

1. if such Certificates are in definitive form or are held outside Euroclear and Clearstream, Luxembourg, on any day which is a business day in the city of the Specified Office of the Registrar or the Transfer Agent falling within the Change of Control Put Option Period, deposit its Certificate(s) with the Registrar or Transfer Agent at its Specified Office, together with a duly completed change of control put option notice ("**Change of Control Put Option Notice**") in the form obtainable from the relevant Paying Agent, Registrar or Transfer Agent (as applicable); or

2. if Certificates are held through Euroclear or Clearstream, Luxembourg, within the Change of Control Put Option Period, give notice to a Paying Agent of its intention to exercise its right to require the redemption of its

Certificates in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to a Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if its Certificates are represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to a Paying Agent for notation or entry in the Register accordingly.

No Certificate so deposited and notice so given may be withdrawn (except as otherwise provided in the Paying Agency Agreement) without the prior consent of the Issuer.

The Issuer (or the Principal Paying Agent acting on its behalf) shall serve on Albaraka, pursuant to the terms of the Purchase Undertaking, on the last day of the Change of Control Put Option Period:

(i) in the event that less than one hundred per cent. (100%) of the Certificateholders have exercised the Change of Control Put Option, a Change of Control Exercise Notice; or

(ii) in the event that one hundred per cent. (100%) of the Certificateholders have exercised the Change of Control Put Option, a Purchase Undertaking Exercise Notice.

On the Change of Control Redemption Date, the Issuer shall redeem the Change of Control Redemption Certificates at the Change of Control Amount.

(e) **Redemption at the option of the Issuer (Call Option)**

In the event that Certificates representing seventy five per cent. (75%) or more of the original aggregate outstanding face amount of the Certificates have been redeemed pursuant to Condition 9(d) (*Capital Distributions — Redemption at the Option of the Certificateholders (Change of Control Put Option)*) and/or purchased and cancelled pursuant to Condition 12 (*Purchase and Cancellation of Certificates*), the Issuer may give notice to the remaining Certificateholders in accordance with Condition 16 (*Notices*), that the remaining Certificates will be redeemed (in whole, but not in part) at their Dissolution Distribution Amount (the "**Call Option**"), following which the remaining outstanding Certificates shall be so redeemed, provided however that no such notice of redemption shall be given unless the Issuer has received a Sale Undertaking Exercise Notice from Albaraka under the Sale Undertaking and provided that all the amounts due by Albaraka under the Sale Undertaking, the Murabaha Agreement and the Management Agency Agreement are received by the Principal Paying Agent in accordance therewith. Upon such redemption as aforesaid, no further amounts shall be payable in respect of the Certificates and the Issuer shall have no further obligations in respect thereof.

(f) **No other Redemption or Capital Distributions**

The Issuer shall not be entitled to redeem the Certificates, and the Certificateholders shall not be entitled to receive capital distributions, otherwise than as provided in this Condition 9 (*Capital Distributions*).

(g) **Cancellations**

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold by the Issuer.

10. TAXATION

All payments in respect of the Certificates by the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed or 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 Issuer will pay such additional amounts as shall be necessary in order that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate presented for payment (where presentation is required):

(i) by or on behalf of a holder who 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

(ii) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union; or

(iv) more than 30 Business 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 the last day of the period of 30 Business Days.

The Initial Asset Portfolio Sale and Purchase Agreement, the Murabaha Agreement and the Purchase Undertaking provide that Albaraka shall bear all applicable taxes in connection with or incidental to the execution, delivery, filing, recording, registration, performance, amendment, release, discharge, enforcement or otherwise of the Initial Asset Portfolio Sale and Purchase Agreement, Murabaha Agreement, Purchase Undertaking and any Sale Agreement.

In the event that the Issuer fails to gross up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, Albaraka has, pursuant to the Representative Agreement, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Issuer (for the benefit of the Certificateholders) an amount equal to the liabilities of the Issuer in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to this Condition 10 (Taxation) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

11. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of ten (10) years (in the case of the Dissolution Distribution Amount) and five (5) years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof. None of the Issuer, the Agents or the Representative shall be responsible or liable for any amounts so prescribed.

12. PURCHASE AND CANCELLATION OF CERTIFICATES

(a) Purchases

Albaraka may at any time purchase Certificates at any price in the open market or otherwise.

(b) Cancellation of Certificates held by Albaraka

If Albaraka wishes to cancel any Certificates purchased by it pursuant to Condition 12(a) (*Purchase and Cancellation of Certificates — Purchases*) (the "**Redemption Certificates**"), Albaraka may, in accordance with the terms of the Redemption Undertaking, deliver a Redemption and Cancellation Notice to the Issuer and require the

Issuer to purchase the Redemption Certificates from Albaraka and cancel them on the date specified in such Redemption and Cancellation Notice (the "**Redemption and Cancellation Date**"). Pursuant to the Redemption Undertaking, the Redemption and Cancellation Date must be a Periodic Distribution Date and any such Redemption and Cancellation Notice must be delivered to the Issuer and the Principal Paying Agent in the prescribed form set out in the Redemption Undertaking not less than 5 nor more than 30 Business Days prior to the date stated therein.

Following the purchase and cancellation of the Redemption Certificates, Albaraka and the Issuer shall: (i) enter into one or more Redemption Sale Agreements to purchase and sell, respectively, the Issuer's interests, rights, benefits and entitlements in, to and under the relevant assets specified by Albaraka (the "**Redemption and Cancellation Assets**"), in which case the redemption and cancellation of the relevant proportion of the Redemption Certificates shall be the consideration for those Redemption and Cancellation Assets; and (ii) subject to the terms of the Redemption Undertaking, pay the Redemption Amount, in which case the redemption and cancellation of the remaining proportion of the Redemption Certificates shall be the consideration for such payment. Albaraka may select, in its sole and absolute discretion the Redemption and Cancellation Assets, **provided that** following the sale of any Redemption and Cancellation Assets to Albaraka:

(i) the Outstanding Principal Value of the Redemption and Cancellation Assets immediately prior to the redemption and cancellation of the Redemption Certificates is equal to the Redemption and Cancellation Asset Value; and

(ii) on the relevant Redemption and Cancellation Date, immediately following the redemption and cancellation of the relevant Redemption Certificates, the transfer of the Redemption and Cancellation Assets and the payment of the Redemption Amount in accordance with the terms of the Redemption Undertaking and the other Transaction Documents, the aggregate of:

(A) the Outstanding Principal Value of the remaining Portfolio Assets;

(B) the amount standing to the credit of the Principal Collection Account (if any) as reduced pursuant to the Management Agency Agreement;

(C) the remaining principal amount invested in the remaining Shari'a Compliant Investments (if any); and

(D) the outstanding Deferred Principal Amount under the Murabaha Contract, will be equal to the outstanding face amount of the Certificates then outstanding.

(c) **Cancellations**

All Certificates which have been purchased by Albaraka and cancelled pursuant to Condition 12(b) (*Purchase and Cancellation of Certificates — Cancellation of Certificates held by Albaraka)* may not be held, reissued or resold by the Issuer.

13. **DISSOLUTION EVENTS**

If (in the sole opinion of the Representative) any of the following events (each a "**Dissolution Event**") occurs and is continuing:

(a) default is made by the Issuer in the payment of the Dissolution Distribution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Distribution Amount, such default continues unremedied for a period of seven (7) Business Days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of fourteen (14) Business Days; or

(b) the Issuer defaults in the performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents to which it is a party and such default (in the opinion of the Representative) is not capable of remedy or (if capable of remedy (in the opinion of the Representative)) is not remedied within thirty (30) Business Days after written notice of such default shall have been given to the Issuer by the Representative, **provided that** the Representative shall have certified in writing to Albaraka that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates; or

(c) a Albaraka Event occurs; or

(d) the Issuer repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or

(e) at any time it is or will become unlawful or impossible for the Issuer (otherwise than as a result of its insolvency) to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Issuer under the Transaction Documents are not or cease to be legal, valid, binding and enforceable, **provided that** the Representative shall have certified in writing to Albaraka that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates; or

(f) either: (a) the Issuer becomes insolvent or is unable to pay its debts as they fall due; (b) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made); (c) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (d) the Issuer ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of, or pursuant to an amalgamation or restructuring whilst solvent approved by Extraordinary Resolution of the Certificateholders); or

(g) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or

(h) any event occurs which under the laws of the Republic of Turkey has an analogous effect to any of the events referred to in paragraph (f) and (g) above,

the Representative shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), give notice in writing of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 16 (*Notices*) with a request to such holders to indicate if they wish the Certificates to be redeemed.

If so requested in writing by the holders of at least 25 per cent., of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (a "**Dissolution Request**") the Representative shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer and Albaraka of the Dissolution Request (the "**Dissolution Event Notice**"), specifying the date on which the Certificates shall be redeemed (which shall be a date at least 1 Business Day after the date on which the Dissolution Request is delivered to the Representative, such date being the "**Dissolution Event Redemption Date**") and, upon receipt of such notice: (i) the Issuer shall exercise its rights under the Purchase Undertaking; and (ii) the Certificates shall become immediately due and payable at the Dissolution Distribution Amount.

For the purposes of this Condition 13 (*Dissolution Events*), a "**Albaraka Event**" will occur if one or more of the following events occurs:

(i) ***Non-payment***: Albaraka does not pay on the due date any amount payable pursuant to a Transaction Document and such default continues unremedied for a period of seven (7) days, in the case of any such amounts payable for the payment of the Dissolution Distribution Amount under the Certificates and fourteen (14) days in the case of any such amounts payable for the payment of any Periodic Distribution Amount under the Certificates unless such failure to pay is caused by administrative or technical error; or

(ii) ***Breach of other obligations***: Albaraka defaults in the performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents (other than: (i) the obligation set out in paragraph (iii) below; the obligation set out in clause 4.1.5 of the Management Agency Agreement; and the obligations set out in clause 4.2 of the Management Agency Agreement), to which it is a party which default is incapable of remedy or, if in the opinion of the Representative capable of remedy, is not in the opinion of the Representative remedied within 30 Business Days of the Representative giving notice to Albaraka requiring such default to be remedied; or

(iii) ***Cross default***: (i) any Financial Indebtedness of Albaraka is not paid when due or, as the case may be, within any originally applicable grace period; or (ii) any Financial Indebtedness of Albaraka becomes due and payable prior to its stated maturity by reason of any non-payment event of default (howsoever described) or other event of default (howsoever described); or (iii) Albaraka fails to pay when due any amount payable by it under any guarantee of any Financial Indebtedness, **provided that** the amount of the relevant Financial Indebtedness referred to in subparagraph and/or (ii) above and/or the Financial Indebtedness guaranteed by the Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$10,000,000 (or its equivalent in any other currency or currencies); or

(iv) ***Insolvency***: (i) Albaraka is unable or admits inability to pay its debts as they fall due, suspends making payments on all or a substantial part of its debts or calls a meeting with one or more of its creditors to consider a proposal for rescheduling all or a substantial part of its indebtedness; (ii) the value of the assets of Albaraka is less than its liabilities (taking into account contingent and prospective liabilities); or (iii) a moratorium is declared in respect of any indebtedness of Albaraka; or

(v) ***Insolvency proceedings***: any corporate action, legal proceedings or other procedure or step is taken in relation to:

(A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise), concordat or bankruptcy of Albaraka;

(B) a composition, compromise, assignment or arrangement with any creditor of Albaraka;

(C) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of Albaraka or any of its assets; or

(D) enforcement of any Security over any assets of Albaraka (where the aggregate value of such assets is in excess of U.S.$10,000,000 or its equivalent in another currency or currencies), or

(E) any analogous procedure or step is taken in any jurisdiction; or

(vi) ***Unlawfulness***: it is or becomes unlawful for Albaraka to perform any of its obligations under the Transaction Documents; or

(vii) ***Repudiation***: Albaraka repudiates a Transaction Document or declares an intention to repudiate a Transaction Document; or

(viii) ***Creditors' process***: any process of expropriation, attachment, sequestration, distress or execution is taken in respect of any asset or assets of Albaraka if the aggregated value of such asset or assets is in excess of U.S.$10,000,000 (or its equivalent in another currency or currencies) and is not, if contested in good faith by Albaraka, discharged or dismissed within 30 days of any of the same affecting such asset or assets; or

(ix) ***Winding-up***: an order is made or an effective resolution passed for the winding-up or dissolution of Albaraka, or Albaraka ceases or threatens to cease to carry on all or substantially all of its business or operations, or enters into any amalgamation, demerger or merger, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or demerger or consolidation on terms approved by an Extraordinary Resolution of the Certificateholders; or

(x) ***Banking Licence***: the banking licence of Albaraka is revoked, suspended or withdrawn; or

(xi) ***Failure to pay final judgments***: Albaraka fails to comply with or pay any sum due from it under any final judgment or any final order made or given by a court or arbitral forum of competent jurisdiction; or

(xii) ***Authorisation and consents***: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order to enable Albaraka lawfully to exercise its rights and perform and comply with its obligations is under or in respect to the Transaction Documents is not taken, fulfilled or done; or

(xiii) ***Nationalisation and expropriation***: all or substantially all of the undertaking or assets of Albaraka are expropriated, nationalised, compulsorily acquired or taken into public ownership or Albaraka ceases to be able or entitled to exercise its rights of control or ownership of the same.

14. ENFORCEMENT AND EXERCISE OF RIGHTS

14.1 Upon the occurrence of a Dissolution Event, to the extent that the Dissolution Distribution Amount payable in respect of the Certificates has not been paid in full, the Issuer (or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Representative shall (acting pursuant to the Representative Agreement on behalf of the Certificateholders)) take one or more of the following steps:

(a) enforce the provisions of the Purchase Undertaking against Albaraka; and/or

(b) enforce the provisions of the Management Agency Agreement against Albaraka in its capacity as Managing Agent; and/or

(c) enforce the provisions of the Murabaha Agreement against Albaraka in its capacity as Purchaser; and/or

(d) take such other steps as the Issuer or the Representative (acting pursuant to the Representative Agreement on behalf of the Certificateholder) may consider necessary to exercise all of the rights of the Issuer or the Representative under the Purchase Undertaking, the Management Agency Agreement and any of the other Transaction Documents and make such distributions from the Sukuk Assets as the Issuer is bound to make in accordance with the Sukuk Communiqué and the Representative Agreement.

14.2 Following the enforcement and ultimate distribution of the net proceeds of the Lease Certificate Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Representative Agreement, neither the Issuer nor the Representative shall be liable for any amounts which remain unpaid under the Certificates and, accordingly, Certificateholders may not take any action against the Issuer, the Representative or any other person to recover any such sum or asset in respect of the relevant Certificates or Lease Certificate Assets.

14.3 The Representative shall not be bound in any circumstances to take any action to enforce the Lease Certificate Assets or take any action against the Issuer or Albaraka under any Transaction Document to which either of the Issuer or Albaraka (as applicable) is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction by the Certificateholders against all Liabilities which it may thereby render itself liable to incur for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

14.4 No Certificateholder shall be entitled to proceed directly against the Issuer or Albaraka unless: (a) the Representative, having become bound so to proceed, fails to do so within thirty (30) Business Days of becoming so bound and such failure is continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Issuer or Albaraka, as the case may be) holds at least 25 per cent. of the then outstanding aggregate face amount of the Certificates.

14.5 Notwithstanding any provision contained in any Transaction Document, under no circumstances shall the Issuer, the Representative or any Certificateholder have any right to cause the sale or other disposition of any of the Lease Certificate Assets other than to Albaraka or its designee in accordance with the Purchase Undertaking and the sole right of the Representative and the Certificateholders against the Issuer or of the Issuer and the Representative against Albaraka shall be to enforce their respective obligations under the Transaction Documents.

14.6 The foregoing paragraphs in this Condition 14 (*Enforcement and Exercise of Rights*) are subject to this paragraph. After enforcing the Lease Certificate Assets and distributing the net proceeds of the Lease Certificate Assets in accordance with Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*), the obligations of the Issuer in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Issuer (or any steps against the Representative) to recover any further sums in respect of the Certificates and the right to receive any such sums 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 Issuer.

15. REPLACEMENT OF CERTIFICATES

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and/or the relevant Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence, security and indemnity as the Issuer, the Representative and the Registrar and/or the relevant Paying Agent may reasonably require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

16. **NOTICES**

Save as provided in this Condition 16 (*Notices*) notices to the Certificateholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (being a day other than Saturday or Sunday) after the date of mailing.

Until such time as any Definitive Certificates are issued, so long as the Global Certificate representing the Certificates is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such mailing(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Certificates. In such case, any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

The Issuer shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any stock exchange on which the Certificates are for the time being listed. In such case, any notice shall be deemed to have been given on the fourth day (being a day other than Saturday or Sunday) after being so mailed.

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

17. **MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

(a) The Representative Agreement contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Representative Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Representative and shall be convened by the Issuer upon the request in writing of Certificateholders holding not less than one tenth of the then aggregate face amount of the Certificates outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more Certificateholders, proxies or representatives holding or representing in the aggregate more than half of the then outstanding aggregate face amount of the Certificates or at any adjourned such meeting one or more Certificateholders, proxies or representatives, representing in the aggregate more than one quarter of the then outstanding aggregate face amount of the Certificates **provided however that** any meeting the business of which includes a Reserved Matter, the quorum shall be one or more Certificateholders, proxies or representatives holding or representing in the aggregate not less than three quarters of the then aggregate outstanding face amount of the Certificate or at any adjourned such meeting one or more Certificateholders, proxies or representatives holding or representing not less than one quarter of the then aggregate outstanding face amount of the Certificates. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three quarters of the votes cast on such poll and, if duly passed, will be binding on all Certificateholders, whether or not they are present at the meeting and whether or not voting.

(b) The Representative Agreement provides that a resolution in writing signed by or on behalf of all the holders of the Certificates then outstanding who for the time being are entitled to receive notice of a meeting in accordance with Schedule 4 (*Provisions for Meetings of Certificateholders*) of the Representative Agreement shall be valid and shall take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

(c) The Representative Agreement, the Conditions, any other Transaction Document and the Issuer's memorandum and articles of association may only be amended by the Issuer with the consent of the Representative (except in the case of amendments to the Issuer's articles of association which may be required by applicable law), and the Representative may agree, without the consent or sanction of the Certificateholders, to any modification of any of the Representative Agreement, the Conditions, any other Transaction Document or the Issuer's memorandum and articles of association if, in the opinion of the Representative: (i) such modification is of a formal, minor or technical nature; (ii) such modification is made to correct a manifest error; (iii) such modification is not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter or any provisions of the Representative Agreement referred to in the definition of a Reserved Matter; or (iv) such modification is required to effect cancellation of Certificates in accordance with Condition 12 (*Purchase and Cancellation of Certificates*). Any such modification may be made on such terms and subject to such conditions (if any) as the Representative may determine, shall be binding on the Certificateholders and, unless the Representative otherwise decides, shall be notified by the Issuer to the Certificateholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

(d) The Representative may at any time in its sole discretion, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach from time to time and at any time: (i) give its consent under the Conditions or any other Transaction Document and agree to waive or to authorise any breach or proposed breach of any provision of the Representative Agreement, the Conditions or any other Transaction Document; or (ii) determine that any Dissolution Event shall not be treated as such, **provided that**: (A) in the opinion of the Representative, such consent, waiver, authorisation or determination is not materially prejudicial to the interests of the outstanding Certificateholders; and (B) the Representative will not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 13 (*Dissolution Events*). No such direction or request will affect a previous consent, waiver, authorisation or determination or authorise or waive any proposed breach or breach relating to a Reserved Matter unless the Certificateholders have by Extraordinary Resolution so authorised its exercise. Any such consent, waiver, authorisation or determination shall be binding on the Certificateholders and, unless the Representative otherwise requires, shall be notified by the Issuer to the Certificateholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

(e) In connection with the exercise by it of any of its powers, trusts, authorities and discretions under the Representative Agreement (including, without limitation, any modification, waiver, authorisation or consent), the Representative shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from them 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 or taxing jurisdiction and the Representative shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Issuer, the Representative, Albaraka or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Issuer and Albaraka, to the extent already provided for in Condition 10 (*Taxation*)).

18. INDEMNIFICATION AND LIABILITY OF THE ISSUER AND THE REPRESENTATIVE

The Representative Agreement contains provisions for the indemnification of the Representative in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Lease Certificate Assets or any other right it may have pursuant to the Representative Agreement, the Representative shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 13 (*Dissolution Events*) or Condition 14 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Representative makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer or Albaraka under the Transaction Documents to which each of them is a party 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 Albaraka but are not so paid and shall not in any circumstances have any Liability arising from the Sukuk Assets other than as expressly provided in these Conditions or in the Representative Agreement.

The Representative may rely, without any liability to the Certificateholders on any information (including valuations) and a report, confirmation, certificate or any advice of any lawyers, accountants, financial advisers, financial institution, bankers, brokers, auditors, insolvency officials or any other expert (whether or not addressed to the Representative and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Representative or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise) in accordance with or for the purposes of the Representative Agreement or the other relevant Transaction Documents. The Representative may accept and shall be entitled to rely on any such report, opinion, information, confirmation or certificate or advice as sufficient evidence of the facts stated therein and such report, opinion, information, confirmation, certificate or advice shall be binding on the Issuer, the Representative and the Certificateholders. The Representative shall not be bound in any such case to call for further evidence or be responsible for any Liability or inconvenience that may be occasioned by its failure to do so.

Each of the Issuer and the Representative is exempted from: (a) any Liability in respect of any loss or theft of the Lease Certificate Assets or any cash (as applicable); (b) any obligation to monitor or insure the Lease Certificate Assets (other than, with respect to the Issuer, in accordance with the Transaction Documents) or any cash; and (c) any claim arising from the fact that the Lease Certificate Assets or any cash are held by or on behalf of the Issuer or on deposit or in an account with any depositary or account bank or clearing system or are registered in the name of the Issuer or its nominee, unless such loss or theft or claim arises as a result of gross negligence, wilful default or fraud by the Issuer or the Representative, as the case may be.

Nothing shall, in any case where the Representative has failed to show the degree of care and diligence required of it (having regard to the powers, authorities and discretions conferred on it by the Representative Agreement), exempt the Representative from or indemnify itself against any Liability for gross negligence, wilful default or fraud of which it may be guilty in relation to its duties under the Representative Agreement.

Each of the Issuer and the Representative shall be subject to such duties and only such duties as are specifically set forth in the Transaction Documents to which each of them is a party, **provided that**, in the case of the Representative, it is only subject to such duties with which it expressly agrees to comply as Representative and no duties of the Issuer (in its capacity as Issuer) shall be imposed on the Representative by virtue of its appointment pursuant to the Representative Agreement and no implied duties, covenants, undertakings or obligations shall be read into these Conditions against the Issuer or the Representative.

19. 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, except and to the extent that these Conditions expressly provide for such Act to apply to any of its terms, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW

(a) Governing Law

The Certificates (including these Conditions), the Representative Agreement, the Paying Agency Agreement and any non-contractual obligations arising out of or in connection therewith (including the remaining provisions of this Condition 20 (*Governing Law*)) are and shall be governed by, and construed in accordance with, English law.

(b) Jurisdiction

The courts of England have exclusive jurisdiction to settle a dispute, controversy or claim arising from or connected with the Certificates (including these Conditions), the Representative Agreement and the Paying Agency Agreement and any non-contractual obligations arising out of or in connection therewith (a "**Dispute**").

The Issuer and Albaraka have, in the Representative Agreement, agreed for the benefit of the Representative and the Certificateholders that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, it will not argue to the contrary.

Pursuant to the Representative Agreement, the Representative may take proceedings relating to a Dispute in any other courts with jurisdiction, and to the extent allowed by law, the Representative may take concurrent proceedings in any number of jurisdictions.

(c) Process agent

The Issuer agrees that the documents which start any proceedings and any other documents required to be served in relation to those proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain 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 Issuer, the Issuer shall appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Representative shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent. Nothing in this Condition 20 (*Governing Law*) shall affect the right of any party to serve process in any other manner permitted by law. This Condition 20 (*Governing Law*) applies to proceedings in England.

GLOBAL CERTIFICATE

The Certificates will be in registered form. Certificates will be issued outside the United States in reliance on Regulation S under the Securities Act.

Global Certificates

Certificates will initially be represented by a global certificate in registered form (a "**Global Certificate**"). Global Certificates will be deposited with a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depositary. Persons holding interests in Global Certificates 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 any Certificate is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificate (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificate standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such Certificate for all purposes other than with respect to any payment on such face amount of such Certificate, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Representative and their respective agents as the holder of such face amount of such Certificate in accordance with and subject to the terms of the Global Certificate and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly.

Payments

Payments of any amount in respect of the Global Certificates will, in the absence of provision to the contrary, be made to the person shown in the Register as the registered Holder of the Certificates represented by a Global Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where the "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business. None of the Issuer, the Representative, Albaraka, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such interests.

Payment of any amounts in respect of Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 1 (*Interpretation*)) immediately preceding the due date for payment in the manner provided in that Condition.

Exchange for definitives

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates upon the occurrence of an Exchange Event (as defined below). The Issuer will promptly give notice to Certificateholders in accordance with Condition 16 (*Notices*) if an Exchange Event occurs. For these purposes, an "**Exchange Event**" will occur if: (a) the Issuer or the Representative has been notified that both Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) any of the circumstances described in Condition 13 (*Dissolution Events*) occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any other person acting on their behalf, as the case may be, (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Registrar requesting exchange. In such circumstances, the

Global Certificate shall be exchanged for Definitive Certificates and the Issuer will cause sufficient Definitive Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders.

USE OF PROCEEDS

The issuance proceeds will be applied by the Issuer in the following manner:

(i) no less fifty one per cent. (51%) of the proceeds will be used to purchase the Initial Asset Portfolio from Albaraka pursuant to the Initial Asset Portfolio Sale and Purchase Agreement; and

(ii) no more than forty nine per cent. (49%) will be used to purchase Commodities from the Supplier, which will be subsequently sold to Albaraka pursuant to the Murabaha Contract entered into pursuant to the Murabaha Agreement.

DESCRIPTION OF THE ISSUER

Bereket Varlık Kiralama A.Ş. (the "**Issuer**") was incorporated in Turkey on 14 October 2011. The Issuer was incorporated under the laws of Turkey as an asset lease company in the form of a joint stock company and with limited liability. Its trade registration number is 793670.

The Issuer's registered office and principal place of business is at Saray Mh. Dr. Adnan Büyükdeniz Cd. No: 6, 34768 Ümraniye, Istanbul, Republic of Turkey. The Issuer's telephone number is +90 216 666 1626. The articles of association of the Issuer may be inspected at the registered office of the Issuer.

Albaraka holds the Issuer's issued share capital. The Issuer has no subsidiaries. The ownership structure of the Issuer is as follows:

Shareholder	**Percentage of Shares**	**Nominal Value of Shares in TL**
Albaraka Türk Katilim Bankası A.Ş.	100%	50,000
Total	**100%**	**50,000**

Business of the Issuer and Principal Activities

The Sukuk Communiqué permits, amongst other things, asset leasing companies (such as the Issuer) to make multiple issuances of lease certificates. The Issuer's articles of association were amended accordingly on 9 December 2013 to ensure compliance with the Sukuk Communiqué.

The Issuer has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the issue of the Certificates and any other certificates it may issue in the future in accordance with the Sukuk Communiqué. The Issuer has not produced financial statements.

The Issuer's ongoing activities will principally be the issue of lease certificates (including the Certificates), the execution and performance of the Transaction Documents, the execution and performance of all documents relating thereto to which it is expressed to be a party, the exercise of related rights and powers and other activities reasonably incidental thereto.

Directors

The Directors of the Issuer and their respective nationalities business addresses and occupation are:

Name	**Nationality**	**Business Address**	**Occupation**
Ayhan Keser	Turkish	Saray Mh. Dr. Adnan Büyükdeniz Cd. No: 6 34768 Ümraniye, Istanbul, Turkey	Assistant General Manager of Albaraka Katılım Bankası A.Ş. – Retail Products, Financial Institutions, Alternative Dispute Channels and Retail Marketing Departments
Mustafa Cetin	Turkish	Saray Mh. Dr. Adnan Büyükdeniz Cd. No: 6 34768 Ümraniye, Istanbul, Turkey	Manager of Albaraka Katılım Bankası A.Ş. – Financial Institutions Department and Investor Relations Department
Idris Turan Ilter	Turkish	Saray Mh. Dr. Adnan Büyükdeniz Cd. No: 6 34768 Ümraniye, Istanbul, Turkey	Independent member of the Board of Directors of Bereket Varlık Kiralama A.Ş.

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

Share Capital

The issued and fully paid share capital of the Issuer as at the date of this Prospectus is TL 50,000, comprising 50,000 shares of TL 1 each.

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 Bank's total assets, funds collected and shareholders' equity as at 31 December 2011, 31 December 2012 and 31 December 2013, and as at 31 March 2013 and 31 March 2014 were as follows:

	As at 31 March		As at 31 December		
	2014	2013	2013	2012	2011
	(TL millions)				
Total assets	17,808.8	13,383.2	17,216.1	12,327.7	10,460.9
Funds collected	12,641.8	10,096.2	12,526.2	9,225.0	8,044.7
Shareholders' equity	1,530.2	1,271.5	1,496.8	1,218.3	1,004.2

The three principal business segments through which the Bank conducts its operations are Retail Banking, Commercial and Corporate Banking and Treasury.

As at 31 March 2014, the Bank has 169 branches and 187 automatic telling machines ("**ATMs**"). As at 31 December 2013, the Bank had 167 branches and 185 ATMs across Turkey as compared to 137 branches and 147 ATMs as at 31 December 2012 and 123 branches and 134 ATMs as at 31 December 2011.

The Bank made a net profit of TL 241.0 million for the year ended 31 December 2013 as compared to a net profit of TL 191.8 million for the year ended 31 December 2012, and the Bank made a net profit of TL 61.0 million for the quarter ended 31 March 2014 as compared to a net profit of TL 53.7 million for the quarter ended 31 March 2013.

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, by a decision numbered 36729 the Turkish Central Bank 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 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 which resulted in the liquidation of a number of banks (including the interest-free bank İhlas Finans in 2001), the Bank increased its focus on the retail segment and between 2002 and 2008 expanded its branch network more than fourfold from 24 to 100 branches in 2008.

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 subsequently 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 Istanbul Stock Exchange and, in 2009, the Bank completed its first internationally syndicated financing (Murabaha), raising the equivalent of:

- USD 240 million in one year Euro and U.S. Dollar funds in the year 2010;
- USD 350 million in one year Euro and U.S. Dollar funds in the year 2011;

- USD 450 million in one year Euro and U.S. Dollar funds in the year 2012; and
- USD 430 million in one year and two year tranch Euro and U.S. Dollar funds in the year 2013.

In addition, the Bank issued a debut Sukuk (Murabaha) in the international debt capital markets on 7 May 2013 and a successful USD 200 million 10 year Non-Call 5 Subordinated Tier II Sukuk due May 2023.

SHAREHOLDERS

The Bank's fully paid share capital is TL 900 million, which consists of 900 million shares with a nominal value of TL1.00 each. As at 31 March 2014, 66.1 per cent. of the Bank's shares were held by international shareholders, 10.8 per cent. by domestic shareholders and the remaining 23.08 per cent. were publicly traded on the Borsa Istanbul. The Bank's shareholder structure as at 31 March 2014 was as follows:

Shareholder name	Number of shares	% of shares held
Foreign shareholders	**594.902.934**	**66.10**
AlBaraka Banking Group[(1)]	486.523.266	54.06
Islamic Development Bank	70.573.779	7.84
Alharthy Family	31.106.364	3.46
Other	6.699.525	0.74
Local shareholders	**97.344.190**	**10.82**
Publicly-held	**207.752.876**	**23.08**
Total	**900,000,000**	**100.00**

Note:
(1) The AlBaraka Banking Groups' total share in the Bank amounted to 54.06 per cent. as at 31 March 2014 and 23.08 per cent. of the shares are publicly traded and quoted on the Borsa Istanbul. Through his ownership of shares in AlBaraka Banking Group, Saleh Abdullah M. Kamel, Chairman of AlBaraka Banking Group, indirectly controls a 54.06 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 at 31 March 2014.

The AlBaraka Banking Group ("**ABG**"), which employs more than 9,891 people, operates through 479 branches and supplies retail, corporate and investment banking products and services within the framework of the principles of interest-free banking. The ABG serves customers in 15 countries on three continents through 12 banks and three representative offices. In addition to Turkey, the ABG 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 March 2014, the ABG's total assets were U.S.$21.2 billion with shareholders' equity of approximately U.S.$1.98 billion. The ABG'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 AlBaraka Banking Group by assets. However, the Bank has its own set of independent policies which are based on local market conditions.

STRATEGY

The Bank's strategy is to continue expanding its business, both domestically and internationally. The Bank's expansion strategy is expected to be implemented through:

- the expansion of its domestic branch network with a target of reaching 340 domestic branches by the end of 2018 and a corresponding increase in its focus on consumer banking with the aim of achieving a loan portfolio breakdown where loans to consumers make up 13.4 per cent. of the loans granted as at 31 December 2013 as compared to 12.4 per cent. at 31 December 2012;
- a focus on small and medium-sized enterprise ("**SMEs**") and corporate entities with the aim of achieving a loan portfolio breakdown where loans to SMEs and corporate entities make up 40 per cent. each of the loans granted as of the end of 2017, with less emphasis on loans to retail consumers with the aim of achieving a loan portfolio where these loans make up 20 per cent. of the loans granted by the end of 2018;

- an increased 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 the ABG within those jurisdictions where the ABG has a presence;

- in order to support its expansion strategy, the Bank also intends to enhance both its information technology ("**IT**") and human resource ("**HR**") functions so that they remain able to support the Bank's expanded operations efficiently; on the HR side, a performance management system (both for sales personnel and other general management and branch employees) was designed in 2013 and will be implemented by the end of 2014 and the Bank has progressed a new core banking system project which it is planned to complete and operate by early 2015;

- the expansion of its overseas network by establishing branches and acquiring or establishing subsidiaries in countries outside Turkey. The Bank currently focuses on the Middle East, North Africa, the Balkans and the Commonwealth of Independent States regions, being regions where the Bank believes that there is strong potential for 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 49 banks operating in Turkey, including 4 participation banks and five branches of foreign banks established and licensed outside Turkey. 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 three other participation banks in Turkey (Kuveyt Türk Katilim Bankasi A.Ş., Türkiye Finans Katılım Bankası A.Ş. and Asya Katılım Bankası A.Ş.), the Bank also faces competition from conventional Turkish banks and from foreign banks operating in Turkey. The principal areas where 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.

As at 31 March 2014, 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 18.6 per cent., 21.4 per cent. and 18.5 per cent., respectively. In relation to the Turkish banking industry as a whole, during the same period the Bank's market share (based on publicly available balance sheet information) in respect of total assets, collected funds and funded credits was 1.0 per cent., 1.3 per cent. and 1.1 per cent., respectively. As at 31 December 2013, 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 17.9 per cent., 20.3 per cent. and 17.7 per cent., respectively. In relation to the Turkish banking industry as a whole, during the same period the Bank's market share (based on publicly available balance sheet information) in respect of total assets, collected funds and funded credits was 1.0 per cent., 1.3 per cent. and 1.1 per cent., respectively.

It is expected that competition from other banks, both conventional and 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. The Turkish government's main intention was to increase the market share of participation banking which is currently 5.3 per cent. in terms of asset size, 5.9 per cent. in terms of total credits and 6.1 per cent. in terms of deposits. The new public participation banks may have a positive impact on the market share of participation banks in the Turkish banking sector and human resources of the participation banking sector, but they may also have a negative impact on the Bank in that they will increase competition.

Despite the relatively high level of competition in the Turkish banking sector, the Bank expects the continued 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 part of ABG and therefore benefits from the synergies between the group's members. ABG has established guidelines under which each member enters into transactions with the corresponding member. For example, consumers' businesses conducted in North Africa would need to be channelled by the relevant ABG member to the Bank.

BUSINESS

The Bank's three principal business segments are Retail Banking, Commercial and Corporate Banking and Treasury.

Retail Banking

Overview

The table below sets out certain financial information relating to the Retail Banking segment as at and for each of the years ended 31 December 2013 and 31 December 2012 and as at and for each of the three month periods ended 31 March 2014 and 31 March 2013.

	As at and for the three month period ended 31 March		As at and for the year ended 31 December	
	2014	2013	2013	2012
	(TL millions)			
Total assets	1,425.4	1,050.2	1,383.6	1,037.9
Total liabilities	8,923.0	6,540.1	8,358.9	6,128.4
Net profit for the period	(75.9)	(49.6)	(194.8)	(223.1)

Note:
The Bank classifies as retail assets and retail liabilities the funds which it applies to, and receives from, retail customers, respectively. Accordingly, the Bank generally records losses in its retail segment as the retail business is principally a deposit taking business.

Within the retail 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. The Bank currently provides its retail banking services to over 792,753 customers through a network of 169 branches and 185 ATMs in Turkey and 1 branch in Erbil, Northern Iraq, as well as through its alternative delivery channels.

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, to enhance cross selling opportunities and to encourage customers to make greater use of its more cost-effective alternative delivery channels.

Principal Products

The major retail banking products offered are current and participation accounts:

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: These 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 20 per cent. to 25 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 10 per cent. with the balance for 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.

Gold current & participation accounts

Gold current accounts are opened by customers who wish to purchase or sell gold. As at 31 March 2014, the Bank has 1,625 kg of gold (worth TL 142.3 million) on deposit in these accounts and 2,219 kg of gold (worth TL 253.6 million) on deposit in participation accounts. As at 31 December, 2013, the Bank had 2,292 kg of gold (worth TL 188.4 million) on deposit in these accounts and 1,852 kg of gold (worth TL 152.5 million) on deposit in participation accounts. The recent launch by the Bank of gold participation accounts means that some of the god current accounts switched to gold participation accounts and this led to a reduction in gold on deposit in gold current accounts between 31 December 2013 and 31 March 2014. 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 new type of account established 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 trades the gold and at maturity of the account, the Bank returns the gold to the customer. With respect to Gold Participation Accounts, customers' profit or loss is affected by the market value of gold. If any profit is generated during the trading activity, part of the profit is passed onto the customer according to a pre-agreed ratio.

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.

Finance facilities

The Bank provides a range of finance facilities to its retail customers, each of which is structured in a manner that ensures that no interest is paid by the customer. The principal retail loans offered by the Bank are home finance loans (with a maturity of up to ten years and a loan to value ratio of 75 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 150,000 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 150,000 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 31 March 2014, credit extended as retail financing accounted for 11.9 per cent. of all of the Bank's funded credits. As at 31 December 2013, credit extended as retail financing accounted for 11.5 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 March 2014, 31 March 2013, 31 December 2013, 31 December 2012 and 31 December 2011 by category.

	As at 31 March		As at year ended 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Housing loans	1,186.8	890.6	1,151.5	876.1	844.4
Vehicle loans	86.3	44.2	77.0	42.9	32
Retail credit cards	55.6	47.4	62.9	42.8	13.5
Consumer loans	3.6	3.6	4.4	3.9	4.4
Other	97.4	70.5	95.6	76.9	54.8
Personnel loans	7.4	5.7	6.4	5.4	3.8
Total	**1,437.1**	**1,062.0**	**1,397.8**	**1,048.0**	**952.9**

Note:
The retail credit figures shown above do not include instalment based commercial credits.

Alternative Delivery Channels

The Bank's alternative delivery channels comprise its ATM network, a call centre and its internet banking operation (all of which are available 24 hours a day, seven days a week). During 2013, the call centre handled 556,378 calls generating a business volume of TL 76.0 million whilst the internet banking operation registered 242,731 users and experienced a transaction volume of TL 9.7 billion.

As at 31 March 2014, 67 of the Bank's branches were located in Istanbul with a further 16 located in Ankara. The remaining 89 branches were located in 52 different cities across Turkey. The Bank's ATMs are located in its branches, with some branches having more than one ATM. In addition, the Bank has 17 off-site ATMs

Other Retail Banking Services

In 2007 the Bank became licensed to offer Visa and Mastercard charge cards and in 2011 the Bank obtained the Visa "Principal Member" status. In 2011, through an agreement with Yapı Kredi Bank, the Bank introduced "World System" which offers customers certain loyalty programmes, including instalment and campaign advantages. Thanks to the point of sale ("**POS**") infrastructure their customers can shop in instalments without paying any other fee or commission, but customers cannot pay definite debt on the statement in instalments. Customers can collect bonus points which can be used as a method of payment instead of money. The source of the bonus points is the merchant and the Bank itself. These reward programs help sustain the loyalty of customers to the Albaraka Worldcard.

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 credit periods available as the customer is obliged to pay off the balance in full at each payment date.

As at 31 December 2013, the number of charge cards in issue to individual customers increased by 16 per cent. As at 31 December 2013, the credit card turnover was TL 411 million (compared to a turnover of TL 285 million for the same period in 2012). The number of credit cards in issue in 2013 was 150,082 cards.

The Bank also provides Electron and Maestro debit cards and, as at 31 December 2013, the Bank had 187,489 debit cards in issue.

The Bank is also focussing on its merchant partner relationships and the number of its POS terminals was 17,922 at 31 March 2014 and 14,185 terminals for the same period in 2013. There were 15,536 POS terminals as at 31 December 2013 compared to 14,079 terminals for the same period in 2012. The Bank's business turnover through its POS terminals increased by 8.1 per cent. from TL 3.7 billion as at 31 December 2012 to TL 4 billion as at 31 December 2013.

The Bank acts as an agent for five insurance providers, selling principally conventional life and vehicle collision damage policies to its customers (takaful insurance is not currently available in Turkey). As at 31 March 2014 and 31 March 2013, the total premium income recorded by the Bank was TL 4.3 million and TL 3.5 million respectively. As at 31 December 2013 and 31 December 2012 the total premium income was TL 18 million for each year. 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 a joint venture with Kuveyt Turk Katilim Bankasi, which provides retirement and pension services.

Commercial and Corporate Banking

Overview

The table below sets out certain financial information relating to the Commercial and Corporate Banking segment for each of the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and for each of the three month periods ended 31 March 2014 and 31 March 2013.

	As at and for the three month period ended 31 March		As at and for the year ended 31 December		
	2014	2013	2013	2012	2011
			(TL millions)		
Total assets	10,614.0	8,125.9	10,482.6	8,059.1	6,303.8
Total liabilities	6,760.2	4,308.5	6,880.8	3,933.2	3,475.7
Net profit for the period	231.3	222.5	788.8	704.0	550.9

The Commercial and Corporate Banking group offers a broad array of loan and deposit products and services designed for corporate and commercial customers of every kind with a particular focus on SMEs. The focus on SMEs reflects the Bank's strategy of increasing its SME customer base with the aim that 40 per cent. of the Bank's total loan portfolio will be represented by SME banking customers. 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.

As at 31 December 2013 TL 1,821 million (or 15 per cent. of the Bank's total funded loans) was allocated to customers in the construction sector according to the classification based on the borrower's industry. This figure stood at 17.5 per cent. of the Bank's total funded loans at 31 December 2012.

The Bank's aim is to reduce this ratio to below 15 per cent. and the Bank is, accordingly, taking steps to reduce its exposure to the construction sector, including implementing a stricter credit approval process and focussing on non-cash credits with a view to decreasing the proportion of these loans in the loan book over time. The Bank also intends to reduce the concentration of its loan portfolio on its 100 largest cash loan customers. As at 31 December 2013, the ratio of funded exposure of the Bank's 100 largest cash loan customers to total funded exposures was 41.0 per cent. (this figure was 38.0 per cent. as at the end of 2012).

The Bank accepts deposits from its corporate and commercial customers in both TL, USD, EUR and gold current and participation accounts, each of which is described under "*Retail Banking – Principal Products*".

Treasury

The table below sets out certain financial information relating to the Treasury segment for each of the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and for each of the three month periods ended 31 March 2014 and 31 March 2013.

	As at and for the three month period ended 31 March		As at and for the year ended 31 December		
	2014	2013	2013	2012	2011
			(TL thousands)		
Total assets	1,560.8	1,338.5	1,496.6	830.4	928.5
Total liabilities	312.0	325.3	217.9	305.1	189.6
Net profit for the period	23.5	13.9	61.7	44.7	62.2

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 foreign exchange ("**FX**") markets. The FX desk is used as a tool to minimise rate risk rather than to generate profit. 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 optimum level and trading on the FX market to minimise rate risk. Within this framework, all speculative FX transactions are prohibited and FX transactions are made solely for the purpose of minimising 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 (Borsa Istanbul). 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 which is currently responsible for running Wakala and Commodity Murabaha investment transactions, monitoring markets and managing the liquidity position of the Bank, is presently under the Treasury Marketing Division. 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 International Islamic Liquidity Management Projects. In addition, the Money Market desk operates open market transactions with the Turkish Central Bank.

FINANCIAL INSTITUTIONS

The Financial Institutions Department of the Bank ("**FI**") manages the corporate relations with correspondent banks on a reciprocity basis aiming to enhance local and international legal codes to monitor money laundering and terrorism dealings. The FI also ensures that the Bank is in compliance with the relevant "Know Your Customer" ("**KYC**") policies and rules of MASAK, the Financial Action Task Force ("**FATF**"), the Office of Foreign Assets Control ("**OFAC**") and the UN Security Council.

The FI also manages the Bank's international borrowing activities and invests the Bank's excess funds in the international commodity markets, monitors the Bank's accounts held with domestic and foreign banks as well as its accounts with the Turkish Central Bank and ensures that the Bank meets its obligations in respect of statutory reserves. The FI 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 comprises over 957 banks operating in approximately 108 countries.

In addition, the FI undertakes the necessary marketing activities with potential correspondent banks to guarantee customers' needs in respect of foreign trade. The FI 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. The FI also administers the diversification of the Bank's external borrowing activities through the implementation of investment instruments such as "bilateral murabaha", "murabaha syndication", "lease certificates" (or "**Sukuk**"), "wakalas" and "tawarruq".

The FI 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 Saudi Export Programme ("**SEP**") credits for those corporate customers seeking long term investment.

LOAN PORTFOLIO

The Bank's total funded loans (including finance lease receivables) and other receivables portfolio amounted to TL 12.16 million as at 31 March 2014 compared to TL 9.4 million as at 31 March 2013 and TL 12.06 million as at 31 December 2013 and TL 9.1 million as at 31 December 2012.

The table below classifies this portfolio by credit quality as at 31 December 2013, 31 December 2012 and 31 December 2011:

	As at 31 December		
	2013	2012	2011
		(per cent.)	
Above average (Category A)	26.12	18.59	18.47
Average (Categories B and C)	67.53	78.97	77.25
Below average (Category D)	6.35	2.44	4.28

Category A loans comprise loans which 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 comprise loans which 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 comprise loans which 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.

The table below sets out details of the Bank's funded loans and other receivables by type of loan as at 31 March 2014 and 31 March 2013 and as at 31 December 2013, 31 December 2012 and 31 December 2011.

	As at 31 March		As at 31 December		
	2014	2013	2013	2012	2011
			(TL millions)		
Funded loans					
Export loans	161.8	153.0	192.7	157.3	103.4
Import loans	1,392.2	1,104.6	1,448.1	1,166.1	1,059.6
Business loans	6,545.9	5,259.4	6,423.3	5,142.2	3,948.1
Consumer loans	1,378.8	1,012.4	1,331.6	1,002.3	937.4
Credit cards	159.5	172.5	191.8	142.1	54.0
Investments on profit/loss partnership	185.7	118.4	130.5	119.8	112.9
Loans given to abroad	335.5	418.6	411.6	206.5	254.2
Other	1,878.5	1,070.7	1,831.9	1,079.5	782.2
Total funded loans	**12,037.9**	**9,326.9**	**11,961.3**	**9,033.5**	**7,251.8**
Other receivables			—	—	—
Total funded loans and receivables	**12,037.7**	**9,326.9**	**11,961.3**	**9,033.5**	**7,251.89**

The table below sets out details of the Bank's funded loans by sector as at, 31 December 2013, 31 December 2012 and 31 December 2011.

	As at 31 December		
	2013	2012	2011
		(TL millions)	
Agriculture	**241.8**	**214.9**	**82.7**
Manufacturing	**5,427.6**	**4,490.6**	**2,987.8**
Mining	114.1	70.8	127.3
Production	4,528.8	4,000.9	2,604.5
Electricity, gas, water	784.7	418.8	256.0
Construction	**3,240.1**	**2,309.8**	**2,155.9**
Services	**6,691.9**	**2,952.2**	**1,438.2**
Wholesale and retail trade	1,158.9	755.3	839.1
Hotel, food and beverage services	47.7	44.7	54.0
Transportation and telecommunication	160.1	150.9	308.3

	As at 31 December		
	2013	2012	2011
	(TL millions)		
Financial institutions	4,933.0	1,481.7	86.2
Real estate and renting services	111.4	241.0	53.9
Self-employment services	165.8	163.9	9.7
Education services	10.4	16.2	37.2
Health and social services	104.7	98.5	49.8
Other	**2,433.7**	**3,165.4**	**587.1**
Distribution of credit risk	**18,035.1**	**13,132.9**	**7,251.8**

The table below sets out details of the Bank's funded loans by customer sector and by geography as at 31 March 2014, 31 March 2013, 31 December 2013, 31 December 2012 and 31 December 2011.

	As at 31 March		As at 31 December		
	2014	2013	2013	2012	2011
	(TL millions)				
By customer sector					
Public sector			8.4	0.6	1.2
Private sector			11,872.9	9,032.9	7,250.6
Total funded loans			**11,961.3**	**9,033.5**	**7,251.8**
By geography					
Domestic loans	11,702.4	8,908.3	11,549.8	8,827.0	6,997.5
Foreign loans	335.5	418.6	411.5	206.5	254.3
Total funded loans	**12,037.9**	**9,326.9**	**11,961.3**	**9,033.5**	**7,251.8**

The table below sets out details of the remaining maturity of the Bank's funded loans and lease receivables as at 31 March 2014, 31 March 2013, 31 December 2013, 31 December 2012 and 31 December 2011.

	As at 31 March		As at 31 December		
	2014	2013	2013	2012	2011
	(TL millions)				
One year and under	7,464.9	6,062.9	7,601.3	5,737.2	4,544.8
More than one year	4,665.6	3,304.0	4,432.4	3,338.0	2,729.1
Total	**12,130.5**	**9,366.9**	**12,033.7**	**9,075.2**	**7,274.9**

The Bank's gross non-performing funded loans and receivables amounted to TL 282.3 million at 31 March 2014, TL 210 million at 31 March 2013, TL 279.7 million at 31 December 2013 and TL 222.5 million at 31 December 2012 (consisting of: (i) non-performing loans and receivables in the amount of TL 273.2 million and TL 203.6 million for the quarters ending 31 March 2014 and March 2013 respectively, and TL 271.2 million and TL 216.4 million for the years ending 31 December 2013 and December 2012 respectively; and (ii) fees, commissions and other receivables with doubtful collectability amounting to TL 9.1 million and TL 6.4 million for the quarters ending 31 March 2014 and March 2013 respectively, and TL 8.4 million and TL 6.2 million for the years ending 31 December 2013 and December 2012 respectively).

Under BRSA 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 BRSA 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.

The table below sets out details of the Bank's non-performing funded loans and receivables (net of specific provisions made) as at 31 March 2014, 31 March 2013, 31 December 2013, 31 December 2012 and 31 December 2011.

	As at 31 March		**As at 31 December**		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Loans and receivables with limited collectability	14.5	15.3	5.4	2.8	1.5
Loans and receivables with doubtful collectability	7.4	9.4	8.5	12.2	5.4
Uncollectible loans and receivables	13.8	9.8	12.3	9.8	6.2
Total	**35.7**	**34.5**	**26.2**	**24.8**	**13.1**

The table below sets out details of the Bank's specific provisions for its funded loans and receivables as at 31 March 2014, 31 March 2013, 31 December 2013, 31 December 2012 and 31 December 2011.

	As at 31 March		**As at 31 December**		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Loans and receivables with limited collectability	18.2	30.3	25.7	8.1	15.3
Loans and receivables with doubtful collectability	34.6	22.4	65.5	55.9	16.1
Uncollectible loans and receivables	184.6	116.4	154.8	127.4	122.7
Total	**237.4**	**169.1**	**245.0**	**191.4**	**154.1**

In addition to the funded non-performing loans and other receivables included in the above tables, the Bank had fees, commissions and other doubtful receivables amounting to TL 9.1 million at 31 March 2014 and TL 6.4 million as at 31 March 2013, TL 8.4 million at 31 December 2013 and TL 6.2 million as at 31 December 2012.

FUNDING AND LIQUIDITY

The Bank's principal source of funding is through customer deposits which amounted to TL 12,641.8 million at 31 March 2014, TL 10,096.2 million at 31 March 2013, TL 12,526.2 million at 31 December 2013 and TL 9,225.0 million at 31 December 2012. In addition, the Bank had shareholders' equity of TL 1,531.3 million at 31 March 2014, TL 1,271.5 million at 31 March 2013, TL 1,497.3 million at 31 December 2013 and TL 1,218.3 million at 31 December 2012. Borrowings in the form of syndicated Murabaha loans and Wakala borrowings amounted to TL 2,084.7 million at 31 March 2014, TL 1,530.8 million at 31 March 2013, TL 2,035.8 million at 31 December 2013 and TL 1,393.8 million at 31 December 2012.

The table below sets out an analysis of the Bank's customer deposits by currency and by type of account as at 31 March 2014, 31 March 2013, 31 December 2013, 31 December 2012 and 31 December 2011.

	As at 31 March		As at 31 December		
	2014	2013	2013	2012	2011
	(TL millions where applicable)				
Turkish Lira funds	**7,392.8**	**5,997.0**	**7,518.9**	**5,535.6**	**4,797.7**
Current accounts	1,088,9	816,6	1,442.2	778.0	874.5
Participation accounts	6,303.9	5,180.4	6,076.6	4,757.6	3,923.2
Foreign currency funds	**5,249.0**	**4,099.1**	**5,007.4**	**3,689.4**	**3,247.0**
Current accounts	1,070.5	986.5	1,125.8	980.8	983.3
Participation accounts	4,178.3	3,112.6	3,881.5	2,708.6	2,269.2
USD accounts	2,815.4	2,103.8	2,524.0	1,833.6	1,503.1
EUR accounts	1,251.7	902.3	1,204.9	805.7	766.1
Gold accounts	111.2	106.5	152.5	69.2	0
Total funds collected	**12,641.8**	**10,096.2**	**12,526.2**	**9,225.0**	**8,044.7**
Share of Turkish Lira accounts	58,5%	59,4%	60,0%	60.0%	59.6%
Share of foreign currency accounts	41,5%	40,6%	40,0%	40.0%	40.4%
Current accounts	2,159.4	1,803.1	2,568.1	1,828.1	1,852.3
Participation accounts	10,482.4	8,293.0	9,958.1	7,396.9	6,192.4
Total	**12,641.8**	**10,096.2**	**12,526.2**	**9,225.0**	**8,044.7**
Share of current accounts	17,1%	17,9%	20,5%	20.0%	23.0%
Share of participation accounts	82,9%	82,1%	79,5%	80.0%	77.0%

In accordance with BRSA regulations, the Bank is required to maintain weekly and monthly liquidity ratios for foreign currency assets/liabilities and for total assets/liabilities of not less than 80 per cent. and 100 per cent., respectively. The table below sets out the Bank's weekly and monthly liquidity ratios for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and for the three month periods ended 31 March 2014 and 31 March 2013.

	For the three month period ended 31 March 2014			
	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	Foreign currency	Foreign currency and Turkish Lira	Foreign currency	Foreign currency and Turkish Lira
Average (%)	165.7	171.8	119.3	113.6
Maximum (%)	241.0	219.3	125.4	118.3
Minimum (%)	119.1	137.9	105.5	106.6

	For the three month period ended 31 March 2013			
	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	Foreign currency	Foreign currency and Turkish Lira	Foreign currency	Foreign currency and Turkish Lira
Average (%)	180.4	244.0	134.1	166.6
Maximum (%)	242.7	286.3	155.8	201.1
Minimum (%)	144.3	217.8	119.5	140.4

	For the year ended 31 December 2013			
	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	Foreign currency	Foreign currency and Turkish Lira	Foreign currency	Foreign currency and Turkish Lira
Average (%)	166.2	183.6	128.1	131.9
Maximum (%)	261.1	286.3	156.7	201.1
Minimum (%)	105.3	105.7	107.4	100.8

	For the year ended 31 December 2012			
	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	Foreign currency	Foreign currency and Turkish Lira	Foreign currency	Foreign currency and Turkish Lira
Average (%)	239.4	242.4	167.7	180.5
Maximum (%)	345.1	295.3	238.1	213.8
Minimum (%)	117.0	194.7	104.4	155.8

	For the year ended 31 December 2011			
	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	Foreign currency	Foreign currency and Turkish Lira	Foreign currency	Foreign currency and Turkish Lira
Average (%)	215.7	260.1	128.6	168.0
Maximum (%)	366.8	351.3	212.6	215.7
Minimum (%)	144.7	203.4	80.5	131.3

For information on the Bank's maturity profile as at 31 March 2014, see Section Four, Note VII to the 2014 Interim Financial Statements. For information on the Bank's maturity profile as at 31 December 2013 and 2012, see Section Four – Information on financial structure and risk management, Note VII to the 2013 Financial Statements.

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 ("**ALMC**"). The ALMC has 13 members including the General Manager and the eight assistant general managers of the Bank. ALMC 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, ALMC 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 which affect the quality of assets. It also aims to possess the resources that are required for products and services rendered to the Bank's customers, readily available, and peruse the factors that could affect the Bank's profitability. The ALMC also ensures the measures to be taken as a result of its evaluations, perusals and examinations are executed.

The ALMC 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 in the Bank;

(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 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;

(i) evaluating Bank's capital adequacy, liquidity and foreign exchange 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 restoring the findings of its evaluations are executed.

The Credit Committee. The Credit Committee is a Board committee comprising the Chairman, the General Manager and one other Board member. The Credit Committee meets twice weekly and all members must be present and its decisions must be unanimous to be effective. 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 Audit Committee. The Audit Committee consists of the Board members for assisting the audit and supervision activities of the Board of Directors according to the article 24.6 of the Banking Law. The Audit Committee consists of at least two non-executive Board members. The Committee members have to have the specifications determined by Banking Regulation and Supervision Agency.

The Audit Committee meets at least 4 times a year and has the following responsibilities:

(a) in the name of the Board of Directors, Audit Committee monitors the efficiency and proficiency of the internal systems of the Bank, the functioning of these systems as well as the accounting and reporting systems in framework of the Banking Law and related regulations, and the integrity of the produced data;

(b) providing preliminary evaluations to the Board of Directors when selecting the independent firms of auditing, rating, appraising and outsourcing;

(c) regularly monitoring the activities of the said companies which are appointed by the Board of Directors and with which contracts are signed; and

(d) ensuring the consolidated internal auditing of partnerships as per the regulations introduced with respect to the Banking Law, and coordinating 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.

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 on and off balance sheet and the probability of loss the Bank is likely to incur due to the price movements in the stocks held by the Bank.

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 28 June 2012 by using the standardised approach and allocates statutory capital accordingly. On the other hand, 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 ensure that, the necessary measures are to be taken by risk management department and top level management in respect of defining, measuring, prioritising, monitoring and managing the risks exposed by the Bank.

The risk associated with on and off balance sheet positions which arises 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.

		Amount
(I)	Capital requirement to be employed for general market risk - standard method	381
(II)	Capital requirement to be employed for specific risk - standard method	381
	Capital requirement against specific risks of securitisation positions-standard method	—
(III)	Capital requirement to be employed for currency risk - standard method	10,625
(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)	Capital requirement against counterparty credit risks - standard method	235
(VIII)	Capital requirement to be employed for market risks of banks using risk measurement model	—
(IX)	Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII)	11,622
(X)	Amount subject to market risk (12, 5 X VIII) or (12, 5 x IX)	145,275

Foreign exchange 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, and accordingly, in the equity, cash flows, quality of assets and consequently in the Bank's capacity in fulfilling its commitments, of the unexpected changes in exchange rates due to the foreign currency position of the balance sheet of the Bank. Similarly, security risk is defined as the negative impact on the Bank's income, and accordingly, in the equity, cash flows, quality of assets and consequently in the Bank's capacity in fulfilling its commitments, of the unexpected changes in prices of the securities held in the balance sheet of the Bank.

Within the coverage of market risk, the Bank calculates the foreign exchange and currency risk and the security risk, as well as specific risks associated with market risk, by using the Standard approach and reports it to the authorities on a regular basis. Additionally, foreign exchange and currency risk of the 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 the accuracy and performance of these models. The Potential strength of portfolio against to unexpected risks is measured with stress tests including 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 ALMC 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 VaRs for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

	For the year ended 31 December 2013			For the year ended 31 December 2012			For the year ended 31 December 2011		
	Avg.	Max	Min	Avg.	Max	Min	Avg.	Max	Min
					TL millions				
Interest rate risk	—	—	—	0.02	0.14	—	1.85	3.61	—
Share certificate risk	0.87	1.06	0.76	0.64	0.74	0.53	6.81	8.71	5.94
Currency risk	7.43	10.63	4.06	6.09	8.23	4.50	50.06	76.38	35.30
Counterparty credit risk	0.04	0.24	—	—	—	—	—	—	—
Total value subject to risk	**8.34**	**11.93**	**4.82**	**6.75**	**9.11**	**5.03**	**58.72**	**88.70**	**41.24**

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 positions and shareholders' equity ratios 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 approach / standard method to calculate and report its currency risk on a monthly basis.

The Bank does not have any derivative financial instruments 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.

The table below shows the impact that a 10 per cent. increase or decrease in the exchange rates of Turkish Lira against U.S. Dollars and Euro, respectively, would have on the Bank's profit and loss or equity for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and for the three month periods ended 31 March 2014 and 31 March 2013.

	% change in foreign exchange rate	Effect on profit/loss		Effect on equity	
		As at 31 March			
		2014	2013	2014	2013
USD	10% increase	(0.25)	18.41	0.41	(0.03)
USD	10% decrease	0.25	(18.41)	(0.41)	0.03
EUR	10% increase	1.23	(0.44)	—	—
EUR	10% decrease	(1.23)	0.44	—	—

	% change in foreign exchange rate	Effect on profit/loss			Effect on equity		
		As at 31 December					
		2013	2012	2011	2013	2012	2011
USD	10% increase	30.30	21.86	2.78	0.47	(0.03)	(0.38)
USD	10% decrease	(30.30)	(21.86)	(2.78)	(0.47)	0.03	0.38
EUR	10% increase	4.12	4.91	0.20	—	—	—
EUR	10% decrease	(4.12)	(4.91)	(0.20)	—	—	—

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 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 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; receivables from loans are generally collected in monthly installments.

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 and share of profit/loss on projects funded from these accounts are allocated to such profit/loss sharing accounts. Accordingly, the Bank's assets and liabilities and profit share ratios are compatible.

The Bank covers TL and foreign currency liquidity needs mostly through funds deposited with it and also uses Syndicated Murabaha Loans and wakala borrowings in foreign currency. In addition, the Bank takes care to keep the assets in short term liquid assets and prolongs the average maturity of the 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.

As per the BRSA Communiqué "Measurement and Assessment of the Adequacy of Banks' Liquidity", starting from 1 June 2007, the weekly and monthly liquidity ratios for foreign currency assets/liabilities and total assets/liabilities should be minimum 80 per cent. and 100 per cent., respectively.

Liquidity ratios for the years ending 31 December 2013 and 31 December 2012 are as follows:

	First Maturity Bracket (Weekly)				Second Maturity Bracket (Monthly)			
	31 December 2013		31 December 2012		31 December 2013		31 December 2012	
	Foreign currency	Foreign currency + TL	Foreign currency	Foreign currency + TL	Foreign currency	Foreign currency + TL	Foreign currency	Foreign currency + TL
Average (%).........................	166.23	183.59	239.38	242.35	128.09	131.86	167.72	180.48
Maximum (%)......................	261.07	286.26	345.05	295.33	156.72	201.10	238.14	213.75
Minimum (%)	105.34	105.74	117.02	194.66	107.43	100.83	104.38	155.78

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 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 ALMC 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 credit 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 Head-office 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 and core banking systems prevent customers' credit risks exceeding such limits.

Close attention is paid to prevent over-concentration in any sector that might exceed the predetermined and approved limit and negatively affect the credit portfolio. The Bank works to prevent risks from concentrating on a small number of customers. Credit risk is continuously monitored and reported by risk management units via internal systems. In short, credit risk is reduced through credit risk management policies and the application of standards across the Bank.

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 Credit Committee (which comprises the commercial credits department manager, assistant General Manager responsible from 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 Credit 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 consists of 35 employees, analyses the credit applications received by branches of the Bank which exceed TL 10 million and where the applicant has an annual turnover or total assets of more than TL 40 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 for approval. 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 twelve 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.

In 2012, the Bank fully implemented a new system which has improved its assessment of the credit strength of new and existing customers. The new system also 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.

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 which 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).

The table below shows the amount of loans within each of these categories as at 31 March 2014 as well as the amount of specific provisions in respect of each category:

Category	Proceedings balance	Reserve amount
	(TL millions)	
Loans with a limited collectability	32.8	18.2
Loans and receivables with doubtful collectability	42.0	34.6
Uncollectible loans and receivables	198.4	184.6
Fees and commissions and other receivables with doubtful collectability	9.1	9.1
	282.3	**246.5**

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 U.S.$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 U.S.$10 million and U.S.$15 million (or their equivalents in Turkish Lira) also require the approval of the Credit Committee of the Board of Directors. Write off requests in respect of amounts in excess of U.S.$15 million (or its equivalent in Turkish Lira) require the approval of the Board of Directors.

Exposure to credit risk

The table below shows the distribution of credit risk by sectors and geographical concentration as at 31 December 2013 and 31 December 2012 [(1)]:

	As at 31 December	
	2013	**2012**
	(TL millions)	
Agriculture	**241.8**	**214.9**
Farming and stockbreeding	213.8	167.1
Forestry	26.4	47.3
Fishery	1.6	0.5
Manufacturing	**5,427.6**	**4,480.6**
Mining	114.1	70.8
Production	4,528.8	4,00.9
Electricity, gas, water	784.7	418.9
Construction	**3,240.1**	**2,309.8**
Services	**6,691.9**	**2,952.2**
Wholesale and retail trade	1,158.9	755.3
Hotel, food and beverage services	47.7	44.8
Transportation and telecommunication	160.1	150.8
Financial institutions	4,933.0	1,481.7
Real estate and renting services	111.4	241.0
Self-employment services	165.8	163.5
Education services	10.4	16.2
Health and social services	104.7	98.5
Other	**2,428.3**	**3,165.4**
Total funded loans	**18,029.6**	**13,132.92**

	As at 31 December	
	2013	**2012**
	(TL millions)	
Information according to geographical concentration		
Domestic	16,602.7	12,231.6
European Union ("**EU**") countries	162.9	164.2
OECD countries[(2)]	6.3	2.9
Off-shore banking regions	263.6	4.6
USA, Canada	143.2	69.8
Other countries	293.1	152.2
Unallocated assets/liabilities[(3)]	557.8	
Total	**18,029.6**	**12,625.34**

Notes:

(1) Since the reporting requirements have been altered by the BRSA, the first table represents the risk profile according to sectors and counterparties while the second table represents the profile on significant risk in significant regions.

(2) OECD countries other than EU countries, USA and Canada.

(3) Assets and liabilities are not allocated on a consistent basis.

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 errors made by staff or the failure of systems, from transactions which have been made based on insufficient or incorrect information or documents, due to impediments in the flow of information between divisions of the Bank, due to uncertainties surrounding limits set by authorities or from structural and/or operational changes, natural disasters, 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 which 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 are 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.

Geographical 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 reputation 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 ready for the worst case scenario and takes into account the degree of the relationship between operational risk and reputation risk and its effect.

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 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 fulfill 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 31 March 2014, the Bank's capital adequacy ratio was 15.17 per cent. As at 31 December 2013, the

Bank's capital adequacy ratio was 14.82 per cent. and as at 31 December 2012, the Bank's capital adequacy ratio was 13.03 per cent.

As of the financial year ended 31 December 2013, the Bank's capital adequacy ratio calculations are made in accordance with the BRSA regulation entitled "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No. 28337 on 28 June 2012. In accordance with the BRSA's "Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in Official Gazette No. 28337 dated 28 June 2012, the Bank has not re-calculated capital adequacy ratios for previous years.

The table below shows the summary information relating to the Bank's capital adequacy ratio for the years ended 31 December 2013 and 31 December 2012.

	31 December	
	2013	**2012**
	(TL millions where applicable)	
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) ("**CRCR**")	910.9	661.3
Capital Requirement for Market Risk ("**MRCR**")	11.6	5.2
Capital Requirement for Operational Risk ("**ORCR**")	77.2	66.8
Shareholders' equity	1,852.6	1,194.0
Shareholders' Equity/((CRCR+MRCR+ORCR)*12.5) *100	**14.8**	**13.3**

The table below shows the summary information relating to the Bank's capital adequacy ratio for 31 March 2014 and 31 March 2013.

	31 March	
	2014	**2013**
	(TL millions where applicable)	
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) ("**CRCR**")	920.7	695.7
Capital Requirement for Market Risk ("**MRCR**")	8.8	8.7
Capital Requirement for Operational Risk ("**ORCR**")	95.4	77.2
Shareholders' equity	1,943.7	1,252.8
Shareholders' Equity/((CRCR+MRCR+ORCR)*12.5) *100	**15.17**	**12.8**

COMPLIANCE

Anti-Money Laundering ("**AML**") and Know Your Customer ("**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 Turkish Financial Crimes Investigation Board ("**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 US 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 programs 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 March 2014, 31 March 2013, 31 December 2013, 31 December 2012 and 31 December 2011.

	As at 31 March		As at 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Financial assets at fair value through profit and loss (net)					
Equity securities	7.5	7.4	4.8	6.2	4.8
Financial assets available for sale					
Quoted debt securities	530.5	152.5	240.9	152.6	85.9
Held to maturity investments					
Quoted debt securities	728.6	587.0	745.4	356.8	421.4
Unquoted debt securities	—	—	8.9	9.4	
Total investments	**1,266.6**	**746.9**	**991.1**	**524.5**	**521.5**

The Bank's held to maturity instruments comprise sukuk certificates issued by the Central Bank of Bahrain as well as sukuk and income indexed bonds issued by the Undersecretariat of the Turkish Treasury. As at 31 March 2014 and 31 March 2013, 100 per cent. of these securities were denominated in Turkish Lira. As at 31 December 2013, 100 per cent. of these securities were denominated in Turkish Lira, compared to 97.5 per cent. as at 31 December 2012.

INFORMATION TECHNOLOGY

The Bank recognises the substantial importance of information technology ("**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 four distinct, yet highly interactive teams, namely the IT strategy and governance team, the software development team, the project management team and the system support team.

The Bank has recently launched various IT related initiatives which have positively transformed the business landscape at the Bank. One of the most promising initiatives is the Enterprise Architecture initiative, which was launched in 2011 to assess the organisational objectives, structure, functions, systems and the technologies supporting those systems. A service catalogue has been prepared and service owners were assigned as part of this initiative. Several Enterprise Architecture processes have been modelled and soon will be automated within the Bank's IT systems.

The IT division has also launched "Business Intelligence" and "Data Management" projects, with the aim of improving the quality of the Bank's data and aligning it to the needs of the various business units. Several benefits have already been realised, and many other advantages will be realised upon completion of these initiatives.

The "KULE" tool has been implemented into the Bank's Project Portfolio Management framework, and its aim to administer demands and projects. "KULE" is based on the innovative HP PPM platform. An HP ITSM based service desk management platform called "Çözüm Vadisi" was also implemented. "Çözüm Vadisi" was implemented as a pilot in a few departments only, and after a short time, implementation was expanded to cover the entire Bank and its various branches. A service management application based on HP BSM has been installed, and configured by the IT division, with the aim of providing better monitoring of the Bank's hardware and infrastructure, and to prevent any potential network component from malfunctioning, and to predict problems before they occur.

In terms of IT security, the Bank has established very effective backup systems. More importantly two disaster recovery sites were established, one located in Istanbul, and a newer centre was established in the western city of Izmir in 2012. All user data is stored in terminal servers and file servers. Data is being 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.

Following a thorough analysis of the existing legacy core banking system, the Bank has decided to update and modernise it. After a selection exercise, InterVision core banking system which is provided by the local vendor InterTech was selected. The extensive transformation project was started during the second half of 2013, and once finalised, will allow Bank's various business teams to benefit from the many modern features of the new system thereby enhancing service delivery to customers, boosting value delivery throughout different channels to the Bank's customers, in a way that will strengthen the position of the Bank as a leader in the participation banking industry in Turkey and the region.

RELATED PARTY TRANSACTIONS

The Bank's related parties include its shareholders, directors and key management, 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.

MANAGEMENT AND EMPLOYEES

The Board

The Board of Directors of the Bank (the "**Board**") is required to comprise a maximum of 12 directors, 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 Al Shamsi	Board Member	2005
Khalifa Taha Hamood	Board Member	2011
Hood Hashem Ahmed Hashem	Board Member	2011
Prof. Dr. Ekrem Pakdemirli	Board Member	2007
Mitat Aktaş	Board Member	2008
Hamad Abdulla A. Eqab	Board Member	2008
Fahad Abdullah A. Al Rajhi	Board Member	2008
Fahrettin Yahşi	Board Member	2009
Kemal Varol	Board Member	2013

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 holds a degree in Administrative Sciences from the Hull University, England, where he also completed his post-graduate 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 the Arab Banking Corporation (ABC) from 1980 onwards: Manager of main branch, deputy general manager and vice-chairman, director of global marketing and financial institutions division, head of Arab World division, vice manager of subsidiaries and investments. In 1998, Mr. Adnan Yusuf became the chairman of ABC Islamic Bank (EC). He was then appointed as the general manager of Al Baraka Banking Group (ABG) in March 2000. He took office as the CEO of the Bahrain Islamic Bank between 2002 and 2004. Since August 2004, he has been working as a board member and CEO of the ABG. Mr. Adnan is also in the board of directors of many banks within ABG where he holds a position as either a member of chairman. He has been the chairman of the Board and the Credit Committee of the Bank since April 2005. Mr. Adnan Yusuf has received the "Islamic Banker of the Year" Award twice at the World Islamic Banking Conference, in December 2004 and December 2009. He was appointed Chairman of the Union of Arab Banks in April 2007 and re-elected for a further four year term in April 2010.

Yalçın Öner

Vice Chairman

Mr. Yalçın Öner was born in 1938 in Araç (Kastamonu), Turkey. He holds a degree from the Faculty of Political Sciences at Ankara University and completed his post-graduate study at Minnesota University in the Stated on Public Administration. Mr. Yalçın Öner started his professional career in 1959 at the Ministry of Finance as tax inspector. He then began to work for the State Investment Bank in 1972 and for Yatırım Finansman Investment AŞ in 1978. Mr. Yalçın Öner became the first general manager of the Bank in 1985 and held this position until 1996. Yalçın Öner has been a board member since 1996. He has also been the president of internal control and audit group in the Bank from July 2001 onwards. He took office in the Bank as executive (resident) board member between April 2002 and January 2007. During the period from December 2006 through March 2008 Mr. Yalçın Öner was a board member responsible from internal systems and an Audit Committee member of the Bank and the vice-chairman of the Board since April 2002.

Osman Akyüz

Board Member

Mr. Osman Akyüz was born in 1954 in Yomra (Trabzon), Turkey. He holds a degree from the Faculty of Political Sciences at Ankara University, Turkey. He commenced his professional career in 1978 as a tax inspector at the Turkish Ministry of Finance. He was then transferred to Sezai Türkeş – 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 between the years 1991 and 1994, as an assistant general manager from 1994 to 1995 and as a general manager of the Bank from 1996 to 2002. Mr. Osman Akyüz is a member of the Credit Committee of the Bank since November 2001 and executive (resident) board member since April 2002. Mr. Osman Akyüz also holds a position in the Union of Turkish Participation Banks as secretary general since July 2002, as well as a board membership in the Istanbul Chamber of Commerce since April 2005. In addition, Mr. Osman Akyüz has been a board member of Borsa Istanbul (Istanbul Stock Exchange) since January 2012.

Ibrahim Fayez Humaid Al Shamsi

Board Member

Mr. Ibrahim Fayez was born in 1949 in the Emirate of Ajman of the United Arab Emirates (the UAE). Mr. Ibrahim Fayez holds a degree in economics from the Arab University of Beirut in Lebanon (he graduated in the 1972). Mr. Ibrahim Fayez commenced his professional career in 1969 at Bank of Oman as current accounts chief. He then became the manager of its Ajman branch in 1971. He held the following positions: Manager of financial affairs on the Ministry of Housing & Town Planning of the UAE during the year 1972; assistant general manager at Abu Dhabi Fund for Arab Economic Development during the year 1976; board member of European Arab Bank Holding in Luxembourg during the year 1978; board member of Industrial Bank of the UAE during the year 1983; board member of Austrian Conference Centre Co in Vienna during the year 1984 and board member of Dubai Islamic Bank during the year 1998. He also worked as chairman of Bangladesh Investment Co in the UAE and manager of Arab Fund for Economic & Social Development in Kuwait (1983-2010). He worked as Chief Executive Officer of the Emirates Islamic Bank in Dubai between 2004 and 2011. He has been a board member of the Bank since April 2005. He is also the chairman of the Corporate Governance Committee of the Board.

Khalifa Taha Hamood

Board Member

Mr. Khalifa Hamood was born in 1952 in Aden, the Republic of Yemen. He graduated from the Faculty of Accountancy and Finance program of Newcastle Upon Tyne Polytechnic, the United Kingdom. He was a self-employed accountant in England and Djibuti (Africa) between 1976 to 1987. He has worked for Deloitte & Touche in their Jeddah (Saudi Arabia) and Texas (the States) departments between 1989 and 1992 as a senior auditor. Mr. Khalifa Hamood moved to Whinney Murray & Co in Riyadh (Saudi Arabia) and worked as assistant manager between 1992 and 1996. He then joined the Islamic Development Bank (IDB) in Jeddah in 1996, and worked as senior internal auditor, section head of disbursements, division chief of budget and disbursements. Presently he is the Division Chief of Settlements at the IDB. Mr. Khalifa Hamood was appointed as a member of the Board in 2011.

Hood Hashem Ahmed Hashem

Board Member

Mr. Hashem was born in 1965 in the Kingdom of Bahrain. He graduated from the Faculty of Computer Engineering at King Fahd Petroleum and Mineral University, the Kingdom of Saudi Arabia in 1989 and completed an MBA programme in 2005 at Glamorgan University in Cardiff, the United Kingdom. Mr. Hashem worked as an analyst programmer at Bahrain National Oil Company between 1989 and 1996, and he joined the Arabian Insurance Group (ARIG) as Senior Systems Developer in August 1996. Mr. Hashem worked in Bahrain for the airlines computer data centre of the SABRE Group during the years 1998 and 1999 and at Arthur Andersen between 1999 and 2000. Mr. Hashem, worked as Senior IT manager in Bahrain Islamic Bank between 2000 and 2007, and he then joined the ABG in Bahrain in February 2007. Mr. Hashem was appointed as a member of the Board in 2011 and he is also a member of the Audit Committee of the Board.

Professor Dr. Ekrem Pakdemirli

Board Member

Professor Pakdemirli was born in 1939 in Izmir. He holds bachelors and masters degrees from the Faculty of Mechanical Engineering at the Middle-East Technical University, Ankara, Turkey. He then completed his doctorate at Imperial College London University. Professor Pakdemirli has held several government offices and positions including deputy undersecretary of the State Planning Organization, vice-rector of Dokuz Eylül University, undersecretary of the Undersecretariat of Treasury and Foreign Trade, chief consultant to the Prime Minister of Turkey and ambassador at large. Professor Pakdemirli was also a Member of Parliament, representing Manisa City for four consecutive terms between 1987 and 2002 and during this time was appointed as the Minister of Transportation, Minister of Finance and Customs, Minister of State and Deputy Prime-Minister of Turkey. Professor Pakdemirli has held the following positions: lecturer at Bilkent University and Başkent University since 2003; board member of Akbank A.Ş.; deputy chairman of Vestel Electronics A.Ş. and BİM Birleşik Mağazalar A.Ş.; board member at Sinpaş GYO, Servet GYO and chairman at Çevresel Kimya San. Tic. Ltd. Co. Professor Pakdemirli was appointed a member of the Board in 2007.

Mitat Aktaş

Board Member

Mr. Mirat Aktas was born in 1963 in Selendi (Manisa town of Turkey). Mr. Mirat Aktaş graduated from the Economics Department of the Faculty of Political Sciences at Ankara University, Turkey, in 1984. He completed his masters degree in 1992 at the Vanderbilt University in the United States. He then started his career at the Turkish Ministry of Finance as tax inspector in 1984. Mr. Aktaş started working in the Bank as the manager of the financial affairs department in 1996, worked as the head of the audit and inspection group in the Bank during 2003 to 2008 and, since March 2008, has been working as a member of the Audit Committee and Board member responsible for the internal systems of the Bank.

Hamad Abdulla A. Eqab

Board Member

Mr. Hamad Eqab was born in 1970 in Manama City, the Kingdom of Bahrain. Mr. Hamad Eqab 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 the same year. In 1996, Mr. Hamad Eqab moved to the Bahrain Office of Arthur Andersen Auditing & Consultancy firm as an insurance auditor. He then worked at Shamil Bank (in Bahrain) as internal auditing manager responsible for numerous auditing and consultancy projects between the years 2002 and 2004. He joined Ithmaar Bank in Manama as senior manager overseeing internal audit operations between the years 2004 and 2005. Since February 2005, Mr. Hamad Eqab has been working at ABG in Bahrain as senior vice-president responsible for financial control. He has held a CPA certificate since 1996 and currently is vice-chairman of the Accounting and Auditing Standard Board of AAOIFI and is also a board and audit committee member of Jordan Islamic Bank and AlBaraka Algeria. He has held the position of a member of the Board since March 2008.

Fahad Abdullah A. Al Rajhi

Board Member

Mr. Fahad Al Rajhi was born in Riyadh, the Kingdom of Saudi Arabia (KSA) in 1961. Mr. Fahad Al Rajhi graduated from the Industrial Management Department at King Fahad Petroleum and Minerals University in 1984. He commenced his professional career in 1987 at Al Rajhi Banking and Investment Corporation as vice manager of the central branch. He was then promoted to manager of the central branch and subsequently as assistant manager of collaterals department. In the same bank, he was responsible for liaising with government offices and investments. Mr. Fahad Al Rajhi worked as a board member for the Saudi Public Transport Company between 1995 and 2001. He worked as the general manager of 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 Holding Company. He is an executive director of the Medical Innovation Co. and Al-Rajhi Real Estate Co. in the KSA. In March 2011, he became a board member of ABG (Bahrain). He is also a member of the board of directors in the Resot Cement Co. in Oman, Najran Cement Co. in the UAE and Bukhait Investment Group in the KSA. He has been a member of the Board and the Corporate Governance Committee of the Board since March 2008.

Kemal Varol

Board Member

Mr. Kemal Varol was born in 1943 in Iğdır. Mr. Kemal Varol completed his masters degree in Textile Chemistry at the Institute of Science and Technology of Manchester University in 1965, where he also completed his doctorate in 1968. Since 1974, Mr. Kemal Varol has worked as a senior manager in various companies, including at Sümerbank where he was General Manager and Chairman of the Board. He is currently an Associate Professor and the Head of the Industrial Engineering Department of Istanbul Commerce University. Mr. Kemal Varol was appointed as an Independent Board Member to the Board in 2013 and is also a Credit Committee Member.

Fahrettin Yahşi

Board Member, General Manager

Mr. Fahrettin Yahşi was born in Fatsa (Ordu town of Turkey) in 1965. Mr. Fahrettin Yahşi received his degree in 1987 from the Department of Management of the Faculty of Political Sciences at Ankara University. He completed his master's degree in Banking Department of Social Sciences Institute at Marmara University, Istanbul, Turkey, in 2006. Mr. Fahrettin Yahşi started his professional career as a sworn auditor for banks in 1987. He worked for Ege Bank as an assistant general manager between 1996 and 1998. Mr. Fahrettin Yahşi was appointed as assistant general manager to the Bank in 1998. He then held the position of senior assistant general manager at the Bank between 2005 and 2009. He has been a general manager of the Bank since November 2009.

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:

Name	Position	Date joined
Fahrettin Yahşi	Board Member, General Manager	2009
Mehmet Ali Verçin	Assistant General Manager	2005
Nihat Boz	Assistant General Manager	2009
Mahmut Esfa Emek	Assistant General Manager	2011
Temel Hazıroğlu	Assistant General Manager	2003
Ayhan Keser	Assistant General Manager	2011
Bülent Taban	Assistant General Manager	2003
Turgut Simitçioğlu	Assistant General Manager	2009
Melikşah Utku	Assistant General Manager	2009

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.

Fahrettin Yahşi

Board Member, General Manager

See "*–The Board – Fahrettin Yahşi*" above.

Mehmet Ali Verçin

Assistant General Manager

Mr. Mehmet Ali Verçin has worked for several private companies as exporting affairs manager and marketing manager and began to work as marketing specialist for projects at the Bank in 1993. Mr. Mehmet Ali Verçin was appointed as Marketing Manager in 2003 and has been assistant general manager responsible for corporate marketing, treasury marketing and the investment projects department. He is also a member of the Research and Development Committee and the Communication Committee.

Nihat Boz

Assistant General Manager

Mr. Nihat Boz was appointed as a lawyer to the department of legal affairs of the Bank in 1987, became deputy manager in 1995 and legal affairs manager in 1996. Between 2002 and 2009 he was chief legal counsel at the Bank and since December 2009 has served as assistant general manager and chief legal counsel responsible for the Legal Advisory and Legal Follow-Up Departments.

Mahmut Esfa Emek

Assistant General Manager

Mr. Emek joined the Bank in 1990, was appointed as senior manager of the operations department in 2010 and has been assistant general manager primarily responsible for the Corporate Credits Department, Retail Credits Department, Commercial Credits Department and Credit Administration and Monitoring Department. He is also a member of the Commercial Credits Committee, Retail Credit Committee and Credit Risk Management Committee.

Temel Hazıroğlu

Assistant General Manager

Mr. Hazıroğlu worked as the IT Manager and deputy manager for the human resources and administrative affairs departments of the Bank and has been assistant general manager primarily responsible for the Human Values Department, Training and Organisation Department, Performance and Career Management Department, Administration Services Department and Financial Affairs Department.

Ayhan Keser

Assistant General Manager

Mr. Keser joined the Bank in 2011 and has been assistant general manager primarily responsible for the Retail Products Department, Financial Institutions Department, Alternative Distribution Channel Department and Retail Marketing Department since 2011.

Bülent Taban

Assistant General Manager

Mr. Taban began working as the retail banking manager for the Bank in 2002 and has been the assistant general manager primarily responsible for the Commercial Marketing Department, Commercial Product Department and regional offices.

Turgut Simitçioğlu

Assistant General Manager

Mr. Simitcioğlu was the manager of the central branch of the Bank from 2003 to 2009 and has been assistant general manager primarily responsible for the Credit Operations Department, International Banking Operations Department, Payment Systems Operations Department, Risk Follow-Up Department and Banking Services Operations Department.

Melikşah Utku

Assistant General Manager

Mr. Utku held the position of chief economist in the Bank between 2006 and 2007, worked as investor relations manager during 2007 to 2009 and was appointed as assistant general manager in December 2009. He is primarily responsible for the Budget and Financial Reporting Department, IT Support Department, Software Development Department, Project Management and Governance Department and IT Strategy Department.

Committees

Board Committees

The Board has delegated certain of its functions to four Board committees, the Credit Committee (see "*Description of AlBaraka Türk Katilim Bankasi A.Ş. – Risk Management*"), the Audit Committee, the Corporate Governance Committee, the Remuneration Committee and the Social Responsibility 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 recently established in May 2012. It consists of three directors namely, Ekrem Pakdemirli, Ibrahim Fayez Humaid Al Shamsi and Fahrettin Yahşi, 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, which will be established by the Bank.

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, Board Member

Member: Fahrettin Yahşi, Board Member and General Manager

Member: Kemal Varol, Board Member

Reserve Members: Yalçın Öner, Ekrem Pakdemirli

Audit Committee

The Audit Committee assists the audit and supervision activities of the Board according to the 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

Observer: Yalçın Öner, Vice Chairman

Observer: Ibrahim Fayez Humaid Al Shamsi, Board Member

Observer: Fahrettin Yahşi, 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: Ibrahim Fayez Humaid Al Shamsi, Board Member

Member: Fahad Abdullah A. Al Rajhi, Board Member

Observer: Osman Akyüz, Board Member

Observer: Fahrettin Yahşi, Board Member and General Manager

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: Fahrettin Yahşi, Board Member and General Manager

Strategic Planning Committee

The Strategic Planning Committee was formed to determine the strategic objectives that will realise the Bank's vision, starting from the Bank's current position, mission and primary principles and defining, executing, observing and evaluating the strategic targets that will enable the Bank to achieve these.

Members of the Strategic Planning Committee:

President: Fahrettin Yahşi, General Manager

Member: Mehmet Ali Verçin, Assistant General Manager

Member: Temel Hazıroğlu, Assistant General Manager

Member: Bülent Taban, Assistant General Manager

Member: Nihat Boz, Assistant General Manager

Member: Turgut Simitcioğlu, Assistant General Manager)

Member: Melikşah Utku, Assistant General Manager, Secretary

Member: Mahmut Esfa Emek, Assistant General Manager

Member: Ayhan Keser, Assistant General Manager

Asset/Liability Management Committee

The Asset/Liability Management Committee ("**ALMC**") 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 financial management of the Bank. In this context, the ALMC examines all the Bank's 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 which affect the quality of assets. It also aims to manage the resources that are required for products and services rendered to customers, ensure they are readily available and review factors that could affect the Bank's profitability. The ALMC also ensures the measures to be taken as a result of its evaluations, review and examinations are executed.

Members of the ALMC

President: Fahrettin Yahşi, General Manager

Member: Mehmet Ali Verçin, Assistant General Manager

Member: Bülent Taban, Assistant General Manager

Member: Temel Haziroğlu, Assistant General Manager

Member: Nihat Boz, Assistant General Manager

Member: Turgut Simitcioğlu, Assistant General Manager

Member: Melikşah Utku, Assistant General Manager

Member: Mahmut Esfa Emek, Assistant General Manager

Member: Ayhan Keser, Assistant General Manager

Member: Ahmet Ocak, Budget and Financial Reporting Department Senior Manager

Member: İhsan Fehmi Sözkesen, Treasury Marketing Manager

Member: Volkan Evcil, Head of Risk Management

Member: Hasan Altundağ, Strategy and Corporate Performance Management 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: Prof Ekrem Pakdemirli

Fayez Humaid Alshamsi, Board Member

Fahrettin Yahşi, 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. Such 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.

Shari'a Consultancy Committee

The Shari'a Consultancy Committee was founded in order to audit the Bank's banking activities and whether they comply with the interest free banking model.

The responsibilities of the Bank's *Shari'a* Consultancy Committee include:

- responding to questions addressed to the committee regarding the principles of interest-free banking;
- monitoring 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 in 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, to assist 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;
- preparing the annual activity budget of the committee for approval by the Board.

The *Shari'a* Consultancy Committee's members are:

Sheikh Dr. Abdul Sattar Abu Ghuddah, President

Dr Abu Ghuddah obtained a PhD. in Shariah from Al-Azhar University, Egypt in 1975, an M.A in Ulum Hadith from Al-Azhar University, Egypt in 1967, an M.A. in Shariah from Al-Azhar University, Egypt in 1966, a Bachelor of Law degree from the University of Damascus, Syria in 1965 and a Bachelor of Shariah degree from the University of Damascus, Syria in 1964.

Professor Dr Hayrettin Karaman, Member

Professor Karaman was born in 1934 in Çorum, Turkey. He 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 played a role 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. He speaks Arabic, Persian and French.

Professor Dr Ahmed Mohyuiddin Ahmed, Member

Professor Ahmed was born in 1956 and 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.

Professor Dr Hamdi Döndüren, Member

Professor Döndüren obtained a bachelors 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 Uludag University, Department of Islamic Law.

Employees

As at 31 March 2014, the Bank had 3,140 employees compared with 3,057 as at 31 December 2013 and 2,758 as at 31 December 2012.

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 2013, on average, 57 hours of training was provided to employees.

SELECTED FINANCIAL INFORMATION

The following tables set out in summary form the balance sheet and income statement information relating to the Bank. Such information has been extracted from the audited consolidated financial statements of the Bank as at, and for the financial year ended 31 December 2013 (the "**2013 Financial Statements**"), the Bank's audited unconsolidated financial statements as at and the for the financial year ended 31 December 2012 (the "**2012 Financial Statements**") and the Bank's unaudited consolidated financial statements for the interim period ended 31 March 2014 (the "**2014 Interim Financial Statements**", and together with the 2013 Financial Statements and the 2012 Financial Statements the "**Financial Statements**"). The Financial Statements, together with the auditor's reports of Güney Bağimsiz Denetim ve Serbest Muhasebeci Mali Müsavirlik A.Ş. (a member firm of Ernst & Young Global Limited) and the accompanying notes, appear elsewhere in this Prospectus. The financial information presented below should be read in conjunction with the Financial Statements, reports and the notes thereto.

Income Statement Data

	Three month ended 31 March		Year ended 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Profit share on loans	295.7	262.1	1,095.1	966.4	718.3
Income received from banks	1.0	0.3	1.7	1.7	0.6
Income received from marketable securities portfolio	19.2	10.3	52.0	24.8	48.5
Finance lease income	2.6	1.4	4.6	3.9	2.3
Profit share income	**318.5**	**274.1**	**1,153.3**	**996.8**	**769.7**
Expense on profit sharing accounts	151.0	114.6	464.4	479.9	359.9
Profit share expense on funds borrowed	18.5	8.7	59.2	30.5	18.4
Profit Share Expense on Money Market Borrowings	2.7	0.0	4.6	0.5	5.8
Profit share expense	**172.2**	**123.3**	**528.2**	**510.9**	**384.1**
Net profit share income	**146.3**	**150.8**	**625.2**	**485.9**	**385.6**
Fees and commissions received	36.1	32.2	141.3	135.6	110.6
Fees and commissions paid	6.5	6.5	28.1	22.2	20.3
Net fees and commissions income/expenses	**29.6**	**25.7**	**113.2**	**113.4**	**90.3**
Dividend income	—	—	**0.5**	**0.7**	—
Trading income/loss (net)	17.0	8.0	37.2	20.4	21.2
Other operating income	41.1	58.8	118.8	85.1	55.5
Total operating income	**234.0**	**243.3**	**894.9**	**705.5**	**552.6**
Provision for loan losses and other receivables	**24.7**	**85.1**	**190.9**	**122.4**	**106.3**
Other operating expenses	128.8	90.2	404.4	341.9	244.2
Net operating income	**80.5**	**67.9**	**299.1**	**241.2**	**202.2**
Income loss on equity method	(0.6)	—	—	—	—
Provision for current taxes	(17.4)	(15.1)	(67.8)	(54.2)	(44.3)
Provision for deferred taxes	(1.5)	0.9	9.7	4.8	2.3
Tax provision	**(18.9)**	**(14.2)**	**(58.1)**	**(49.4)**	**(42.0)**
Net income	**61.0**	**53.7**	**241.0**	**191.8**	**160.2**

Balance Sheet Data

	As at 31 March		As at 31 December		
	2014	2013	2013	2012	2011
			(TL millions)		
ASSETS					
Cash and balances with the Central Bank	2,324.8	1,581.5	2,282.7	1,300.6	1,051.2
Financial assets at fair value through profit and loss (net)	7.5	7.4	4.8	6.2	4.8
Banks	1505.7	1,254.7	1378.7	1,037.1	1,307.5
Financial assets – available for sale (net)	530.5	152.5	240.9	152.6	85.9
Loans and receivables	12,037.9	9,326.9	11,961.3	9,033.5	7,251.8
Non performing loans	282.3	210.0	279.7	222.6	171.9
Specific provisions	246.5	175.5	253.4	197.7	158.9
Loans and receivables	**12,073.7**	**9,361.4**	**11,987.6**	**9,058.4**	**7,264.8**
Investments held to maturity (net)	728.6	587.0	745.4	365.8	430.9
Investments in associates (net)	4.2	4.2	4.2	4.2	3.0
Subsidiaries	0.3	0.0	0.3	—	—
Joint venture	9.4	—	5.1	—	—
Lease receivables (net)	92.6	40.0	72.3	41.7	22.2
Tangible assets (net)	390.4	295.3	380.6	294.4	231.1
Intangible assets (net)	15.6	8.5	15.9	7.1	5.3
Tax asset	9.2	11.3	10.9	10.4	9.9
Assets held for sale	23.0	25.6	28.4	10.7	25.4
Other assets	93.3	53.6	58.4	38.5	18.9
Total assets	**17,808.8**	**13,383.0**	**17,216.2**	**12,327.7**	**10,460.9**
LIABILITIES AND EQUITY					
Funds collected	12,641.8	10,096.1	12,526.2	9,225.0	8,044.7
Derivative financial liabilities held for trading	—	—	2.8	—	—
Funds borrowed	2,084.7	1,530.8	2,035.8	1,393.8	1,053.3
Borrowings from money markets	450.4	—	144.8	—	—
Miscellaneous payables	422.2	261.8	329.2	316.4	177.0
General provisions	116.9	114.0	113.7	103.1	72.9
Reserve for employee benefits	26.2	22.5	39.5	19.2	14.4
Other provisions	54.8	48.8	48.3	13.5	58.9
Provisions	**197.9**	**185.3**	**201.5**	**135.8**	**146.2**
Tax liability	40.4	37.6	46.1	38.3	35.4
Subordinated Loans	441.2	—	433.0	—	—
Paid-in capital	900.0	900.0	900.0	900.0	539.0
Capital reserves	96.6	55.8	92.8	56.7	35.3
Profit reserves	470.3	261.6	261.6	68.9	269.1
Profit or loss	63.3	54.1	242.4	192.7	160.9
Shareholders' equity	**1,530.2**	**1,271.5**	**1,496.8**	**1,218.3**	**1,004.3**
Total liabilities	**17,808.8**	**13,383.1**	**17,216.2**	**12,327.7**	**10,460.9**

Statement of Cash Flows

	As at 31 March		As at 31 December		
	2014	2013	2013	2012	2011
			(TL millions)		
Net cash provided from banking operations	54.5	274.1	414.6	(710.0)	12.6
Net cash provided from investing activities	(150.0)	(237.9)	(513.2)	(29.8)	(95.3)
Net cash provided from financing activities	85.0	144.5	518.4	333.9	653.3
Effect of change in foreign exchange rate on cash and cash equivalents	132.4	(3.5)	100.0	2.0	52.4
Cash and cash equivalents at the beginning of the period	1,882.0	1,362.1	1,362.1	1,766.0	1,143.0
Cash and cash equivalents at the end of the period	2,004.0	1,539.4	1,882.0	1,362.1	1,766.0

Key Financial Ratios

The following table sets out certain key ratios calculated with results derived from the Financial Statements. These ratios are not calculated on the basis of IFRS and are not IFRS measures of financial performance.

	As at 31 March		As at 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
Key Ratios					
Net profit share margin[(1)]	45.9	55.0	54.2	48.7	50.1
Funded credits / total assets	67.8	70.0	70.0	73.5	69.4
Collected funds / total assets	71.0	75.4	72.8	74.8	76.9
Return on equity[(2)]	4.0	4.2	16.0	15.7	16.0
Return on assets[(3)]	0.3	0.4	1.4	1.6	1.5
Non performing loan ratio[(4)]	2.3	2.2	2.3	2.5	2.4
Net non performing loan ratio[(5)]	0.3	0.4	0.2	0.3	0.2
Non performing loan provisions ratio[(6)]	87.3	83.6	90.6	88.8	92.4
Capital adequacy ratio[(7)]	15.2	12.8	14.8	13.0	12.5
Earnings per share (TL)	0.1	0.1	0.3	0.2	0.1

Notes:

(1) Net profit share income divided by profit share income.

(2) Net income divided by total equity.

(3) Net income divided by total assets.

(4) Non-performing loans divided by total loans and receivables.

(5) (Non-performing loans minus specific provisions) divided by total loans and receivables (excluding accruals and profit rediscounts).

(6) Specific provisions divided by non-performing loans.

(7) Calculated in accordance with BRSA regulations.

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", "Selected Financial Information" and the Financial Statements.

The review of the Bank's financial condition and results of operations is based upon the Audited Annual Financial Statements and the unaudited consolidated financial statements for the three month period ended 31 March 2014. 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".

*All financial information in this section has been extracted from the Bank's audited consolidated financial statements as at and the for the year ended 31 December 2013 (the "**2013 Financial Statements**"), the Bank's audited unconsolidated financial statements as at and the for the year ended 31 December 2012 (the "**2012 Financial Statements**") and the Bank's unaudited consolidated financial statements for the interim period ended 31 March 2014 (the "**2014 Interim Financial Statements**") which have been audited or reviewed (as applicable) by Güney Bağimsiz Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, a member firm of Ernst & Young Global Limited. References in this section to the years 2013, 2012 and 2011 are to the 12 months ended 31 December in each such year. References in this section to the first quarters of 2014 and 2013 are to the 3 month periods ended 31 March in each such year.*

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 forth key Turkish economic indicators for the years 2013, 2012 and 2011 and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	**2013**	**2013**	**2012**	**2011**
GDP (*current prices-TL billions*)	—*	358	1,562	1,417	1,298
Real GDP growth (*%*)	2.8**	3.0	4.0	2.2	8.5
GDP per capita (*U.S.$*)	—*	10,755	10,782	10,504	10,469
Unemployment (*%*)	10.2	10.1	9.7	9.2	9.8
Central Bank policy rate (*year-end, %*)	10.0	5.50	4.50	5.50	5.75
Benchmark yield (*year-end, %*)	10.69	6.35	10.10	6.15	10.01
Inflation (*%*)	8.39	7.29	7.40	6.2	10.4
Exports (*U.S.$ billions*)	40.2	37.1	151.9	152.5	134.9
Imports (*U.S.$ billions*)	57.4	55.9	251.7	236.5	240.8
Trade deficit (*U.S.$ billions*)	17.2	(18.8)	(99.8)	(84.0)	(105.9)
Current account deficit (*U.S.$ billions*)	11.4	16.5	65.4	(48.9)	(77.2)
Budget deficit (*TL billions*)	1.5	5.4	18.4	(28.8)	(17.8)

Sources: Turkish Treasury, TUIK, Central Bank of Turkey
This financial review analyses the Bank's results of operations in 2011, 2012 and 2013.
* Has not been officially announced
** Forecast

Accounting Policies

The Bank's accounting policies are set out in Section 3 to the 2014 Interim Financial Statements, Section 3 to the 2013 Financial Statements and Section 3 to the 2012 Financial Statements. As explained in

Notes XXIV of Section 3 to the 2014 Interim Financial Statements, Notes XXIV of Section 3 to the 2013 Financial Statements and Notes XXIII of Section 3 to the 2012 Financial Statements, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No: 5411 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed in accordance with International Financial Reporting Standards ("**IFRS**") have not been quantified in any of the 2014 Interim Financial Statements, the 2013 Financial Statements or the 2012 Financial Statements. Accordingly, none of the 2014 Interim Financial Statements, the 2013 Financial Statements or the 2012 Financial Statements is 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 2013, 31 DECEMBER 2012 AND 31 DECEMBER 2011 AND FOR THE INTERIM PERIODS ENDED 31 MARCH 2014 AND 31 MARCH 2013

Net profit share income

The following table analyses the Bank's net profit share income for the years 2013, 2012 and 2011 and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Profit share on loans	295.7	262.1	1,095.1	966.4	718.3
Income received from banks	1.0	0.3	1.6	1.7	0.6
Income received from marketable securities portfolio	19.2	10.3	52.0	24.8	48.5
Available for sale financial assets	6.4	2.3	10.4	6.1	7.2
Investments held to maturity	12.8	8.0	41.6	18.7	41.3
Finance lease income	2.6	1.4	4.6	3.9	2.3
Profit share income	**318.5**	**274.2**	**1,153.3**	**996.8**	**769.7**
Expense on profit sharing accounts	151.0	114.6	464.4	479.9	359.9
Profit share expense on funds borrowed	18.5	8.7	59.2	30.5	18.4
Profit Share expense on Money Market Borrowings	2.7	—	4.6	0.5	5.8
Profit share expense	**172.2**	**123.4**	**528.1**	**510.9**	**384.1**
Net profit share income	**146.3**	**150.8**	**625.2**	**485.9**	**385.6**

The Bank's net profit share income was TL 625.2 million in 2013, an increase of TL 139.3 million, or 28.7 per cent., from TL 485.9 million in the year ended 31 December 2012, which itself represented an increase of TL 100.3 million, or 26.4 per cent., from TL 385.6 million in the year ended 31 December 2011.

Profit share income

Profit share income is accounted in accordance with TAS 39 "Financial Instruments: Recognition and Measurement" 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", the profit share accruals of non-performing loans 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 318.5 million in the interim period ended 31 March 2014, an increase of TL 44.3 million, or 16.2 per cent., from TL 274.1 million in the interim period ended 31 March 2013. This increase reflected an increase of TL 33.6 million, or 12.8 per cent., in profit share on loans and an increase of TL 8.9 million, or 86.4 per cent., in income received from marketable securities portfolio. The increase in the latter is explained by a 60.0 per cent. increase in income received from investments held to maturity due to a continued improvement in market conditions.

The Bank's profit share income was TL 1,153.3 million in the year ended 31 December 2013, an increase of TL 156.5 million, or 16 per cent., from TL 996.8 million in the year ended 31 December 2012. This increase reflected an increase of TL 128.7 million, or 13.3 per cent., in profit share on loans and an increase of TL 27.2 million, or 109.7 per cent., in income received from marketable securities portfolio. The increase in the latter is explained by a 122.5 per cent. increase in income received from investments held to maturity due to improved market conditions.

The Bank's profit share income was TL 996.8 million in the year ended 31 December 2012, an increase of TL 227.1 million, or 29.5 per cent., from TL 769.7 million in the year ended 31 December 2011. This increase reflected an increase of TL 248.1 million, or 38.7 per cent., in profit share on loans, partially offset by a decrease of TL 23.7 million, or 48.9 per cent., in income received from marketable securities portfolio as a result of a 54.7 per cent. decrease in income received from investments held to maturity due to adverse market conditions.

Profit share on loans represents the Bank's return on loan transactions entered into by it as well as fees and commissions received in respect of those transactions. These transactions are entered into to provide financing to the Bank's clients. The increases in income from profit share on loans in 2013 and 2012 principally reflected increased volumes of transactions entered into by the Bank.

Profit share expense

The Albaraka Banking Group, the Bank's parent, 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.

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 172.2 million in the interim period ended 31 March 2014, an increase of TL 48.8 million, or 39.5 per cent., from TL 123.4 million in the interim period ended 31 March 2013. This increase principally reflected an increase of TL 36.4 million, or 31.8 per cent., in expense on profit sharing accounts from TL 114.6 million in the interim period ended 31 March 2013 to TL 151.0 million in the interim period ended 31 March 2014. The Bank's profit share expense was TL 528.1 million in the year ended 31 December 2013, an increase of TL 17.2 million, or 3.4 per cent., from TL 510.9 million in the year ended 31 December 2012. This slight increase was a result of a decrease of TL 15.5 million, or 3.2 per cent., in expense on profit sharing accounts which was offset by an increase in profit sharing expense on funds borrowed of 94.1 per cent. from TL 30.5 million in the year ended 31 December 2012 to TL 59.2 million in the year ended 31 December 2013 and an increase in profit share expense on money market borrowings of 820 per cent. from TL 0.5 million in the year ended 31 December 2012 to TL 4.6 million in the year ended 31 December 2013.

The Bank's profit share expense was TL 510.9 million in the year ended 31 December 2012, an increase of TL 126.8 million, or 33.0 per cent., from TL 384.1 million in the year ended 31 December 2011. This increase principally reflected an increase of TL 120.0 million, or 33.3 per cent., in expense on profit sharing accounts from TL 359.9 million in the year ended 31 December 2011 to TL 479.9 million in the year ended 31 December 2012.

Net income from fees and commissions

The following table analyses the Bank's net income from fees and commissions for the years 2013, 2012 and 2011 and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	2013	2013	2012	2011
			(TL millions)		
Fees and commissions received	36.1	32.2	141.3	135.6	110.6
Non cash loans	19.7	19.2	82.4	77.8	59.7
Other	16.5	12.9	58.9	57.8	50.9
Fees and commissions paid	6.5	6.5	28.1	22.2	20.3
Non cash loans	0.1	0.2	0.5	0.4	0.4
Other	6.4	6.3	27.6	21.8	19.9
Net fees and commissions income/expenses	**29.6**	**25.7**	**113.2**	**113.4**	**90.3**

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 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 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. Fees and commissions collected in advance which are related to the future periods are recorded under the heading 'Deferred 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 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 29.6 million in the interim period ended 31 March 2014, an increase of TL 3.9 million, or 15.2 per cent., from TL 25.7 million in the interim period ended 31 March 2013. This increase principally reflected an increase of TL 3.9 million, or 12.1 per cent. in fees and commissions received from TL 32.2 million in the interim period ended 31 March 2013 to 36.1 million in the interim period 31 March 2014 where the fees and commissions paid remained the same at TL 6.5 million for the interim period ended 31 March 2014 and 31 March 2013. The increase in the Bank's fees and commissions received in first quarter of 2014 reflected increases of TL 3.9 million, or 12.1 per cent. for first quarter of 2014 compared to the interim period ended 31 March 2013, in fees and commissions from non-cash loans from TL 19.2 million in first quarter of 2013 to TL 19.7 million in first quarter of 2014, in other fees and commissions from TL 12.9 million in first quarter of 2013 to TL 16.5 million in first quarter of 2014, in each case as a result of increased volumes of the relevant transactions.

The Bank's net income from fees and commissions was TL 113.2 million in the year ended 31 December 2013, a decrease of TL 0.2 million, or 0.18 per cent., from TL 113.4 million in the year ended 31 December 2012. This decrease principally reflected an increase of TL 5.9 million, or 26.6 per cent. in fees and commissions paid from TL 22.2 million in the year ended 31 December 2012 to TL 28.1 million in the year ended 31 December 2013 which was almost entirely offset by an increase in fees and commissions received which increased by TL 5.7 million, or 4.2 per cent., from TL 135.6 million in the year ended 31 December 2012 to TL 141.3 million in the year ended 31 December 2013. The increase in the Bank's fees and commissions received in 2013 reflected an increase of TL 4.6 million, or 5.9 per cent. in fees and commissions from non-cash loans from TL 77.8 million in 2012 to TL 82.4 million in 2013, and an increase of TL 18.1 million, or 30.3 per cent. for 2012 compared to the year ended 31 December

2011, in other fees and commissions from TL 57.8 million in 2012 to TL 58.9 million in 2013, in each case principally reflecting increased volumes of the relevant transactions.

Net trading income

The following table analyses the Bank's net trading income for the years 2013, 2012 and 2011 and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	2013	2013	2012	2011
			(TL millions)		
Capital market transaction income/(Loss)	0.0	0.8	0.0	(0.2)	0.3
Net foreign exchange income	14.4	7.2	40.0	20.6	20.9
Income / (Loss) from Derivative Financial Instruments	2.6	0.0	(2.8)	0.0	0.0
Trading income/loss (net)	**17.0**	**8.0**	**37.2**	**20.4**	**21.2**

The Bank's net trading income principally reflects its profit or loss on foreign exchange 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 Katilim Bankasi A.Ş. – Investments*".

Foreign exchange income increased compared to the prior year. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange on the balance sheet date announced by the Albaraka Banking Group. 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 Bank's net trading income was TL 17.0 million for the interim period ended 31 March 2014, an increase of TL 9.0 million, or 112 per cent. for the interim period ended 31 March 2013. This increase principally reflected an increase of TL 7.2 million, or 100 per cent., in net foreign exchange income from TL 7.2 million in the interim period ended 31 March 2013 to TL 14.4 million in the interim period ended 31 March 2014 (reflecting increased values of such transactions, primarily undertaken on behalf of customers) which was slightly offset by a decrease in capital market transaction income of TL 0.8 million, or 100 per cent., from an income of TL 0.8 million in the interim period ended 2013 to breakeven in the interim period ended 31 March 2014.

The Bank's net trading income was TL 37.2 million in the year ended 31 December 2013, an increase of TL 16.8 million, or 82.4 per cent., from TL 20.4 million in the year ended 31 December 2012. This increase principally reflected an increase of TL 19.4 million, or 94.2 per cent., in net foreign exchange income from TL 20.6 million in the year ended 31 December 2012 to TL 40.0 million in the year ended 31 December 2013 (reflecting increased values of such transactions, primarily undertaken on behalf of customers) and a decrease in capital market transaction loss of TL 0.2 million, or 100 per cent., from a loss of TL 0.2 million in 2012 to breakeven in the year ended 31 December 2013.

The Bank's net trading income was TL 20.4 million in the year ended 31 December 2012, a decrease of TL 0.8 million, or 3.8 per cent., from TL 21.2 million in the year ended 31 December 2011. This decrease principally reflected a TL 0.5 million decrease in capital market transaction income due to prevailing market conditions and a lower volume of trades.

Other operating income

The following table analyses the Bank's other operating income for the years 2013, 2012 and 2011, and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Reversal of prior year provisions	37.7	56.7	96.0	73.8	44.9
Income from sale of assets	1.8	0.8	15.6	5.9	6.6
Other	1.6	1.3	7.2	5.4	4.0
Total other operating income	**41.1**	**58.8**	**118.8**	**85.1**	**55.5**

Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement.

The Bank's other operating income was TL 41.1 million for the interim period ended 31 March 2014 a decrease of TL 17.7 million, or 30.1 per cent., from TL 58.8 million in the interim period ended 31 March 2013. This decrease principally reflected a decrease of TL 19.0 million in reversal of prior year provisions for loan from TL 56.7 million in the quarter ended 31 March 2013 to TL 37.7 million in the interim period ended 31 March 2014 and an increase of TL 1.0 million, or 125 per cent., in income from sale of assets from TL 0.8 million in the interim period ended 31 March 2013 to TL 1.8 million in the interim period ended 31 March 2014.

The Bank's other operating income was TL 118.8 million in the year ended 31 December 2013, an increase of TL 33.7 million, or 39.6 per cent., from TL 85.1 million in the year ended 31 December 2012. This increase principally reflected a TL 22.2 million reversal of prior year provisions for loan losses from TL 73.8 million in the year ended 31 December 2012 to TL 96.0 million in the year ended 31 December 2013 and an increase of TL 9.7 million, or 164 per cent., in income from sale of assets from TL 5.9 million in the year ended 31 December 2012 to TL 15.6 million in the year ended 31 December 2013.

The Bank's other operating income was TL 85.1 million in the year ended 31 December 2012, an increase of TL 29.6 million, or 53.3 per cent., from TL 55.5 million in the year ended 31 December 2011. This increase principally reflected a TL 28.9 million reversal of prior year provisions for loan losses from TL 44.9 million in the year ended 31 December 2011 to TL 73.8 million in the year ended 31 December 2012.

Total operating income

Reflecting the above factors, the Bank's total operating income was TL 234.0 million in the interim period ended 31 March 2014, a decrease of TL 9.3 million, or 3.7 per cent., from the TL 243.3 million recorded in the interim period ended 31 March 2013. The Bank's total operating income was TL 894.8 million in the year ended 31 December 2013, an increase of TL 189.3 million or 26.8 per cent., from the TL 705.5 million recorded in the year ended 31 December 2012, which itself represented an increase of TL 152.8 million, or 27.6 per cent., from TL 552.7 million in the year ended 31 December 2011.

Provision for loan losses and other receivables

The following table analyses the Bank's provision for loan losses and other receivables for the years 2013, 2012 and 2011 and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Specific provisions for loans and other receivables	6.8	33.9	146.1	84.4	58.0
General provision expenses	8.7	12.2	10.6	30.7	20.8
Other	9.2	39.0	34.2	7.3	27.5
Total provision for loan losses and other receivables	**24.7**	**85.1**	**190.9**	**122.4**	**106.3**

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 24.7 million in the interim period ended 31 March 2014, a decrease of TL 60.4 million, or 70.9 per cent., from TL 85.1 million in the interim period ended 31 March 2013. This decrease principally reflected decreases of TL 27.1 million, or 79.9 per cent., in specific provisions for loans and other receivables from TL 33.9 million in the first quarter of 2013 to TL 6.8 million in the first quarter of 2014, and TL 29.8 million, or 76.4 per cent., in other provision from TL 39.0 million in first quarter of 2013 to TL 9.2 million in first quarter of 2014, and TL 3.5 million, or 28.7 per cent., in other provision from TL 12.2 million in first quarter of 2013 to TL 8.7 million in first quarter of 2014.

The Bank's total provision for loan losses and other receivables was TL 190.9 million in the year ended 31 December 2013, an increase of TL 68.5 million, or 56.0 per cent., from TL 122.4 million in the year ended 31 December 2012. This increase principally reflected increases of TL 61.7 million, or 73.1 per cent., in specific provisions for loans and other receivables from TL 84.4 million in 2012 to TL 146.1 million in 2013, and TL 26.7 million, or 365.8 per cent., in other provision from TL 7.3 million in 2012 to TL 34.2 million in 2013, which was partially offset by a decrease of TL 20.1 million, or 65.5 per cent., in general provision expenses from TL 30.7 million in 2012 to TL 10.6 million in 2013.

The Bank's total provision for loan losses and other receivables was TL 122.4 million in the year ended 31 December 2012, an increase of TL 16.1 million, or 15.1 per cent., from TL 106.3 million in the year ended 31 December 2011. This increase principally reflected increases of TL 26.4 million, or 45.5 per cent., in specific provisions for loans and other receivables from TL 58.0 million in 2011 to TL 84.4 million in 2012, and TL 9.9 million, or 47.6 per cent., in general provision expenses from TL 20.8 million in 2011 to TL 30.7 million in 2012, which was partially offset by a decrease of TL 20.2 million, or 73.5 per cent., in other provision from TL 27.5 million in 2011 to TL 7.3 million in 2012.

Other operating expenses

The following table analyses the Bank's other operating expenses for the years 2013, 2012 and 2011 and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Personnel expenses	79.0	52.6	227.3	201.4	141.9
Provision for retirement pay liability	1.6	0.9	2.1	4.2	1.7
Impairment expenses of tangible assets	—	—	—	0.3	—
Depreciation expenses of tangible assets	7.0	5.4	23.1	18.2	13.5
Amortisation expenses of intangible assets	2.0	1.0	5.1	3.1	1.7
Impairment expenses of assets to be disposed	0.0	0.4	1.1	0.1	0.3
Depreciation expenses of assets to be disposed	0.3	0.2	0.7	0.6	0.3
Impairment expenses of assets held for sale and assets of discontinued operations	0.0	0.4	1.0	0.1	—
Operating lease expenses	9.2	7.0	30.4	26.3	19.6
Maintenance expenses	1.0	0.8	4.2	3.6	3.0
Advertisement expenses	2.0	0.8	5.1	7.2	6.2
Other operating expenses	11.8	8.5	36.7	29.5	24.3
Loss on sale of assets	0.0	0.0	0.5	0.2	0.4
Other	14.7	12.3	67.1	47.1	31.3
Total other operating expenses	**128.8**	**90.2**	**404.4**	**341.9**	**244.2**

The Bank's principal other operating expense remains its personnel expense (accounting for 61.3 per cent. of its other operating expenses in the first quarter of 2014 and 56.2 per cent. of its other operating expenses for the year ended 31 December 2013). The Bank's total other operating expenses were TL 128.8 million in the interim period ended 31 March 2014, an increase of TL 38.6 million, or 42.8 per cent., from TL 90.2 million in the interim period ended 31 March 2013. These increases principally reflected increases of TL 26.4 million, or 150.2 per cent. in personnel expenses in the interim period ended 31 March 2014 compared to the prior year. The Bank's principal other operating expense was its personnel expense (accounting for 61.3 per cent. of its other operating expenses). The Bank's total other operating expenses were TL 404.4 million in the year ended 31 December 2013, an increase of TL 62.5 million, or 18.3 per cent., from TL 341.9 million in the year ended 31 December 2012, which itself reflected an increase of TL 97.7 million, or 40.0 per cent., from TL 244.2 million in the year ended 31 December 2011.

These increases principally reflected increases of TL 25.9 million, or 12.9 per cent., and TL 59.5 million, or 41.9 per cent., in personnel expenses in the years ended 31 December 2013, 2012 and 2011 respectively compared to the prior year, which reflected both an increase in total staffing numbers (from 2,601 at 31 December 2011 to 2,758 at 31 December 2012 and to 3,057 at 31 December 2013) and increases in salaries and allowances. Increases in certain other categories of other operating expenses, such as tangible asset depreciation and the "other" categories, principally reflect new branch openings since the start of 2011.

Net operating income

Reflecting the above factors, the Bank's net operating income was TL 80.5 million in the interim period ended 31 March 2014 an increase of TL 12.6 million, or 19.0 per cent., from TL 67.9 million in the interim period ended 31 March 2013. The Bank's net operating income was TL 299.5 million in the year ended 31 December 2013, an increase of TL 58.3 million, or 25.0 per cent., from TL 241.2 million in the year ended 31 December 2012, which in itself represented an increase of TL 39.0 million, or 20.0 per cent., from TL 202.2 million in the year ended 31 December 2011.

Tax provision for continued operations

The following table analyses the Bank's tax provision for the years 2013, 2012 and 2011 and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(TL millions)		
Provision for current taxes	(17.4)	(15.1)	(67.8)	(54.2)	(44.3)
Provision for deferred taxes	(1.5)	0.9	9.7	4.8	2.3
Tax provision for continued operations	**(18.9)**	**(14.2)**	**(58.1)**	**(49.4)**	**(42.0)**

The Bank's tax provision was TL 18.9 million in the interim period ended 31 March 2014, an increase of TL 4.7 million, or 33.1 per cent., from TL 14.2 million in the interim period ended 31 March 2013. The Bank's tax provision was TL 58.1 million in the year ended 31 December 2013, an increase of TL 8.7 million, or 17.6 per cent., from TL 49.4 million in the year ended 31 December 2012, which in itself represented an increase of TL 7.4 million, or 17.6 per cent., from TL 42.0 million in the year ended 31 December 2011, reflecting comparable increases in both provision for current taxes and provision for deferred taxes.

Net income

Reflecting the above factors, the Bank's net income was TL 60.9 million in the interim period ended 31 March 2014, an increase of TL 7.2 million, or 13.4 per cent., from TL 53.7 million in the interim period ended 31 March 2013. The Bank's net income was TL 241.0 million in the year ended 31 December 2013, an increase of TL 49.2 million, or 25.7 per cent., from TL 191.8 million in the year ended 31 December 2012, which in itself represented an increase of TL 31.7 million, or 19.8 per cent., from TL 160.2 million in the year ended 31 December 2011.

SEGMENTAL INFORMATION

For accounting purposes, the Bank classifies its activities into three segments: (i) Retail; (ii) Commercial and Corporate; and (iii) Treasury.

The tables below show the Bank's total assets, total liabilities and net profit for the period by segment as at, and for each of the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and for each of the interim periods ended 31 March 2014 and 31 March 2013.

	As at and for the interim period ended 31 March 2014				
	Retail	**Commercial and Corporate**	**Treasury**	**Undistributed**	**Total**
			(TL millions)		
Total assets	1,425.4	10,614.0	1,560.8	4,209.6	17,809.9
Total liabilities	8,923.0	6,760.2	312.0	1,814.7	17,809.9
Net profit for the period	**(75.9)**	**231.3**	**23.5**	**(117.4)**	**61.6**

	As at and for the interim period ended 31 March 2013				
	Retail	**Commercial and Corporate**	**Treasury**	**Undistributed**	**Total**
			(TL millions)		
Total assets	1,050.2	8,125.9	1,338.5	2,868.6	13,383.2
Total liabilities	6,540.1	4,308.5	325.3	2,209.2	13,383.2
Net profit for the period	**(49.6)**	**222.5**	**13.9**	**(133.1)**	**53.7**

	As at and for the year ended 31 December 2013				
	Retail	**Commercial and Corporate**	**Treasury**	**Undistributed**	**Total**
			(TL millions)		
Total assets	1,383.6	10,482.6	1,496.6	3,853.3	17,216.1
Total liabilities	8,358.9	6,880.8	217.9	1,758.6	17,216.1
Net profit for the period	**(194.8)**	**788.8**	**61.7**	**(414.7)**	**241.0**

	As at and for the year ended 31 December 2012				
	Retail	**Commercial and Corporate**	**Treasury**	**Undistributed**	**Total**
			(TL millions)		
Total assets	1,037.9	8,059.1	830.4	2,400.3	12,327.7
Total liabilities	6,128.4	3,933.2	305.1	1,961.0	12,327.7
Net profit for the period	**(223.1)**	**704.0**	**44.7**	**(333.7)**	**191.8**

	As at and for the year ended 31 December 2011				
	Retail	**Commercial and Corporate**	**Treasury**	**Undistributed**	**Total**
			(TL millions)		
Total assets	947.7	6,303.8	928.5	2,280.9	10,460.9
Total liabilities	5,201.9	3,475.7	189.6	1,593.6	10,460.9
Net profit for the year	**(185.0)**	**550.9**	**62.2**	**(267.8)**	**106.2**

The Bank classifies as retail assets and retail liabilities the funds which it applies to, and receives from, retail customers, respectively. 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, respectively. 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 summarises the cash flows of the Bank as at, and for each of the years ended, 31 December 2013, 31 December 2012 and 31 December 2011 and for the first quarters of 2014 and 2013.

	31 March		31 December		
	2014	2013	2013	2012	2011
			(TL millions)		
Net cash flow from banking operations	54.5	274.1	414.6	(710.0)	12.6
Net cash flow from investing activities	(149.9)	(237.9)	(513.2)	(29.8)	(95.3)
Net cash flow from financing activities	85.0	144.5	518.4	333.9	653.3
Effect of change in foreign exchange rate on cash and cash equivalents	132.3	(3.5)	100.0	2.0	52.5
Net (decrease) / increase in cash and cash equivalents	**121.9**	**177.2**	**519.8**	**(403.9)**	**623.1**
Cash and cash equivalents at the beginning of the period	1,882.0	1,362.1	1,362.1	1,766.0	1,142.9
Cash and cash equivalents at the end of the period	**2,003.9**	**1,539.4**	**1,881.9**	**1,362.1**	**1,766.0**

Net cash flow from banking operations

The Bank's net cash flow from banking operations was TL 54.5 million in the interim period ended 31 March 2014 compared to net cash used in banking operations of TL 274.1 million in the interim period ended 31 March 2013, recording a decrease of TL 219.6 million. It was mainly due to the net difference in Net Increase (Decrease) in Other Funds Collected between 31 March 2014 and the prior same period (Net Increase in Other Funds Collected was TL 111.3 million at 31 March 2014 comparing to TL 874.9 million at 31 March 2013).

The Bank's net cash flow from banking operations was TL 414.6 million in the year ended 31 December 2013 compared to net cash used in banking operations of TL (710.0) million in the year ended 31 December 2012 and net cash flow from banking operations of TL 12.6 million in the year ended 31 December 2011. This increased net cash flow from banking operations during the year ended 31 December 2013 was a result of decreased investment in core banking operations. In the year ended 31 December 2012, the net cash used in banking operations was principally the result of increased investment in operating assets including available for sale financial assets and expansion of its loan portfolio.

Net cash flow from investing activities

The Bank's net cash used in investing activities was TL (149.9) million in the interim period ended 31 March 2014 compared to TL (237.9) million in the interim period ended 31 March 2013. The decrease in net cash used in investing activities was that in spite of, the cash paid for purchase of investment securities was TL (274.4) million in the interim period ended 31 March 2013, there was not any entry in 31 March 2014.

The Bank's net cash used in investing activities was TL (513.2) million in the year ended 31 December 2013 compared to TL (29.8) million in the year ended 31 December 2012 and TL (95.3) million in the year ended 31 December 2011. This increase in net cash used in investing activities during the year ended 31 December 2013 was principally the result of cash invested in fixed assets and investment securities. In the year ended 31 December 2012, the decrease in net cash used in investing activities was principally the result of cash invested in financial assets available for sale and investment securities which were offset by the higher return realised from the sale by the Bank of investment securities.

Net cash flow from financing activities

The Bank's net cash flow from financing activities was TL 85.0 million in the interim period ended 31 March 2014 compared to TL 144.5 million in the interim period ended 31 March 2013. This decrease in net cash provided from financing activities was due to the net effect of new entries of cash obtained from funds borrowed and securities issued and cash used for repayment of funds borrowed and securities issued. Cash obtained from funds borrowed and securities issued increased by TL 960.2 million, or 664.5 per cent., from TL 144.5 million in the first quarter of 2013 to TL 1,104.7 million in the first quarter of 2014.

The Bank's net cash flow from financing activities was TL 518.9 million in the year ended 31 December 2013 compared to TL 333.9 million in the year ended 31 December 2012 and TL 653.3 million in the year ended 31 December 2011. Cash used by the Bank for the repayment of funds borrowed and securities issued increased from TL (602.3) million in 2012 to TL (1,019.7) in 2013 representing an increase of 69.3 per cent., which was offset by an increase of TL 601.9 million, or 64.2 per cent., in cash obtained from funds borrowed and securities issued from TL 936.2 million in the year ended 31 December 2012 to TL 1,538.1 million in the year ended 31 December 2013. Cash used by the Bank for the repayment of funds borrowed and securities issued increased from TL (371.8) million in the year ended 31 December 2011 to TL (602.3) million in the year ended 31 December 2012 representing an increase of 62.0 per cent.

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 analyses the Bank's off balance sheet commitments as at, and for each of the years ended 31 December 2013, 31 December 2012 and 31 December 2011 and as at, and for the interim periods ended 31 March 2014 and 31 March 2013.

	31 March		31 December		
	2014	2013	2013	2012	2011
			(TL millions)		
Guarantees subject to State Tender Law	108.7	161.4	115.5	164.9	211.2
Guarantees given for foreign trade operations	819.4	792.4	814.5	795.3	847.5
Other letters of guarantee	4,314.1	3,640.2	4,301.9	3,574.6	3,475.5
Import letter of acceptances	24.9	15.1	23.5	15.5	44.0
Letter of credits	513.7	540.6	482.0	477.8	506.2
Other guarantees	432.8	207.0	356.4	168.0	83.7
Other collaterals	69.4	15.3	70.1	17.1	30.0
Asset Purchase and Sale Commitments	62.8	413.5	65.4	528.7	—
Share Capital Commitment to Associates and Subsidiaries	—	—	5.0	—	1.0
Loan granting commitments	46.4	42.4	45.4	39.6	18.3
Payment commitment for checks	325.4	284.4	297.2	263.7	190.2
Tax and fund liabilities from export commitments	1.4	1.2	1.4	1.0	0.6
Commitments for credit card expenditure limits	494.7	336.5	458.5	306.0	173.7
Commitments for Promotions Related with Credit Cards and Banking Activities	0.4	0.4	0.4	0.3	—
Other Irrevocable Commitments	1.5	1.3	2.8	2.8	3.8
Total off balance sheet commitments	**7,710.4**	**6,451.6**	**7,631.4**	**6,355.4**	**5,585.7**

RECENT DEVELOPMENTS

On 12 September 2013, the Bank announced the successful closure and signing of a US$430 million equivalent dual-currency 1 year and 2 years tranches syndicated murabaha financing facility (the "**Murabaha Facility**"). The announcement stated that the proceeds from the Murabaha Facility would be used by the Bank to expand its financing activities in Turkey.

On 7 May 2013, the Bank issued a debut sukuk murabaha in the international debt capital markets, a highly successful US$200 million 10 year non-call five subordinated tier II sukuk due May 2023. The Bank was able to take advantage of a positive market backdrop as well as strong pent-up demand for quality issuers and greater portfolio diversification amongst Islamic investors. The order book was close to two times oversubscribed and contained 64 high quality accounts.

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 December 2013

As at the date of this prospectus, there are currently 49 banks operating from 11,896 branches with a total work force of 214,263 in Turkey, including 4 participation banks.

As of December 2013, the total asset size of the Turkish Banking Sector reached TL 1.732 billion. Total assets of the sector increased by TL 361.7 billion comparing to 2012. As of December 2013, loans which are the biggest item composed of 60.5 per cent. of total assets amounting to TL 1.047 billion. As of December 2013, the sector's profit was TL 24.732 million; representing an increase of TL 1.210 million (5.1 per cent.) compared to the same period in the previous year. The sector's return on assets and return on equities were realised respectively as 1.6 per cent. and 14.2 per cent. The sector's capital adequacy standard ratio was 15.3 per cent. as of December 2013. Nonperforming loans ratio which was realized as 2.9 per cent. as of December 2012 is formed as 2.7 per cent. as of December 2013.

In spite of the increase of the mortgage credits in 2013 and the real estate official provision rate of 75 per cent. and, the provision rate of the real estate sector remains between 62-64 per cent. in 2013.

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 taking a hit from 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 31 December 2013 under BRSA accounting principles.

	Public Sector Banks	Private Sector Banks	Foreign Banks	Development and Investment Bank	Participation Banks	Total
			(TL in millions, where applicable)			
Total assets	483.378	842.002	239.948	70.137	96.086	1.731.511
Total loans	277.040	518.913	143.819	45.614	62.042	1.047.428
Total deposits	300.536	456.834	127.068	—	61.313	945.751
Total shareholders' equity	45.204	95.060	25.097	18.938	8.851	193.150
Net income	7.741	13.288	1.456	1.141	1.071	24.697
Number of domestic branches	3.397	5.411	2.171	40	965	11.984
Number of domestic employees	54.466	94.747	42.746	5.244	16.800	214.003
Number of banks	3	12	17	13	4	49

Source: BRSA.
Note: *Banks controlled by the SDIF are not included in these figures.*

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 Kredı 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.Ş. which owns 84.3 per cent. of the shares of TEB A.Ş. In October 2006, Denizbank was acquired from the Zorlu Group by Dexia for U.S.$2.4 billion. Latterly, in September 2012, Sberbank acquired 99.85 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 Bankasi 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.Ş. 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.

In October 2011, the BRSA approved the application of Bank Audi s.a.l-Audi Saradar Group to establish a new deposit bank in Turkey, Odea Bank A.Ş., which was later granted an operation permit in September 2012. Since 1997, this was the BRSA's first authorisation to establish a deposit bank in Turkey. Later in 2012, the BRSA also approved The Bank of Tokyo-Mitsubishi UFJ's application to establish a deposit bank and The Bank of Tokyo-Mitsubishi UFJ was granted an operation permit in September 2013. In August 2013, Rabobank International B.V. was granted an authorisation to establish a deposit bank in Turkey.

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 31 December 2013	Number of branches as at 31 December 2012
	(TL)	
Vakıfbank	135,496,043	859
Halk Bankası	139,943,507	877
T.C. Ziraat Bankası	207,529,954	1,661

Source: *The Banks Association of Turkey.*

According to the BRSA, total loans provided by these banks as at 31 December 2013 were TL 197,885 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 31 December 2013	Number of branches as at 31 December 2013
		(TL)	
Türkiye İş Bankası	Bank Pension Fund; Republican People's Party	210,500,037	1309
Türkiye Garanti Bankası	Doğuş Group and BBVA	196,896,208	998
Akbank	Sabanci Group and Citigroup	183,737,322	986
Yapi ve Kredı Bankası	Koç Financial Services	148,881,312	949
Türk Ekonomi Bankası	TEB Holding A.Ş. and BNP Paribas	53,408,628	544
Şekerbank	Employee Pension Funds, Samruk Kazyna and BTA Securities JSC	18,725,017	312

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 31 December 2013	Number of branches as at 31 December 2013
		(TL)	
Anadolubank	Habas Group	7,483,408	115
Alternatif Bank	Commercial Bank of Qatar and Anadolu Endüstri Group	10,380,417	73
Tekstilbank	GSD Group	3,849,367	44
Fibabanka	Fiba Holding A.Ş.	6,663,879	62
Turkish Bank	Özyol Group; National Bank of Kuwait	1,124,901	19
Adabank	Transferred to SDIF	49,886	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 10 privately owned commercial banks, apart from the four largest banks, there are six 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 17 foreign banks in total, 12 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.

Local Incorporated Banks	**Ownership**	**Total Assets as at 31 December 2013**	**Number of branches**
		(TL in thousands)	
Finansbank A.Ş.	NBG Group	66,009,767	674
Denizbank A.Ş.	Sberbank	59,427,001	689
HSBC Bank A.Ş.	HSBC	36,228,638	315
ING Bank A.Ş.	ING	33,395,602	330
Citibank A.Ş.	Citi Group	6,469,441	8
Burgan Bank A.Ş.	Burgan Bank	6,811,581	60
Arap Türk Bankası A.Ş.	İş Bankası, Emlak Bankası; Kuwait Investment Co., Libyan Arab Foreign Bank	3,351,680	7
Deutsche Bank A.Ş.	Deutsche Bank AG	2,359,680	1
Türkland Bank A.Ş.	Arap Bank; BankMed	4,111,263	27
Odea Bank A.Ş.	Bank Audi	16,109,796	37
Bank of Tokyo Mitsubishi UFJ Turkey A.Ş.	Bank of Tokyo Mitsubishi UFJ	691,743	1

Branches of Foreign Bank	**Country of Incorporation**	**Total Assets as at 30 December 2013**	**Number of branches**
The Royal Bank of Scotland	Scotland	2,790,741	1
Société Générale	France	1,258,411	16
JP Morgan Chase Bank	United States	330,077	1
Bank Mellat	Iran	335,383	3
Habib Bank	Pakistan	93,116	1

Source: *The Banks Association of Turkey.*

Development and Investment Banks

Development banks are funded by the Turkish 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 three state-owned, six privately-owned and four 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 Assets as at 31 December 2013	Number of branches as at 31 December 2013
	(TL)[1]	
State-owned Development Banks		
Türk Exim Bank	24,809,762	1
Iller Bankası	14,713,988	19
Türkiye Kalkinma Bankası	12,911,157	3
Privately-owned Development and Investment Banks		
Türkiye Sinayi Kalkinma Bankası	12,911,157	3
İMKB Takas ve Saklama Bankası	5,596,026	1
Aktif Yatırım Bankası	5,104,307	8
Nurol Yatırım Bankası	432,949	1
GSD Yatırım Bankası	130,856	1
Diler Yatırım Bankası	135,325	1
Foreign Development and Investment Banks		
BankPozitif Kredi ve Kalkınma Bankası	2,242,835	1
Merrill Lynch Yatırım Bankası	355,561	1
Standard Chartered Bank Yatırım Bankası Türk A.Ş.	73,290	1
Taib Yatırım Bankası	50,058	1

Source: *The Banks Association of Turkey.*

PARTICIPATION BANKS

As at the date of this Prospectus, there are currently four participation banks operating in Turkey, namely the Bank, Asya Katılım Bankası A.Ş., Türkiye Finans Katılım Bankası A.Ş. and Kuveyt Türk 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 pre-agreed 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.

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 December 21, 2013-December 23, 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 4 participation banks in Turkey. The new public participation banks may have a positive impact on overall 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 - see also section - *Participation Banks* - above for further details.

The following table shows major shareholders, total assets and market shares of the four Turkish participation banks as at 31 December 2013 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 Bankası A.Ş. .	Albaraka Banking Group (54.06%)	17,216	17.93%	17.70%	19.82%	167
Bank Asya, Asya Katılım Bankası A.Ş.	Ortadogu Tekstil A.S. (12.23%)	27,785	28.94%	31.15%	29.29%	281
Türkiye Finans Katılım Bankası A.Ş.	National Commercial Bank (64.68%)	25,126	26.17%	26..80%	23.95%	250
Kuveyt Türk Katılım Bankası A.Ş.	Kuwait Finance House (62.24%)	25,893	26.97%	24.38%	26.94%	268

TURKISH REGULATORY ENVIRONMENT

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 system of Banks issued by the BRSA and published in the official gazette dated 28 June 2012 and numbered 28337, 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 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 Turkish 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 Turkish Central Bank is the only institution authorised and responsible for the implementation of such monetary policy.

The Turkish Central Bank sets mandatory reserve levels and liquidity ratios. In addition, each bank must provide the Turkish 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, a holder of such thresholds of shares cannot be registered in the share register, 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 assemblies 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 large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. 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 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.

- 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.

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, Turkish 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 in markets established by the Turkish Central Bank and in legally organised money markets;

- 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 account; and

- other transactions to be determined by the BRSA.

LOAN LOSS RESERVES

Procedures relating to loan loss reserves for non-performing loans are set out in Article 2307 of the Banking Law or in regulations issued by the BRSA. Pursuant to the Regulation on the Principles and Procedures Related to the Determination of Qualifications of the Loans and other Receivables by Banks and the Provisions to be Set Aside (the "**Loans and Provisions Regulation**") (as amended), banks are required to classify their loans and receivables into one of the following groups:

1. **Standard Loans and Other Receivables**: This group involves loans and other receivables:

   (a) that have been disbursed to natural persons and legal entities with financial creditworthiness;

   (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 which can be fully collected; and

   (d) for which no weakening of the creditworthiness of the debtor concerned has been found.

   The terms of a bank's loans and receivables which have been classified into this group may be modified provided they continue to meet the classification requirements for this group. However, in the event that such modification relates to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than five times the sum of 1 per cent. of the cash loan portfolio plus 0.2 per cent. of the non-cash loan portfolio (for example, letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) (except for: (a) cash and non-cash export loans, for which the general loan loss reserve is calculated as five times 0 per cent., and (b) cash and non-cash SME loans, for which the general loan loss reserve is calculated as five times 0.5 per cent. and 0.1 per cent. respectively), is required to be set aside and such modifications are required to be disclosed in the financial reports which are disclosed to the public. This ratio is required to be at least 2.5 times the Consumer Loans Provisions (as defined below) for amended consumer loan agreements (other than auto and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereon are made in a timely manner and **provided that** the principal amount of such loan or receivable must be repaid within a year, at the latest or if the term of the loan or receivable is renewed without causing any additional cost to a bank.

2. **Closely Monitored Loans and Other Receivables**: This group involves loans and other receivables:

   (a) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person utilising the loan;

   (b) whereby 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:

   (c) which are very likely to be repaid but where the collection of principal and interest have not been made for justifiable reasons and are delayed for more than 30 days; being loans which cannot however be considered as loans or other receivables with limited recovery for the purpose of group 3 below; or

   (d) although the standing of the debtor has not weakened, there is a strong likelihood of it weakening due to the debtor's irregular cash flow which is difficult to control.

Where a bank provides a loan to a customer which falls within the classification requirements set out above then, all of the loans made by the bank to that customer will be classified in this group, notwithstanding the fact that certain loans made to that customer may themselves not fall within the classification requirements of this group. The terms of a bank's loans and receivables which fall within the classification requirements of this group may be modified provided they continue to meet the classification requirements of this group. However, in the event that such modification relates to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2 per cent. of the cash loan portfolio plus 0.4 per cent. of the non-cash loan portfolio for closely-monitored loans will be set aside and such modifications are required to be disclosed in the financial reports which are disclosed to the public. This ratio is required to be at least 1.25 times the Consumer Loans Provisions for amended consumer loan agreements (other than auto and housing loans). If a modified loan or receivable is considered low risk, is extended with a short-term and the interest payments are made in a timely manner, such loan or receivable may not be subject to the additional general loan provision **provided that** the principal amount of such loan or receivable must be repaid within a year at the latest, or if the term of the loan or receivable is renewed without causing any additional cost to a bank.

3. **Loans and Other Receivables with Limited Collection Ability**: 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 to be insufficient to meet the debt on the due date, and where, if the problems observed are not eliminated, they are likely to give rise to losses;

   (b) where the credibility of the debtor has weakened and where the recoverability of loan is deemed to have weakened;

   (c) where collection of 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 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.

4. **Loans and Other Receivables with Remote Collection Ability**: 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) where the 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.

5. **Loans and Other Receivables Considered as Losses**: This group involves loans and other receivables:

   (a) that are deemed to be uncollectable;

   (b) where collection of principal or interest or both has been delayed by one year or more from the due date; or

   (c) for which, although carrying the characteristics stated in groups 3 or 4 above, the bank is of the opinion that they have become weakened and that the debtor has lost his 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. They 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 the loans under follow-up procedures and the repayment of overdue loans and establish and operate the structures that will 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.

The Loans and Provisions Regulation also requires Turkish banks to provide a general reserve calculated at 1 per cent of the cash loan portfolio plus 0.2 per cent of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) (except for: (a) cash and non-cash export loans, for which the general loan loss reserve is calculated at 0 per cent., and (b) cash and non-cash SME loans, for which the general loan loss reserve is calculated at 0.5 per cent. and 0.1 per cent. respectively) for standard loans; and a general reserve calculated at 2 per cent of the cash loan portfolio plus 0.4 per cent of the non-cash loan portfolio for closely-monitored loans. In addition, 25 per cent of the above-mentioned rates will be applied for each cheque that remains uncollected for a period of five years after issuance. Also, at least 40 per cent. of the general reserve amount calculated according to the above mentioned ratios was required to be reserved by 31 December 2012, at least 60 per cent. was required to be reserved by 31 December 2013 and at least 80 per cent. is required to be reserved by 31 December 2014 and 100 per cent. was required be reserved by 31 December 2015.

Pursuant to Article 7/2 of the Loans and Provisions Regulation, banks which have a consumer loan ratio which exceeds 25 per cent of its total loans and banks which have a non-performing consumer loan ratio (non-performing consumer loans being consumer loans which are classified as frozen receivables, excluding auto and housing loans) greater than 8 per cent of their total consumer loans (excluding auto and housing loans) (as calculated pursuant to the unconsolidated financial data prepared as of the general reserve calculation period) are required to set aside a 4 per cent general provision for outstanding but not yet due consumer loans (excluding auto and housing loans) under group 1 above and an 8 per cent general provision for outstanding but not yet due consumer loans (excluding auto and housing loans) under group 2 above (the "**Consumer Loans Provisions**").

Pursuant to Article 7/3 of the Loans and Provisions Regulation, 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 unsecured pre-financing loans of a bank is higher than ten times its equity calculated pursuant to the Regulation on Equity of Banks, 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.

The banks should also set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the "Regulation on Loan Transactions of Banks" by applying the general provision rate applicable for cash loans. Apart from the general provisions, special provisions must be set aside for the loans and receivables in groups 3, 4 and 5 described above in the amounts of 20 per cent, 50 per cent and 100 per cent, respectively.

Pursuant to these regulations, all loans and receivables in groups 3, 4 and 5 above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the receivables have been refinanced, are defined as "frozen receivables." If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

Pursuant to Article 14/4 of the Loans and Provisions Regulation, the term "**interest**" refers to "share of profit" in respect of the funds extended by the participation banks.

Pursuant to Articles 14/1, 2 and 3 of the Loans and Provisions Regulation, the general and special provisions set aside for the funds and other receivables extended from participation accounts are required to be reflected in the expense accounts and participation accounts according to the rate of participation in loss to be determined in accordance with the relevant regulation. The participation banks are entitled to reflect the portion corresponding to the participation accounts, in their expense accounts **provided that** they obtain the approval of their shareholders' general assembly. Additionally, **provided that** the participation account agreements permit them, the participation banks are also entitled to set aside: (i) a portion of up to 5 per cent of the profit amount to be distributed to participation accounts, (ii) collections from the written off loans arising from participation accounts; and (iii) cancellations of participation shares of the general and special provisions, as provisions to be utilised to meet the general and special provisions and the SDIF premium.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: Cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements; repurchase agreement proceeds secured by promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Turkish Central Bank, the Treasury of the Republic of Turkey, the Mass Housing Administration of the Republic of Turkey or the Privatisation Administration of the Republic of Turkey and B-type investment profit sharing funds; member firm receivables arising out of credit cards and gold reserved within the Bank; securities issued directly or guaranteed by the central governments or central banks of countries that are members of the Organisation for Economic Co-operation and Development ("**OECD**") and securities issued directly or guaranteed by the European Central Bank; transactions made with the Treasury of the Republic of Turkey, Turkish Central Bank, the Mass Housing Administration of the Republic of Turkey or the Privatisation Administration of the Republic of Turkey or transactions that are guaranteed by securities issued directly or guaranteed by such administrations; guarantees issued by banks operating in OECD member countries; and sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits and bonds, debentures and cover bonds issued, or lease certificates the underlying assets of which are originated, by banks operating in Turkey.

Category II Collateral: Precious metals other than gold; shares quoted on a stock exchange; A-type investment profit sharing funds; asset-backed securities and private sector bonds except ones issued by the borrower; credit derivatives providing protection against credit risk; the assignment or pledge of accrued entitlements of persons from public agencies; liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value; mortgages on property registered with the land registry and mortgages on real property built on allocated real estate **provided that** their appraised value is sufficient; export documents appurtenant to bill of lading or carrier's receipt or insured within the scope of an exportation loan insurance policy and negotiable instruments obtained from real or legal persons based upon actual commercial relationships.

Category III Collateral: Commercial enterprise pledges, export documents, vehicle pledges, mortgages on aircraft or ships, suretyships of creditworthy natural persons or legal entities and other client promissory notes of natural persons and legal entities.

Category IV Collateral: Any other security not otherwise included in Categories I, II or III.

In calculating the special provision requirements for non-performing loans, the value of collateral received from the borrower will be deducted from the frozen receivables in groups 3, 4 and 5 above in the following proportions in order to determine the amount that will be subject to special provisioning:

Discount Ratio	**(%)**
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 non-performing loan, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the non-performing loan.

According to Article 11 of the Loans and Provisions Regulation, 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 3, 4 or 5) for at least the following six-month period and to be provided against in line with the relevant loan group provisioning level. After this six-month period, if total collections reach at least 15 per cent of the total receivables for restructured loans, then the remaining receivables may be reclassified to the "Refinanced/Restructured Loans and Receivables" account. The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; **provided that** 20 per cent of the principal and other receivables are collected on a yearly basis.

The Regulation has been subject to a series of amendments. Pursuant on the amendment dated 21 September 2012, the BRSA is entitled to increase the provision rates for general and special reserves, taking into consideration the sector and geographical risks of the borrower, and banks are required to reserve adequate provisions for loans and other receivables until the end of the month on which the payment of such loans and receivables has been delayed.

The Loans and Provisions Regulation was further amended on 25 December 2012. According to Provisional Article 5 of the Loans and Provisions Regulation, which will be effective until December 31, 2014 loans and other receivables classified as Closely Monitored Loans and Other Receivables (group 2) granted to persons or legal entities residing in Libya or engaged in activities relating to Libya can be restructured twice. Furthermore, such loans and other receivables subject to a new redemption plan may be classified as Standard Loans and Other Receivables; **provided that** at least 10 per cent of the total sum of receivables has been repaid. If such loans and other receivables become subject to a redemption plan for a second time as a result of new loans having been utilised, then such loans and receivables shall be classified as Loans and Other Receivables with Limited Collection Ability until 5 per cent of the total sum of receivables has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for Loans and Other Receivables with Limited Collection Ability, it is at the bank's discretion to set aside special provisions for such loans and receivables.

Pursuant to Provisional Article 5 (b), if there are loans or any other receivables that are classified in groups 3, 4 and 5, then the receivables relating to Libya shall be classified in the same group with such loans and/or other receivables. Until December 31, 2014, and so long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such loans or any other receivables, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

According to Provisional Article 6 of the Regulation, which will be effective until 31 December 2014, loans and receivables classified as Closely Monitored Loans and Other Receivables (group 2) that were granted to be used in the maritime sector can be restructured twice. Furthermore, such loans and other receivables subject to a new redemption plan may be classified as Standard Loans and Other Receivables (group 1) **provided that** at least 10 per cent of the total debt has been repaid. Any such debt classified under group 1 that is reclassified as group 2 debt or that is restructured or is continued to be monitored under group 2 as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as group 1; **provided that** at least 15 per cent. of the total debt has been repaid. If such loans and receivables become subject to a redemption plan for a second time by granting new loans, then such loans and receivables shall be classified as group 3 until 5 per cent. of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for group 3, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 6 (b) described above, if there are any loans and receivables that are classified in groups 3, 4 and 5, other than those relating to the maritime sector shall be reclassified in the same group as such debt. However, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of banks. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such loans or receivables due to a temporary lack of liquidity, then the bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

According to Provisional Article 7 of the Regulation, which will be effective until 31 December 2014, restructured debts classified as group 2 that were granted by banks to real persons or legal entities residing in Syria or engaged in activities relating to Syria who reside in Turkey or in any other foreign country may be classified under group 1 receivables; **provided that** at least 10 per cent of the total debt has been repaid. Any such debt classified under group 1 that is reclassified as group 2 or that is restructured or is continued to be monitored under group 2 as the agreed conditions for reclassification were not adhered to and are restructured again may be reclassified as group 1; **provided that** at last 15 per cent of the total debt has been repaid. If such loans and receivables become subject to a redemption plan for a second time by granting new loans, then such loans and receivables shall be classified as group 3 until 5 per cent of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for group 3, it is in the bank's discretion to set aside special provisions for such loans and receivables.

Pursuant to Provisional Article 7 (b), if real persons or legal entities residing in Syria or having business activities relating to Syria who reside in Turkey or in any other foreign country incur other debts that are classified under group 3, 4 or 5, then the debt relating to Syria will be reclassified in the same group as such debt; however, setting aside special provisions in the ratio foreseen by the related group for these loans is at the discretion of the banks. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to Provisional Article 5(b), 6(b) and 7(b) may be transferred to the "**Renewed/Restructured Loans Account**" if:

- at least 5 per cent. of the total debt in the first restructuring has been repaid and the restructured loans and receivables have been monitored under their respective group(s) for a period of at least three months;

- at least 10 per cent. of the total/debt in the second restructuring has been repaid and the restructured loans and receivables have been monitored under their respective group(s) for a period of six months;

- at least 15 per cent. of the total debt in the third restructuring has been repaid and the restructured loans and receivables have been monitored under their respective group(s) for a period of one year; and

- the payments foreseen in the payment plan are not delayed.

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.

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.

Furthermore, the Regulation on the Capital Maintenance and Cyclical Capital Buffer and the Regulation on the Measurement and Evaluation of Leverage Levels of Banks were published in the Official Gazette dated 5 November 2013 and numbered 28812, both of which are effective as of 1 January 2014 (with the exception of certain provisions of the latter regulation that will enter into effect on 1 January 2015).

Also, the Regulation on Liquidity Coverage Ratios, published in the Official Gazette dated 21 March 2014 and numbered 28948.

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 Regulation on Equities of Banks, Tier II capital shall be calculated by subtracting capital deductions from general provisions, issuance premiums and the debt instruments which are not to be included in Tier I capital and which have been approved by the BRSA upon the application of the board of directors of the bank along with a written statement confirming compliance of the debt instruments with conditions set forth below (the "**Tier II 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 5 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 5 years after issuance and subject to the approval of the BRSA. The BRSA approval is subject to the following conditions:

    (i) the bank can not 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 Regulation on the Measurement and Evaluation of Capital Adequacy of Banks along with the procedures and principles on capital buffers that are to be set by the BRSA, (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; and

(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.

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 Regulation on Equities of Banks also amended the limit for inclusion of general provisions in Tier II capital. under to the Regulation on Equities of Banks dated 2006, the portion of the general provisions that exceeded 125 parts per 10,000 of the total risk-weighted assets (i.e., credit risk, market risk and operation risk) had not been taken into consideration in calculating the Tier II capital. Under the new Regulation on Equities of Banks dated 2013, the basis for the calculation of this limit has changed from total risk-weighted assets to risk-weighted assets related to credit risk only.

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 5 business days of the signing of such agreement*). If the interest rate is not explicitly indicated in the loan agreement or the prospectus of the debt instrument (*borçlanma aracı 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 5 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 Turkish 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 Turkish Central Bank will have a 0 per cent. risk weight. As a result of these implementation rules, the impact of the new regulations has been fairly limited. The BRSA has announced that the migration from the previous regime to Basel II regulations resulted in an approximately 0.20 per cent. decline in the capital adequacy levels of the Turkish banking system as of 31 July 2012.

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:

(i) The Regulation on Equities of Banks was published in the Official Gazette dated 5 September 2013 and numbered 28756, which entered into effect on 1 January 2014. This regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital. In addition, this regulation has introduced new Tier II rules and determined new criteria for debt instruments to be included in Tier II capital.

(ii) The Amendment on Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks was published in the Official Gazette dated 5 September 2013 and numbered 28756, which entered into effect on 1 January 2014. This regulation introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and un-consolidated basis (which are in addition to the previous requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and change the risk weights of certain items that are categorised under "other assets."

(iii) The Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014.

(iv) The Regulation on the Measurement and Evaluation of Leverage Levels of Banks, which seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and un-consolidated basis against leverage risks (*including measurement error in the risk-based capital measurement approach*), was published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014 except for certain provisions that will enter into effect on 1 January 2015.

(v) The Regulation on the Calculation of Banks' Liquidity Coverage Ratios was published in the Official Gazette, dated 21 March 2014 and numbered 28948, and entered into effect on 1 January 2014 (*with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which will enter into effect on 1 January 2015*), By this regulation the BRSA seeks to ensure that banks maintain an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a thirty calendar day period both on a consolidated and unconsolidated basis. 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 un-consolidated liquidity and 80 per cent. in respect of total consolidated and un-consolidated foreign exchange liquidity. Unconsolidated total and foreign currency liquidity coverage ratios cannot be noncompliant more than six times within a calendar year. This includes any instance of non-compliances which have already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be noncompliant consecutively within a calendar year and such ratios cannot be noncompliant more than twice within a calendar year, including any instance of non-compliance that have already been remedied.

The Basel Committee has also proposed that the risk-sensitive capital framework should be supplemented with a non-risk-based measure, the leverage ratio. The leverage ratio will be calculated as the Tier I capital divided by the exposure (on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of three per cent. will be evaluated during a parallel run period. Another new key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy. The Basel Committee has developed two new quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The NSFR, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks..

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 Turkish Central Bank.

The reserve requirements regarding foreign currency liabilities vary by category, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts, precious metal deposit accounts, deposits/participation accounts up to 1-month, up to 3- month, up to 6-month and up to 1-year maturities	13%
Deposits/participation accounts and precious metal deposit accounts, with 1-year and longer maturity and cumulative deposits/participation accounts	9%
Other liabilities up to 1-year maturity (including 1-year)	13%
Other liabilities up to 3-year maturity (including 3-year)	11%
Other liabilities longer than 3-year maturity	6%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	11.5%
Deposits/participation accounts up to 1-month maturity (including 1-month)	11.5%
Deposits/participation accounts up to 3-month maturity (including 3-month)	11.5%
Deposits/participation accounts up to 6-month maturity (including 6-month)	8.5%
Deposits/participation accounts up to 1-year maturity	6.5%
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	5%
Liabilities other than deposits/participation funds up to 1-ycar maturity (including 1-year)	11.5%
Liabilities other than deposits/participation funds up to 3-year maturity (including 3-year)	8%
Liabilities other than deposits/participation funds with longer than 3-year maturity	5%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (a) up to 60 per cent. (at least half of which must be in U.S. dollars) of the Turkish Lira reserve requirements in U.S. dollars and/or Euro (first 35 per cent. at 1.4 times, second 5 per cent. at 1.7 times, third 5 per cent. at 2.1 times, fourth 5 per cent. at 2.4 times, fifth 5 per cent. at 2.6 times and sixth 5 per cent. at 2.7 times the reserve requirement) and up to 30 per cent. of the Turkish lira reserve requirements in standard gold (first 15 per cent. at 1.4 times, second 5 per cent. at 1.3 times, third 5 per cent. at 2.0 times and fourth 5 per cent. at 2.5 times the reserve requirement); and (b) up to the total amount of the foreign currency reserve requirements applicable to precious metal deposit accounts in standard gold. In addition, as required by a press release from the Turkish Central Bank dated 11 September 2012, banks are required to maintain their required reserves against their US Dollar-denominated liabilities in U.S. dollars only.

Since September 2010, reserve accounts kept in Turkish Lira became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008). As of the date of this Prospectus, no interest is paid by the Turkish Central Bank on Turkish Lira or foreign currency liquidity reserve accounts.

The regulations further state that until 31 December 2013, foreign exchange-indexed assets and liabilities shall, for the purposes of calculations of foreign currency liquidity ratios, be deemed to be foreign currency assets and liabilities. However, such foreign exchange-indexed assets and liabilities shall continue to be deemed TL currency for the calculation of total liquidity adequacy ratios.

The regulations state that the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. A bank must maintain a weekly arithmetic average of 100 per cent liquidity adequacy before the first maturity period (0-7 days before the maturity date of liabilities on a weekly average as defined by the regulation) and second maturity period (0-31 days before the maturity date of liabilities on a monthly average) for its aggregate liabilities and 80 per cent. liquidity adequacy for its foreign currency liabilities.

Pursuant to the amendment to the Communiqué regarding Reserve Requirements numbered 2013/15, the Turkish Central Bank introduced a new reserve requirement to be calculated based upon the financial leverage ratio of banks. The leverage ratio of a bank is determined as the ratio of the main capital of the bank to the sum of: (a) the total of its liabilities, (b) its non-cash loans and liabilities, (c) 10 per cent. of its revocable commitments, (d) the total amount to be calculated by the multiplication of each undertaking arising from derivative instruments with their own loan conversion ratio and (e) irrevocable undertakings. The additional reserve requirements to be set aside in the following quarter of the calculation period (calculated separately for each category of Turkish lira and foreign currency liabilities) vary by leverage ratios, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve 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%

Banks have been required to notify the Turkish Central Bank of their leverage ratios since 31 December 2012, and the above-described additional reserve requirements will first be implemented in 2014 starting with 2013 year-end financials.

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 with liability capped as set out in the 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 and unconsolidated financial statements are subject to only a limited review by independent audit firms.

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 Turkish Central Bank has the right to monitor compliance by banks with the Turkish Central Bank's regulations through off-site examinations.

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 Turkish 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 Turkish Central Bank**

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Turkish 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 Turkish 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 Execution 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.

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.

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.

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 Program 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 TL15,000. 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

The BRSA introduced new regulations as of 8 October 2013 in order to limit the expansion of individual loans (especially credit card installments).

The Regulation Amending the Regulation on Bank Cards and Credit Cards made certain changes to 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 4 times his/her monthly income in the second and the following years (twice the cardholder's monthly income for the first year) and (b) banks need 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. In addition, the minimum payment amounts have been changed as follows (i) minimum payment amounts are differentiated in respect of first time cardholders in the sector, new cardholders, existing cardholders and existing cardholders' second card by customer limits, (ii) if the cardholder does not pay at least 3 times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advances and also will not be permitted limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for 3 consecutive payment dates, then his/her credit card cannot be used for cash advances or shopping, and such card will not be considered for a limit upgrade, until the total amount in the statements is paid.

In addition, the installments for purchases of goods and services and cash withdrawals cannot exceed 9 months. In addition, in respect of expenditure on telecommunication, jewelry expenditures, food, nutriment and fuel oil, installment payment via credit card is not allowed.

Furthermore, since 1 January 2014, minimum payment ratios for credit card limits up to TL 20,000 were incrementally increased to ratios between 30 per cent. and 40 per cent. until 1 January 2015. These new regulations might result in slowing the growth and/or reducing the profitability of the Bank's credit card business.

The Law on the Protection of Consumers (Law No: 6502), published in the Official Gazette No. 28835 dated 28 November 2013 which will enter into force six months after its publication date, sets forth new rules such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee or another similar fee is payable. Also, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees shall be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

The Regulation Amending the Regulation on Provisions and Classification of Loans and Receivables, which was published in the Official Gazette dated 8 October 2013 and numbered 28789, reduced the general reserve requirements for cash and non-cash loans provided to SME's for export purposes as follows: (a) for cash export loans and non-cash export loans, from 1 per cent. and 0.2 per cent., respectively, to 0 per cent.; (b) for cash SME loans and non-cash SME loans, from 1 per cent. and 0.2 per cent. to 0.5 per cent. and 0.1 per cent., respectively; (c) for cash export loans whose loan conditions will be amended in order to extend the first payment schedule, from 5 per cent. to 0 per cent.; and (d) for cash SME loans whose loan conditions will be amended in order to extend the first payment schedule, from 5 per cent. to 2.5 per cent. In addition, this regulation altered the requirements for calculating consumer loan provisions by: (i) increasing the ratio of consumer loans to total loans beyond which additional consumer loan provisions are required from 20 per cent. to 25 per cent; and (ii) requiring the inclusion of auto loans and credit cards in the calculation of the ratio of non-performing consumer loans to total consumer loans (if such ratio is beyond 8 per cent., which ratio was not altered by these amendments, additional consumer loans provisions are required). Credit cards are included in the definition of consumer loans by this regulation and 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) increased from 1 per cent. and 2 per cent. to 4 per cent. and 8 per cent., respectively.

On 31 December 2013, the BRSA adopted new rules on loan to value and instalments of certain types of loans. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, for loans (except vehicle loans) secured by houses and for financial lease transactions is 75 per cent. In addition, for vehicle loans extended to consumers, for loans secured by vehicles and for 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 vehicle is not higher than TL 50,000. If the sale price of the respective vehicle 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, the maturity of consumer loans (other than loans extended for housing finance and other real estate finance loans) cannot to exceed 36 months, while vehicle loans and loans secured by vehicles may not have a maturity of longer than 48 months. Provisions regarding the minimum loan-to-value requirement for vehicle loans entered into force on 1 February 2014 and the other provisions of this amendment entered into force on 31 December 2013.

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 Agent and the Paying Agents (as defined in the Conditions).

Initial Asset Portfolio Sale and Purchase Agreement

Pursuant to an initial portfolio sale and purchase agreement (the "**Initial Asset Portfolio Sale and Purchase Agreement**") dated on or about the Closing Date between Albaraka (in its capacity as seller, the "**Asset Seller**"), Bereket Varlık Kiralama A.Ş. (in its capacity as purchaser, the "**Asset Purchaser**") and BNY Mellon Corporate Trustee Services Limited, in its capacity as trustee for the Certificateholders (in such capacity the "**Representative**"), the Asset Seller will, on or about the Closing Date, sell and transfer to the Asset Purchaser the Asset Seller's interests, rights, benefits and entitlements (except legal title, which shall remain with the Asset Seller) in, to and under certain Lease Assets and Investment Sukuk, each as identified in Schedule 1 (*Initial Asset Portfolio*) to the Initial Asset Portfolio Sale and Purchase Agreement (the "**Initial Portfolio Assets**") comprised in a portfolio (the "**Initial Asset Portfolio**").

The Asset Purchaser shall make a payment of a purchase price (the "**Initial Asset Portfolio Purchase Price**") to the Asset Seller in U.S. dollars in freely available funds (inclusive of any applicable Taxes) for value on the Closing Date in consideration for the sale and transfer of the Initial Portfolio Assets which comprise the Initial Asset Portfolio by the Asset Seller to the Asset Purchaser.

Except as a result of title to any Lease Assets comprised in the Initial Asset Portfolio remaining with the Asset Seller as fiduciary of the Asset Purchaser, to the extent that the sale and purchase of the Asset Seller's interests, rights, benefits and entitlements in, to and under any Initial Portfolio Asset pursuant to the Initial Asset Portfolio Sale and Purchase Agreement is not effective in any jurisdiction for any reason, the Asset Seller agrees to make payment of an amount equal to the portion of the Initial Asset Portfolio Purchase Price that relates to such Initial Portfolio Asset by way of restitution to the Asset Purchaser immediately upon request and on receipt of such amount the Asset Purchaser shall immediately return such Initial Portfolio Asset to the Seller.

The Initial Asset Sale and Purchase Agreement is governed by, and shall be construed in accordance with, the laws of Turkey.

For these purposes:

"**Investment Sukuk**" means *Shari'a* compliant sukuk or trust certificates that are fully backed by or, as the case may be, fully based on underlying tangible assets (together with the interests, rights, benefits and entitlements of the Asset Seller under the associated Investment Sukuk Documents);

"**Investment Sukuk Documents**" means, in relation to any Investment Sukuk, the terms and conditions applicable to, and governing, those Investment Sukuk and any transaction documents referred to therein;

"**Lease Asset**" means an asset held and leased by the Asset Seller (as lessor) to a customer pursuant to the related Lease Finance Documents (together with the interests, rights, benefits and entitlements of the Asset Seller under the associated Lease Finance Documents); and

"**Lease Finance Documents**" means, in relation to a Lease Asset, the lease contract (howsoever described) between the Asset Seller and a customer, pursuant to which the Asset Seller (as lessor) has leased that Lease Asset to the customer (as lessee), the related service agency agreement, purchase undertaking and sale undertaking (in each case, howsoever described and whether forming part of the lease contract or not) and any other documents related to that lease contract or the transactions contemplated by that lease contract.

Murabaha Agreement

Pursuant to a murabaha agreement (the "**Murabaha Agreement**") dated on or about the Closing Date between Bereket Varlık Kiralama A.Ş. as seller of Commodities (in such capacity, the "**Commodity**

Seller"), Albaraka as purchaser of Commodities (in such capacity, the "**Commodity Purchaser**") and BNY Mellon Corporate Trustee Services Limited, in its capacity as trustee for the Certificateholders (in such capacity, the "**Representative**"), the Commodity Purchaser may request, by way of a duly completed Notice of Request to Purchase, the Commodity Seller to purchase, on or about the Closing Date (the "**Settlement Date**"), certain Commodities from the Supplier on spot payment and spot delivery terms upon the terms set out in such notice and, in any case, in accordance with the terms of the Commodity Purchase Letter of Understanding.

Once the Commodity Seller has purchased the Commodities from the Supplier, it will, on or about the Closing Date, offer to sell those Commodities to the Commodity Purchaser on spot delivery and deferred payment terms for the Deferred Purchase Price by submitting an Offer Notice to the Commodity Purchaser. The Commodity Purchaser may, on or about the Closing Date, agree to purchase such Commodities for the Deferred Payment Price in accordance with the terms of the Offer Notice and the Murabaha Agreement by countersigning such Offer Notice and concluding a Murabaha Contract with the Commodity Seller.

The Commodity Seller and the Commodity Purchaser will agree in the Murabaha Agreement that following the purchase of Commodities pursuant to the Murabaha Contract, the Commodity Purchaser may (but is under no obligation to) on-sell any Commodities that it has purchased to a third party.

Provided that a Murabaha Contract is concluded, the Commodity Purchaser irrevocably and unconditionally undertakes to pay to the Seller:

(a) on the date falling one (1) Business Day prior to each Periodic Distribution Date, an amount of the outstanding Profit Amount component of the Deferred Payment Price equal to the Profit Amount Instalment by crediting such amount to the Profit Collection Account on such date;

(b) subject to the set-off arrangement described below, on each Redemption and Cancellation Date, an amount of the outstanding Deferred Principal Amount equal to the relevant Murabaha Contract Redemption Amount specified in the relevant Redemption and Cancellation Notice plus the Profit Amount equal to any amount of accrued but unpaid Periodic Distribution Amount in respect of the relevant Redemption Certificates;

(c) on the occurrence of a Change of Control:

  (i) where the Change of Control Put Option has been exercised by holders of one hundred per cent. (100%) of the Certificates then outstanding, the outstanding Deferred Payment Price in full, by crediting such amount to the Transaction Account no later than 10.00 am (London time) on the Deferred Payment Date; and

  (ii) where the Change of Control Put Option has been exercised by holders of less than one hundred per cent. (100%) of the Certificates then outstanding, an amount of the outstanding Deferred Principal Amount equal to the Murabaha Contract Change of Control Amount plus the Profit Amount equal to any amount of accrued but unpaid Periodic Distribution Amount in respect of the relevant Certificates being redeemed by crediting such amount to the Transaction Account no later than 10.00 am (London time) on the Business Day preceding the Change of Control Redemption Date;

(d) upon the occurrence of a Dissolution Event which is continuing, on the date which is the Business Day immediately preceding the Dissolution Event Redemption Date, the outstanding Deferred Payment Price in full no later than 10.00 am (London time) on such date;

(e) upon the occurrence of a Tax Event which is continuing, on the date which is the Business Day immediately preceding the Tax Redemption Date, the outstanding Deferred Payment Price in full no later than 10.00 am (London time) on such date; and

(f) on the Deferred Payment Date, the outstanding Deferred Payment Price in full, by crediting such amount to the Transaction Account no later than 10.00 am (London time) on the Deferred Payment Date.

The Commodity Purchaser will agree in the Murabaha Agreement that, except for the set-off described in the following paragraph, all payments by it under the Murabaha Agreement will be made in U.S. Dollars without any deduction or withholding for or on account of Tax unless required by law and without set off or counterclaim of any kind and, in the event that there is any such deduction or withholding required by law, the Commodity Purchaser, shall pay all additional amounts as will result in the receipt by the Commodity Seller, the Representative and each other Compensated Person (as defined in the Murabaha Agreement) of such net amounts as would have been received by it if no such deduction or withholding had been made.

Notwithstanding the above, an amount equal to the Murabaha Contract Redemption Amount component of the Redemption Amount to be paid by the Issuer to the Commodity Purchaser pursuant to the Redemption Undertaking on the relevant Redemption and Cancellation Date shall be set off against the amount of the Deferred Payment Price to be paid by the Commodity Purchaser to the Seller as described above on that Redemption and Cancellation Date.

The Murabaha Agreement is governed by, and shall be construed in accordance with, the laws of England.

For these purposes:

"**Commodities**" means Copper, Platinum, Palladium, Zinc, Lead, Aluminium, Aluminium alloy, Iridium, Nickel, Rufinium and Rhodium or such other Shari'a compliant commodities as may be agreed upon by the Initial Murabaha Portfolio Seller and the Initial Murabaha Portfolio Purchaser and as specified in a Notice of Request to Purchase;

"**Deferred Payment Date**" means, in relation to the Murabaha Contract, the Business Day immediately preceding the Scheduled Dissolution Date set out in the Conditions;

"**Deferred Payment Price**" means, in relation to the Murabaha Contract, the applicable deferred price which is required to be paid by the Commodity Purchaser in U.S. Dollars (as set out in the relevant Offer Notice in accordance with the terms of the Murabaha Agreement), being the aggregate of (a) the Commodity Purchase Price (being the "**Deferred Principal Amount**"); and (b) the Profit Amount;

"**Murabaha Contract**" means the individual contract for the sale of Commodities at a deferred purchase price and made pursuant to the provisions of the Murabaha Agreement by the delivery of an Offer Notice by the Commodity Seller to the Commodity Purchaser and the subsequent countersignature of such Offer Notice by the Commodity Purchaser in accordance with the terms of the Murabaha Agreement;

"**Murabaha Contract Change of Control Amount**" means an amount equal to the product of:

(a) the outstanding Deferred Principal Amount under the Murabaha Contract as of the Business Day preceding the Change of Control Redemption Date; and

(b) the Change of Control Percentage;

"**Notice of Request to Purchase**" means, in relation to a proposed Murabaha Contract, the notice from the Commodity Purchaser to the Commodity Seller requesting that the Commodity Seller purchase certain Commodities from the Supplier and containing the Commodity Purchaser's irrevocable undertaking to purchase the specified Commodities from the Commodity Seller in accordance with the terms of the Murabaha Agreement, substantially in the form set out in Schedule 1 (*Form of Notice of Request to Purchase*) thereof;

"**Offer Notice**" means the confirmation from the Commodity Seller to the Commodity Purchaser that the Commodity Seller has purchased the commodities from the Supplier as set out in the relevant Notice of Request to Purchase and the offer from the Commodity Seller offering to sell the same Commodities to the Commodity Purchaser, substantially in the form set out in Schedule 2 (*Form of Offer Notice*) to the Murabaha Agreement;

"**Profit Amount**" has the meaning given to it in the Murabaha Agreement; and

"**Profit Amount Instalment**" means U.S.$10,937,500; and

"**Supplier**" means the vendor of Commodities as specified in the relevant Notice of Request to Purchase.

Management Agency Agreement

Pursuant to a management agency agreement (the "**Management Agency Agreement**") dated on or about the Closing Date between Bereket Varlık Kiralama A.Ş. on its own behalf and for the account and benefit of the Certificateholders (in such capacity the "**Issuer**"), BNY Mellon Corporate Trustee Services Limited, in its capacity as trustee for the Certificateholders (in such capacity the "**Representative**") and Albaraka, the Issuer appoints Albaraka as its agent (in such capacity, the "**Managing Agent**") to perform certain services on its behalf.

Pursuant to the terms of the Management Agency Agreement, the Managing Agent shall:

(a) do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) necessary or desirable to ensure the assumption of, and compliance by, each counterparty under each Lease Finance Document and each Investment Sukuk Document relating to the Portfolio Assets with its covenants, undertakings or other obligations under such Lease Finance Documents or Investment Sukuk Documents in accordance with applicable law and the terms of such Lease Finance Documents or, as the case may be, Investment Sukuk Documents;

(b) discharge all of its obligations in its corporate capacity as a party to any Lease Finance Documents or Investment Sukuk Documents relating to any Portfolio Asset from time to time;

(c) use all reasonable endeavours to ensure the timely receipt of all Revenues from the Portfolio Assets, any Shari'a Compliant Investments and the Murabaha Contract, investigate non-payment of such Revenues and generally make all reasonable endeavours to collect or enforce the collection of such Revenues as and when the same shall become due;

(d) pay on behalf of the Issuer any actual costs, expenses, losses, taxes or other amounts which would otherwise be payable by the Issuer as a result of the Issuer's interest in the Portfolio Assets, the Shari'a Compliant Investments or the Murabaha Contract;

(e) use its reasonable endeavours to ensure that at all times the total Outstanding Principal Value of the Portfolio Assets is not less than fifty one per cent. (51%) of the aggregate face amount of the Certificates outstanding at the relevant time (the "**Portfolio Assets Ratio**"); and

(f) use its reasonable endeavours to ensure that at all times the aggregate of:

   (i) the Outstanding Principal Value of the Portfolio Assets;

   (ii) the outstanding Deferred Principal Amount under the Murabaha Contract;

   (iii) the amount standing to the credit of the Principal Collection Account; and

   (iv) the principal amount invested in Shari'a Compliant Investments at the relevant time, is at least equal to the aggregate outstanding face amount of the Certificates then outstanding;

(g) perform the functions set out in the Management Agency Agreement, and undertaken by it in relation to the Collection Accounts;

(h) notify the Issuer of the existence of any Portfolio Asset that has become an Impaired Portfolio Asset as soon as it becomes, or could reasonably be expected to be, aware that such Portfolio Asset has become an Impaired Portfolio Asset and the availability (if any) of any Eligible Portfolio Assets for the purposes of substituting the relevant Impaired Portfolio Asset in accordance with the terms of the Purchase Undertaking;

(i) obtain all necessary authorisations in connection with any of the Lease Certificate Assets, the acquisition of any Eligible Portfolio Assets and any Shari'a Compliant Investments and its obligations under or in connection with the Management Agency Agreement; and

(j) carry out any incidental matters relating to any of the above.

For the avoidance of doubt, the failure by the Managing Agent to comply with its obligations as set out in paragraphs (a) or (b) above will not constitute a Dissolution Event.

For these purposes:

"**Asset Portfolio**" means the Initial Asset Portfolio together with any Eligible Portfolio Assets which (i) have been acquired by the Issuer pursuant to the terms of the Initial Asset Sale and Purchase Agreement or the Purchase Undertaking (and any corresponding New Asset Sale Agreement); or (ii) may have been substituted for any Portfolio Assets, from time to time, in accordance with the terms of the Initial Asset Sale and Purchase Agreement, the Purchase Undertaking and any related Transfer Agreement or the Sale Undertaking and any related Transfer Agreement but excluding any Portfolio Assets in relation to which clause 2.3 of the Initial Asset Portfolio Sale and Purchase Agreement or any equivalent provision in any sale and purchase agreement relating to any Eligible Portfolio Assets acquired by the Asset Purchaser pursuant to the Purchase Undertaking or the Sale Undertaking has become applicable and the Seller has paid an amount equal to the relevant purchase price for such Portfolio Asset to the Asset Purchaser;

"**Deferred Principal Amount**" means that part of the Deferred Payment Price under the Murabaha Contract which represents the purchase price of the Commodities;

"**Eligible Portfolio Asset**" means a Lease Asset or an Investment Sukuk:

(a) which, in the case of a Lease Asset, has been originated or, in the case of an Investment Sukuk, is held or owned by the Asset Seller in a manner consistent with its usual credit, origination and investment policies;

(b) which constitutes legal, valid, binding and, subject to any general principles of law limiting the obligations of the obligor, enforceable obligations of the obligor under the related Lease Finance Documents or, as the case may be, the Investment Sukuk Documents in the jurisdiction in which such obligor is located and the jurisdiction in which any related asset is located;

(c) in respect of which the Asset Seller is entitled to receive all payments due to it;

(d) in respect of which there has not occurred any default, acceleration or analogous event (howsoever described);

(e) which is capable of being sold and transferred to the Purchaser by the Asset Seller in accordance with the terms set out in the Initial Asset Portfolio Sale and Purchase Agreement, pursuant to the terms of the Purchase Undertaking and any related New Asset Sale Agreement or any related Transfer Agreement or pursuant to the terms of the Sale Undertaking and any related Transfer Agreement; and

(f) in respect of which the Outstanding Principal Value is equal to or greater than the value of the consideration given for such Eligible Portfolio Asset as at the date the asset is sold and transferred to the Asset Purchaser under the Initial Asset Portfolio Sale and Purchase Agreement, pursuant to the terms of the Purchase Undertaking and any related New Asset Sale Agreement or any related Transfer Agreement or pursuant to the terms of the Sale Undertaking and any related Transfer Agreement;

"**Impaired Portfolio Asset**" means an asset in respect of which: (a) there has been a breach of any representations and warranty made by the Asset Seller in respect of a Portfolio Asset; or (b) any Portfolio Asset becomes subject to an encumbrance (except as otherwise permitted pursuant to the terms of the Transaction Documents, the Lease Finance Documents or the Investment Sukuk Documents, as applicable);

"**New Asset Sale Agreement**" means an agreement substantially in the form set out at Schedule 7 (*Form of New Asset Sale Agreement*) of the Purchase Undertaking;

"**Outstanding Principal Value**" means at any time, in relation to a Portfolio Asset, an Eligible Portfolio Asset or an Impaired Portfolio Asset:

(a) which is a Lease Asset, an amount in U.S. Dollars equal to all unpaid, due or scheduled, fixed rental instalment amounts payable to the Asset Seller under the related Lease Finance Documents which have accrued or will accrue on and from the date on which the Asset Seller sells that Lease Asset to the Asset Purchaser; and

(b) which is an Investment Sukuk, an amount in U.S. Dollars equal to the outstanding face amount of that Investment Sukuk,

in each case, at that time;

"**Portfolio Asset**" means the interests, rights, benefits and entitlements of the Asset Seller in, to and under any Investment Sukuk or any Lease Asset sold and transferred to the Asset Purchaser and comprised in the Asset Portfolio from time to time; and

"**Shari'a Compliant Investment**" means a U.S. dollar denominated *Shari'a* compliant deposit.

Pursuant to the Management Agency Agreement, the Managing Agent shall ensure that, in relation to each of the Lease Assets comprised in the Asset Portfolio:

(a) such Lease Assets are insured at all times against total loss and expropriation in an amount at least equal to the Outstanding Principal Value of that Lease Asset (the "**Insurance Coverage Amount**") and that such insurance policies are maintained with reputable insurers in good financial standing; and

(b) in the event of a total loss or expropriation of any of the Lease Assets, the insurance policies relating to such Lease Assets provide for an amount at least equal to the Insurance Coverage Amount of the relevant Lease Asset to be paid to the Managing Agent in U.S. Dollars by no later than close of business on the date falling thirty (30) days after the occurrence of such total loss or expropriation.

In the event that the relevant insurance company fails to pay the Insurance Coverage Amount relating to a Lease Asset comprised in the Asset Portfolio to the Managing Agent, by crediting such amount to the Principal Collection Account, within thirty (30) days of a total loss or expropriation of that Lease Asset and the Managing Agent is unable to unequivocally prove that it complied with its obligations under paragraphs (a) and (b) above or where the Managing Agent has failed to maintain any insurances over the Lease Assets in breach of its obligations under paragraphs (a) and (b) above, the Managing Agent acknowledges that it shall have failed to comply with such obligations and will irrevocably and unconditionally undertake to pay in U.S. Dollars on the 31st day after the occurrence of the total loss or expropriation, in same day funds (free and clear of any withholding or deduction or any set off or any counterclaim), an amount equal to the difference between the insurance proceeds credited to the Principal Collection Account and the Insurance Coverage Amount, in each case, in respect of the relevant Lease Asset, directly into the Principal Collection Account.

Pursuant to the Management Agency Agreement, the Managing Agent will maintain a principal collections account ledger (the "**Principal Collection Account**") and a profit collections account ledger (the "**Profit Collection Account**") in its books, each of which shall be denominated in U.S. Dollars. All monies received by the Managing Agent will be credited, promptly after receipt, to: (i) in the case of Principal Revenues, the Principal Collection Account; and (ii) in the case of Profit Revenues, the Profit Collection Account.

The Issuer and the Managing Agent have agreed in the Management Agency Agreement that, provided no Dissolution Event has occurred, Albaraka may at any time exercise its rights under the Sale Undertaking to substitute any one or more of the Portfolio Assets as Albaraka may select (subject to the terms of the Sale Undertaking) in accordance with the terms of the Sale Undertaking.

For these purposes:

"**Principal Revenues**" means: (a) all revenues generated by, or in connection with, the Portfolio Assets and payable to the Managing Agent in the nature of principal (including, without limitation, any fixed rental, total loss and expropriation related insurance proceeds, any indemnity payments and any exercise price payments); (b) all amounts payable to the Issuer under the Murabaha Contract as the Deferred Principal Amount; (c) all revenues generated by, or in connection with, the Shari'a Compliant Investments in the nature of principal; (d) all amounts payable by Albaraka pursuant to clause 2.3 of the Initial Asset Portfolio Sale and Purchase Agreement or any equivalent clause in any sale and purchase agreement entered into in connection with the sale and purchase of Eligible Portfolio Assets from time to time; and (e) all amounts payable by Albaraka, in the nature of principal, pursuant to clause 3 (*Duties and Rights of the Seller in Respect of the Initial Portfolio Assets*) of the Initial Asset Portfolio Sale and Purchase Agreement or any equivalent clause in any sale and purchase agreement entered into in connection with the sale and purchase of further Eligible Portfolio Assets from time to time; and

"**Profit Revenues**" means: (a) all revenues generated by, or in connection with, the Portfolio Assets and payable to the Managing Agent in the nature of profit; (b) all amounts payable to the Issuer under the Murabaha Contract as the Profit Amount; (c) all revenues in the nature of profit generated by the Shari'a Compliant Investments; and (d) all amounts payable by Albaraka, in the nature of profit, pursuant to clause 3 (*Duties and Rights of the Seller in Respect of the Initial Portfolio Assets*) of the Initial Asset Portfolio Sale and Purchase Agreement or any equivalent clause in any sale and purchase agreement entered into in connection with the sale and purchase of further Eligible Portfolio Assets from time to time.

The Managing Agent will, on the Business Day prior to each Periodic Distribution Date, apply amounts standing to the credit of the Profit Collection Account in the following order of priority:

(i) *firstly*, (to the extent necessary to pay the Periodic Distribution Amount due on such Periodic Distribution Date) be paid to the Transaction Account on such Business Day;

(ii) *secondly*, to pay the Managing Agent the amount of any unpaid claims, losses, costs and expenses properly incurred or suffered by the Managing Agent in providing the Services (the "**Management Costs**"); and

(iii) *thirdly*, any excess amounts remaining shall, be retained in the Profit Collection Account.

The Managing Agent will be entitled to deduct amounts standing to the credit of the Profit Collection Account at any time during the Services Term and use such amounts for its own account **provided that** any such amounts are immediately repaid by the Managing Agent in the event that on the Business Day prior to a Periodic Distribution Date there is a shortfall between: (i) the aggregate of the amounts standing to the credit of the Profit Collection Account and the Transaction Account; and (ii) the aggregate of the amount required to meet the Periodic Distribution Amount due on such Periodic Distribution Date and any Management Costs. Following a redemption in full of all of the Certificates, the Managing Agent shall be entitled to retain any amounts standing to the credit of the Profit Collection Account as an incentive fee for its performance as Managing Agent.

Any amounts standing to the credit of the Principal Collection Account shall be applied as follows:

(a) to the extent that the Obligor has Eligible Portfolio Assets available for sale:

   (i) the Managing Agent shall promptly notify the Issuer of the Outstanding Principal Value of such Eligible Portfolio Assets and the amount standing to the credit of the Principal Collections Account which can be used for the purposes of purchasing the Eligible Portfolio Assets (which amount shall not be greater than the Outstanding Principal Value of such Eligible Portfolio Assets); and

   (ii) the Issuer upon receipt of such notification shall use such amounts to purchase Eligible Portfolio Assets from the Obligor in accordance with the terms of the Purchase Undertaking and a New Asset Sale Agreement; or

(b) to the extent that the Obligor does not have Eligible Portfolio Assets available for sale, the Managing Agent shall place such amounts in U.S. dollar denominated deposits that are *Shari'a* compliant, as determined by the *Shari'a* Board of the Managing Agent (the "**Shari'a Compliant Investments**").

Pursuant to the Management Agency Agreement, the Managing Agent will at all times: (i) monitor the availability of Eligible Portfolio Assets that may be available for sale by Albaraka and immediately notify the Issuer of the same; and (ii) where Shari'a Compliant Investments have been made and Eligible Portfolio Assets become available for sale to the Issuer, ensure that such Shari'a Compliant Investments are liquidated as soon as practicable and the Issuer is notified of the Outstanding Principal Value of such Eligible Portfolio Assets and the amount received from the liquidation of the relevant Shari'a Compliant Investments in the nature of principal. The Issuer shall use such proceeds to purchase such available Eligible Portfolio Assets from the Obligor in accordance with the terms of the Purchase Undertaking and a New Asset Sale Agreement.

On a Redemption and Cancellation Date, following the redemption and cancellation of the relevant Redemption Certificates in accordance with the terms of the Redemption Undertaking, the Conditions and the Representative Agreement, the Managing Agent will be entitled to debit an amount equal to the relevant Principal Collections Redemption Amount from the Principal Collection Account and retain such amount for its own account in its corporate capacity in satisfaction of the Issuer's obligation under the Redemption Undertaking to pay the corresponding portion of the relevant Redemption Amount.

On the occurrence of a Change of Control:

(a) where the Change of Control Put Option has been exercised by holders of one hundred per cent. (100%) of the Certificates then outstanding, the Managing Agent shall credit the Final Principal Collections Amount to the Transaction Account no later than 10.00 am (London time) on the Business Day preceding the Change of Control Redemption Date; and

(b) where the Change of Control Put Option has been exercised by holders of less than one hundred per cent. (100%) of the Certificates then outstanding, the Managing Agent shall debit an amount equal to the relevant Principal Collections Change of Control Amount standing to the credit of the Principal Collection Account and credit such amount to the Transaction Account no later than 10.00 am (London time) on the Business Day preceding the Change of Control Redemption Date.

On the Business Day prior to the Dissolution Date, the Managing Agent will credit any amounts standing to the credit of the Principal Collection Account (the "**Final Principal Collections Amount**") to the Transaction Account by no later than 10.00 am (London time) on such Business Day.

The Managing Agent will irrevocably and unconditionally undertake to the Issuer to:

(a) on the Business Day prior to a Dissolution Date:

    (i) procure the liquidation of all of the Shari'a Compliant Investments; and

    (ii) pay into the Transaction Account no later than 10.00 am (London time) on such Business Day an amount in U.S. Dollars (the "**Investment Liquidation Amount**") equal to the aggregate principal amount invested in such Shari'a Compliant Investments;

(b) on a Redemption and Cancellation Date, procure the liquidation of the Shari'a Compliant Investments in an amount equal to the relevant Shari'a Compliant Investments Redemption Amount, and following the redemption and cancellation of the relevant Redemption Certificates in accordance with the terms of the Redemption Undertaking, the Conditions and the Representative Agreement, the Issuer shall pay such liquidated amount to the Managing Agent, in its corporate capacity, for its own account in satisfaction of the Issuer's obligation under the Redemption Undertaking to pay the corresponding portion of the relevant Redemption Amount; and

(c) on the occurrence of a Change of Control:

    (i) where the Change of Control Put Option has been exercised by holders of one hundred per cent. (100%) of the Certificates then outstanding, the Managing Agent irrevocably and unconditionally undertakes to the Issuer that it shall procure the liquidation of all of the Shari'a Compliant Investments and credit the Investment

Liquidation Amount to the Transaction Account no later than 10.00 am (London time) on the Business Day preceding the Change of Control Redemption Date; and

(ii) where the Change of Control Put Option has been exercised by holders of less than one hundred per cent. (100%) of the Certificates then outstanding, the Managing Agent irrevocably and unconditionally undertakes to the Issuer that it shall procure the liquidation of the Shari'a Compliant Investments in an amount equal to the relevant Shari'a Compliant Investments Change of Control Amount and credit such Shari'a Compliant Investments Change of Control Amount to the Transaction Account no later than 10.00 am (London time) on the Business Day preceding the Change of Control Redemption Date.

For these purposes:

"**Change of Control Redemption Date**" means the date specified in the Purchase Undertaking Exercise Notice or, as the case may be, the Change of Control Exercise Notice (which shall be no less than 45 days and no more than 60 days after the date on which the Purchase Undertaking Exercise Notice or, as the case may be, the Change of Control Exercise Notice, is delivered to Albaraka);

"**Redemption Amount**" means an amount to be paid by the Issuer to Albaraka which is equal to the aggregate of:

(a) an amount equal to the amount standing to the credit of the Principal Collection Account multiplied by the Redemption and Cancellation Percentage (the "**Principal Collections Redemption Amount**");

(b) an amount equal to the principal amount invested in any Shari'a Compliant Investments multiplied by the Redemption and Cancellation Percentage (the "**Shari'a Compliant Investments Redemption Amount**"); and

(c) an amount equal to the outstanding Deferred Principal Amount under the Murabaha Contract multiplied by the Redemption and Cancellation Percentage (the "**Murabaha Contract Redemption Amount**"),

in each case, as determined on the relevant Redemption and Cancellation Date immediately prior to the redemption and cancellation of the relevant Redemption Certificates and specified in the relevant Redemption and Cancellation Notice;

"**Redemption and Cancellation Assets**" means those Portfolio Assets (or part thereof) as Albaraka may select in its sole and absolute discretion in accordance with the terms of the Redemption Undertaking, specified as such in a Redemption and Cancellation Notice and a Redemption Sale Agreement;

"**Redemption and Cancellation Date**" means the date specified as such in a Redemption and Cancellation Notice which must also be a Periodic Distribution Date;

"**Redemption and Cancellation Notice**" means a notice substantially in the form set out in Schedule 1 (*Form of Redemption and Cancellation Notice*) of the Redemption Undertaking;

"**Redemption and Cancellation Percentage**" means the aggregate face amount of the relevant Redemption Certificates divided by the aggregate face amount of all of the Certificates (including, for the avoidance of doubt, the Redemption Certificates) then outstanding expressed as a percentage, as determined on the relevant Redemption and Cancellation Date;

"**Redemption Certificates**" means, from time to time, the relevant Certificates held by or on behalf of Albaraka which Albaraka wishes to transfer and cancel, as specified in the relevant Redemption and Cancellation Notice; and

"**Redemption Sale Agreement**" means an agreement substantially in the form set out in Schedule 2 (*Form of Redemption Sale Agreement*) of the Redemption Undertaking.

Purchase Undertaking

Pursuant to a purchase undertaking (the "**Purchase Undertaking**") dated on or about the Closing Date granted by Albaraka in favour of the Issuer and the Representative, Albaraka irrevocably grants to the Issuer (and, in respect of paragraph (a) below, the Representative) the right to require Albaraka:

(a) at any time on or prior to a Dissolution Date other than a Scheduled Dissolution Date, to pay the Dissolution Event Exercise Price specified in the Purchase Undertaking Exercise Notice to the Issuer, **provided that**:

  (i) a Dissolution Event has occurred and is continuing; and

  (ii) the Representative has given notice to the Issuer that a Dissolution Request has been made in accordance with Condition 13 (*Dissolution Events*);

(b) on the Business Day prior to the Scheduled Dissolution Date, to pay the Dissolution Event Exercise Price specified in the Purchase Undertaking Exercise Notice to the Issuer;

(c) at any time after a Change of Control has occurred and the Change of Control Put Option has been exercised by holders of one hundred per cent. (100%) of the Certificates then outstanding, on the Business Day prior to the Change of Control Redemption Date to pay the Dissolution Event Exercise Price specified in the Purchase Undertaking Exercise Notice to the Issuer; or

(d) at any time after a Change of Control has occurred and the Change of Control Put Option has been exercised by holders of less than one hundred per cent. (100%) of the Certificates then outstanding, on the Business Day prior to the Change of Control Redemption Date to pay the Change of Control Exercise Price specified in the Change of Control Exercise Notice to the Issuer,

in each case by payment of the same into the Transaction Account on the relevant date and in accordance with the terms of the Purchase Undertaking; or

(e) to transfer to the Issuer on the relevant Impaired Portfolio Asset Substitution Date all of Albaraka's interests, rights, benefits and entitlements in, to and under certain New Assets against the transfer to Albaraka's of all of the Issuer's interests, rights, benefits and entitlements in, to and under certain Substituted Impaired Portfolio Assets; and

(f) to sell and transfer to the Issuer on the relevant Additional Portfolio Asset Date all of Albaraka's interests, rights, benefits and entitlements in, to and under certain New Assets against the payment by the Issuer of an amount equal to the Additional Portfolio Asset Purchase Price.

In order to exercise these rights, the Issuer (or the Representative as applicable, on its behalf) is required to deliver a Purchase Undertaking Exercise Notice, Change of Control Exercise Notice, Impaired Portfolio Asset Substitution Notice or Additional Portfolio Asset Exercise Notice (as applicable) to Albaraka under, and in accordance with, the terms of the Purchase Undertaking.

Albaraka irrevocably undertakes that:

(i) following the exercise of a right pursuant to a right pursuant to paragraphs (a) to (d) above (as applicable), subject to payment in full of the Dissolution Event Exercise Price or the Change of Control Exercise Price (as applicable) on the relevant Due Date (as defined in the Purchase Undertaking), and as consideration therefore, enter into a Sale Agreement between the Issuer and Albaraka for the purchase and transfer of all of the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets or, as the case may be, the Change of Control Redemption Assets at the Dissolution Event Exercise Price of the Change of Control Exercise Price (as applicable);

(ii) following the exercise of a right pursuant to paragraph (e) above, it will substitute the Substituted Impaired Portfolio Assets for New Assets by the execution of a Transfer Agreement between the Issuer and Albaraka and, in order to enable the Issuer to finalise the form of the Transfer Agreement to be entered into for such purposes, it will immediately on receipt of an Impaired Portfolio Asset Substitution Notice provide the Issuer with details of the relevant New Assets to be inserted into the form of Transfer Agreement; and

(iii) following the exercise of the right pursuant to paragraph (f) above, it will sell the New Assets to the Issuer by the execution of a New Asset Sale Agreement between the Issuer and Albaraka and, in order to enable the Issuer to finalise the form of the New Asset Sale Agreement to be entered into for such purposes, it will immediately on receipt of an Additional Portfolio Asset Exercise Notice provide the Issuer with details of the relevant New Assets to be inserted into the form of New Asset Sale Agreement.

For these purposes:

"**Additional Portfolio Asset Date**" means the date specified as such in an Additional Portfolio Asset Exercise Notice;

"**Additional Portfolio Asset Event**" means notification by the Managing Agent to the Issuer pursuant to clauses 5.5.1 or 5.6.2 of the Management Agency Agreement that Albaraka has Eligible Portfolio Assets available for sale to the Issuer and that there are either Principal Revenues standing to the credit of the Principal Collection Account or Shari'a Compliant Investments which can be liquidated, in each case, for the purposes of purchasing such Eligible Portfolio Assets;

"**Additional Portfolio Asset Exercise Notice**" means a notice substantially in the form set out in Schedule 4 (*Form of Additional Portfolio Asset Exercise Notice*) of the Purchase Undertaking;

"**Additional Portfolio Asset Purchase Price**" means the amount specified as such in an Additional Portfolio Asset Exercise Notice;

"**Change of Control**" means:

(a) the Albaraka Banking Group ceases to have the power to direct the management and policies of Albaraka (whether through the ownership of voting capital, by contract, decree or otherwise); or

(b) there is a reduction in the principal share ownership of the Albaraka Banking Group in Albaraka to less than thirty per cent. (30%) of the issued share capital of Albaraka;

"**Change of Control Asset Value**" means an amount equal to: (a) the aggregate Outstanding Principal Value of the Portfolio Assets immediately prior to the sale and purchase of the Change of Control Redemption Assets; multiplied by (b) the Change of Control Percentage;

"**Change of Control Exercise Notice**" means a notice substantially in the form set out in Schedule 2 (*Form of Change of Control Undertaking Exercise Notice*) to the Purchase Undertaking;

"**Change of Control Exercise Price**" means an amount equal to the aggregate Outstanding Principal Value (or the relevant proportion thereof) of each Change of Control Redemption Asset on the Change of Control Redemption Date;

"**Change of Control Percentage**" means the aggregate face amount of the Change of Control Redemption Certificates divided by the aggregate face amount of all of the Certificates (including, for the avoidance of doubt, the Change of Control Redemption Certificates) then outstanding expressed as a percentage;

"**Change of Control Redemption Assets**" means those Portfolio Assets (or part thereof) as Albaraka may select following a Change of Control in accordance with the terms of the Purchase Undertaking and specified as such in a Sale Agreement;

"**Change of Control Redemption Certificates**" means those Certificates that are being redeemed by the relevant Certificateholders upon a Change of Control in accordance with the Conditions;

"**Dissolution Event Exercise Price**" means: (a) the Outstanding Principal Value of each Portfolio Asset on the Dissolution Date; (b) without duplication or double-counting, an amount equal to any accrued but unpaid Management Costs; and (c) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*)) in accordance with Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*);

"**Impaired Portfolio Asset Event**" means notification by the Managing Agent to the Issuer pursuant to clause 4.1.8 of the Management Agency Agreement that a Portfolio Asset has become an Impaired Portfolio Asset and that Albaraka has Eligible Portfolio Assets available for the purposes of substituting the relevant Impaired Portfolio Asset;

"**Impaired Portfolio Asset Substitution Date**" means the date specified as such in an Impaired Portfolio Asset Substitution Notice;

"**Impaired Portfolio Asset Substitution Notice**" means a notice substantially in the form set out in Schedule 3 (*Form of Impaired Portfolio Asset Substitution Notice*) of the Purchase Undertaking;

"**New Assets**" means the Lease Assets or Investment Sukuk specified as such in a Transfer Agreement or a New Asset Sale Agreement (as applicable), the identity of which shall be determined by Albaraka in its sole and absolute discretion subject to the terms of the Purchase Undertaking;

"**Purchase Undertaking Exercise Notice**" means a notice substantially in the form set out in Schedule 1 (*Form of Purchase Undertaking Exercise Notice*) to the Purchase Undertaking;

"**Sale Agreement**" means an agreement substantially in the form set out at Schedule 3 (*Form of Sale Agreement*) to the Purchase Undertaking; and

"**Substituted Impaired Portfolio Assets**" means the Portfolio Assets specified as such in an Impaired Portfolio Asset Substitution Notice;

"**Transfer Agreement**" means an agreement substantially in the form set out at Schedule 6 (*Form of Transfer Agreement*) of the Purchase Undertaking.

Following the exercise of the rights granted under paragraphs (a) to (d) above and payment of the relevant Dissolution Event Exercise Price or Change of Control Exercise Price into the Transaction Account, Albaraka will as consideration therefore:

(i) in the case of the exercise of rights granted under paragraphs (a), (b), and (c) purchase and accept the transfer of all of the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets, in which case the Dissolution Event Exercise Price will represent the purchase price for such Portfolio Assets; or

(ii) in the case of the exercise of rights granted under paragraph (d), purchase and accept the transfer of the Issuer's interests, rights, benefits and entitlements in, to and under the relevant Change of Control Redemption Assets, in which case the relevant Change of Control Exercise Price will represent the purchase price for the relevant Change of Control Redemption Assets.

Following the exercise of the rights granted under paragraphs (e) and (f) above, Albaraka will sell and transfer all of Albaraka's interests, rights, benefits and entitlements in, to and under the relevant New Assets on the relevant Impaired Portfolio Asset Substitution Date or, as the case may be, the relevant Additional Portfolio Asset Date, in which case the sale and transfer of the Issuer's interests, rights, benefits and entitlements in, to and under the relevant Substituted Impaired Portfolio Assets or, as the case may be, the Additional Portfolio Asset Purchase Price will represent the purchase price for such New Assets.

Pursuant to the Purchase Undertaking, Albaraka may select in its sole and absolute discretion the relevant Change of Control Redemption Assets and the relevant New Assets **provided always that** following the selection of the Change of Control Redemption Assets or, as the case may be, the New Assets:

(a) in relation to the selection of the Change of Control Redemption Assets only, the Outstanding Principal Value of the Change of Control Redemption Assets immediately prior to the sale to Albaraka is equal to the Change of Control Asset Value;

(b) in relation to the selection of the New Assets only, the Outstanding Principal Value of the New Assets immediately prior to the sale to the Issuer is at least equal to the Additional Portfolio Asset Purchase Price paid in respect of those New Assets; and

(c) in relation to the selection of the Change of Control Redemption Assets and the New Assets, immediately following the redemption of the Change of Control Redemption Certificates or, as the case may be, the sale and transfer of the New Assets the aggregate of:

   (i) the Outstanding Principal Value of the remaining Portfolio Assets (including any New Assets);

   (ii) the remaining amount standing to the credit of the Principal Collection Account (if any);

   (iii) the amount invested in the remaining Shari'a Compliant Investments (if any); and

   (iv) the outstanding Deferred Principal Amount under the Murabaha Contract, will be at least equal to the outstanding face amount of the Certificates then outstanding.

Albaraka will acknowledge and agree that, where the proportion of a Portfolio Asset forming part of the relevant Change of Control Redemption Assets is less than the whole of that Portfolio Asset, a Sale Agreement shall not be entered into in respect of part of that Portfolio Asset and the possible transfer to Albaraka of such proportion of that Portfolio Asset shall be deferred until such time that the Change of Control Exercise Price which relates to such Portfolio Asset when aggregated with the face amount of any Redemption Certificates that have been purchased and cancelled by the Issuer which relate to that Portfolio Asset in accordance with the terms of the Redemption Undertaking is at least equal to the Outstanding Principal Value of that Portfolio Asset.

Albaraka will agree in the Purchase Undertaking that, except for the set-off described in the following paragraph, all payments by it under the Purchase Undertaking will be made in U.S. Dollars without any deduction or withholding for or on account of Tax unless required by law and without set off or counterclaim of any kind and, in the event that there is any such deduction or withholding required by law, Albaraka shall pay all additional amounts as will result in the receipt by the Agent, the Representative and each other Compensated Person (as defined in the Purchase Undertaking) of such net amounts as would have been received by it if no such deduction or withholding had been made.

On a Dissolution Date or Change of Control Redemption Date (as the case may be) an amount equal to any Management Costs to be paid by Albaraka as part of any Dissolution Event Exercise Price or Change of Control Exercise Price pursuant to the Purchase Undertaking and any Management Costs to be paid by the Issuer under the Management Agency Agreement which have not otherwise been paid shall be set off against one another.

Albaraka has agreed that certain events or circumstances shall constitute Albaraka Events under the Purchase Undertaking. For a full list of the Albaraka Events, please see Condition 13 (*Dissolution Events*) under the section entitled "*Terms and Conditions of the Certificates*".

The Certificateholders will also have the benefit of a negative pledge (the "**Negative Pledge**") given by Albaraka in the Purchase Undertaking:

Albaraka shall not create or permit to subsist any Security Interest, other than Permitted Security, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any of its Financial Indebtedness or any Guarantee of Financial Indebtedness given by Albaraka.

For these purposes:

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amounts raised including (without limitation) deposits;

(c) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(d) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(e) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with applicable law and generally accepted accounting standards or IFRS, be treated as a finance or capital lease;

(f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(g) any amount raised under any other transaction (including any forward sale or purchase agreement or Islamic financing transaction) having the commercial effect of a borrowing;

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby institution; and

(i) (without double counting) the amount of any liability in respect of any Guarantee for any of the items referred to in paragraphs (a) to (h) above;

"**Guarantee**" means, in relation to any Financial Indebtedness of any person, any obligation of another person to pay such following valid demand or claim on that person and includes (without limitation):

(i) any obligation to purchase such Financial Indebtedness;

(ii) any obligation to extend financing, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness;

(iv) any obligation to pay an exercise price or other amount under any undertaking or indemnity given in favour of the obligor in respect of such Financial Indebtedness as part of an Islamic financing transaction; and

(v) any other agreement to be responsible for such Financial Indebtedness;

"**Permitted Security**" means:

(a) any Security Interest arising in the ordinary course of Albaraka's business;

(b) any Security Interest securing any Financial Indebtedness of Albaraka arising by operation of law, provided such Security Interest is discharged within 60 days of arising;

(c) any Security Interest created by or arising out of title retention provisions in a vendor's or supplier's standard sale or supply terms and conditions and in the ordinary course of business;

(d) any Security Interest arising in the ordinary course of banking arrangements or investment transactions (including, without limitation, sale, lease, syndication and repurchase transactions and any netting or set-off arrangements entered into in the ordinary course of Albaraka's banking arrangements for the purpose of netting debit and credit balances), **provided that** the Security Interest is limited to the assets which are the subject of the relevant transaction;

(e) any Security Interest over or affecting any asset acquired by Albaraka after the Closing Date, if such Security Interest was created at the time of such acquisition to secure any Financial Indebtedness incurred for the purpose of financing such acquisition;

(f) any Security Interest arising out of the refinancing, substitution, extension or renewal of any indebtedness secured by way of Security Interest permitted by paragraphs (d) and (e) above, except to the extent the principal amount secured by that Permitted Security exceeds, in the case of paragraph (e) above, the principal amount of the Financial Indebtedness incurred for the purpose of financing such acquisition;

(g) any Security Interest created in connection with any Securitisation Indebtedness (as defined in the Purchase Undertaking);

(h) any Security Interest arising in connection with any payment or close-out netting or set off arrangement pursuant to any hedging transaction entered into by Albaraka for the purpose of (i) hedging any risk to which it is exposed in its ordinary course of business or (ii) its profit rate or currency management operation which are carried out in the ordinary course of business and, in any case, for non-speculative purposes only and excluding, in each case, any Security Interest under a credit support arrangement in relation to a hedging transaction;

(i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution of the Certificateholders; and

(j) any Security Interest not otherwise permitted by the above paragraphs securing Financial Indebtedness of Albaraka in an aggregate principal amount at any time outstanding not exceeding an amount equal to 20 per cent. of Albaraka's consolidated tangible net worth. For the purpose of this paragraph, Albaraka's "**consolidated tangible net worth**" means the amount equal to the aggregate of the fully paid and issued share capital, share capital premium, all reserves and retained earnings of the Group as shown in the then most recent consolidated annual financial statements of Albaraka prepared in accordance with BRSA Principles; and

"**Security Interest**" means any mortgage, charge, pledge, lien, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

In the Purchase Undertaking, Albaraka will further undertake as follows:

Maintenance of Authorisations

Albaraka shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in Turkey (including, without limitation, with the CMB and the BRSA) for:

(i) the execution, delivery or performance of the Transaction Documents or for the legality, validity, enforceability or admissibility in evidence thereof; or

(ii) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings (collectively, "**Permissions**") which are immaterial in the conduct by Albaraka of the Permitted Business. Any Permissions relating to Albaraka's ability or capacity to undertake its banking or financial advisory functions shall not be considered to be immaterial in the conduct by Albaraka of its Permitted Business.

For these purposes, "**Permitted Business**" means any business which is the same as or related, ancillary or complementary to any of the businesses of Albaraka on the Issue Date.

Transactions with Affiliates

Albaraka shall not, and Albaraka shall not permit any of its subsidiaries to, in any 12 month period: (i) make any payment to; (ii) sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to; (iii) purchase any properties, revenues or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity; or (iv) guarantee (whether related or not) with or for the benefit of, any Affiliate (each, an "**Affiliate Transaction**") which Affiliate Transaction has (or, when taken together with any other Affiliate Transactions, during such 12 month period, in the aggregate have) a value in excess of U.S.$10,000,000 (or its equivalent in any other currency) unless: (a) such Affiliate Transaction (and each such other Affiliate Transaction) is on terms that are no less favourable to Albaraka or the relevant subsidiary than those that would have been obtained in a comparable transaction by Albaraka or such subsidiary with an unrelated person; or (b) such Affiliate Transaction (and any such other Affiliate Transaction) is made pursuant to an Islamic financing structure, **provided that** the assets which are the subject of such financing structure cannot be ultimately sold or otherwise disposed of, except to Albaraka and no other person.

Financial Reporting

So long as the Certificates remain outstanding (as defined in the Representative Agreement), Albaraka shall deliver to the Representative:

(i) not later than 180 days after the end of each financial year of Albaraka, English language copies of Albaraka's audited consolidated financial statements for such financial year, prepared in accordance with Turkish GAAP consistently applied, together with the corresponding financial statements for the preceding such period, and all such annual financial statements of Albaraka shall be accompanied by the report of the auditors thereon; and

(ii) not later than 120 days after the end of the first six months of each financial year of Albaraka, English language copies of its unaudited consolidated financial statements for such six month period, prepared in accordance with Turkish GAAP consistently applied, together with the corresponding financial statements for the preceding such period, and all such interim financial statements of Albaraka shall be accompanied by a review report of the auditors thereon.

Merger, Amalgamation, Consolidation, Sale, Assignment or Disposal

Albaraka shall not merge, amalgamate or consolidate with or into, or sell, assign or otherwise dispose of all or substantially all of its property and assets (whether in a single transaction or a series of related transactions) to, any other person (a "**New Bank**") without the prior approval of the Representative or of holders of the Certificates by way of an Extraordinary Resolution unless either:

(i) the surviving legal entity following any such merger, amalgamation or consolidation is Albaraka; or

(ii)

(a) the New Bank is incorporated, domiciled and resident in Turkey and executes such documents as may be necessary to give effect to its assumption of all of the obligations, covenants, liabilities and rights of Albaraka in respect of the Transaction Documents (together, the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the New Bank shall undertake to be bound by all of the Transaction Documents to which Albaraka is a party as fully as if it had been named in such Transaction Documents in place of Albaraka; and

(b) Albaraka (or the New Bank) delivers to the Representative a legal opinion from a leading firm of lawyers in each of Turkey and England to the effect that, subject to no greater limitations as to enforceability than those which would apply in any event in the case of Albaraka, the Documents constitute or, when duly executed and delivered, will constitute, legal, valid and binding obligations of the New Bank, with each such opinion to be dated not more than seven days prior to the date of such merger, amalgamation or consolidation or sale, assignment or other disposition,

and provided: (1) no Dissolution Event has occurred and is continuing; and (2) such merger, amalgamation or consolidation or sale, assignment or other disposition does not and would not (I) result in any other default or breach of the obligations and covenants of the Issuer and Albaraka under the Certificates and the Transaction Documents or of the New Bank on its assumption of such obligations and covenants in accordance with the provisions above; or (II) otherwise have a Material Adverse Effect.

Notification of Albaraka Events, Potential Albaraka Events and Change of Control

Albaraka undertakes that it shall forthwith notify the Representative of any (a) Change of Control, (b) Albaraka Event (and the steps, if any, being taken to remedy it) or (c) any Potential Albaraka Event, in each case promptly upon becoming aware of its occurrence.

The Purchase Undertaking is governed by, and shall be construed in accordance with, the laws of England. Each Sale Agreement will be governed by, and construed in accordance with, the laws of Turkey.

Sale Undertaking

Pursuant to a sale undertaking (the "**Sale Undertaking**") dated on or about the Closing Date granted by the Issuer in favour of Albaraka and the Representative, the Issuer irrevocably grants to Albaraka the right to require the Issuer, upon the occurrence of a Tax Event which is continuing, to accept the payment of the Sale Undertaking Exercise Price on the Tax Redemption Date specified in the Sale Undertaking Exercise Notice, **provided that** no Dissolution Event has occurred.

In order to exercise this right, Albaraka is required to deliver a Sale Undertaking Exercise Notice to the Issuer (with a copy to the Representative) specifying the Tax Redemption Date (which must be a Periodic Distribution Date and must be no less than 45 days and no more than 60 days after the date on which the Sale Undertaking Exercise Notice is delivered to the Issuer).

In addition, in the event that Certificates representing seventy five per cent. (75%) or more of the original aggregate outstanding face amount of the Certificates have been redeemed pursuant to Condition 9(d) (*Capital Distributions — Redemption at the Option of the Certificateholders (Change of Control Put Option)*) and/or purchased and cancelled pursuant to Condition 12 (*Purchase and Cancellation of Certificates*), Albaraka will, by exercising its right under the Sale Undertaking and serving a Sale Undertaking Exercise Notice on the Issuer (with a copy to the Representative) specifying the Call Option Date (which shall be no less than 45 days and no more than 60 days after the date on which the Sale Undertaking Exercise Notice is delivered to the Issuer), oblige the Issuer to accept payment of the Sale Undertaking Exercise Price from Albaraka on the date specified in the Exercise Notice.

Subject to the payment of the Sale Undertaking Exercise Price in accordance with the terms of the Sale Undertaking, the Issuer will:

(a) sell all of the Issuer's interests, rights, benefits and entitlements in, to and under the Portfolio Assets to Albaraka, in which case the Sale Undertaking Exercise Price will represent the purchase price for such interests, rights, benefits and entitlements in, to and under the Portfolio Assets; and

(b) enter into a Sale Agreement so as to give effect to the purchase referred to in paragraph (a) above.

In addition, pursuant to the Sale Undertaking, the Issuer irrevocably grants to Albaraka the right to oblige the Issuer to transfer on any Substitution Date all of the Issuer's interests, rights, benefits and entitlements in, to and under certain Substituted Assets against the transfer to the Issuer of all of Albaraka's interests, rights, benefits and entitlements in, to and under certain New Assets.

This right can be exercised at any time by Albaraka, delivering a Substitution Notice to the Issuer specifying the Substitution Date (which may be the same date as the Substitution Notice) and **provided that** in such Substitution Notice Albaraka represents and warrants that:

(a) the representations set out in clause 4.1.2 of the Initial Asset Portfolio Sale and Purchase Agreement are true and accurate with respect to the relevant New Assets;

(b) the aggregate Outstanding Principal Value of the relevant New Assets is at least equal to the Outstanding Principal Value of the relevant Substituted Assets immediately prior to such substitution;

(c) immediately following such substitution, the aggregate of:

(i) the Outstanding Principal Value of the Portfolio Assets (including such New Assets);

(ii) the amount standing to the credit of the Principal Collection Account (if any);

(iii) the amount invested in the remaining Shari'a Compliant Investments (if any); and

(iv) the outstanding Deferred Principal Amount under the Murabaha Contract,

will be at least equal to the face amount of the Certificates then outstanding; and

(d) for the purposes of the Transaction Documents, the purchase price for such New Assets shall be deemed to be the Outstanding Principal Value of the Substituted Assets at the time of such substitution.

Following the exercise of the substitution right, the substitution of the Substituted Assets for New Assets shall occur by the execution of a Transfer Agreement between the Issuer and Albaraka.

The Issuer agrees and acknowledges that Albaraka may select, in its sole and absolute discretion, the relevant Substituted Assets and New Assets **provided always that** following the selection of the Substituted Assets and New Assets:

(a) the aggregate Outstanding Principal Value of the relevant New Assets is at least equal to the Outstanding Principal Value of the relevant Substituted Assets immediately prior to such substitution;

(b) immediately following such substitution, the aggregate of:

(i) the Outstanding Principal Value of the Portfolio Assets (including such New Assets);

(ii) the amount standing to the credit of the Principal Collection Account (if any);

(iii) the amount invested in the remaining Shari'a Compliant Investments (if any); and

(iv) the outstanding Deferred Principal Amount under the Murabaha Contract,

will be at least equal to the face amount of the Certificates then outstanding.

Nothing in the Sale Undertaking will require the Representative to determine the value of the relevant Substituted Assets or New Assets.

The exercise of the rights granted under the Sale Undertaking is subject to the Issuer (or the Representative or Principal Paying Issuer on its behalf) not having previously delivered a Purchase Undertaking Exercise Notice to Albaraka or, in the case of the substitution right granted under the Sale Undertaking, Albaraka not having delivered to the Issuer a Sale Undertaking Exercise Notice. A Sale Undertaking Exercise Notice and a Substitution Notice will cease to have any effect from (and including):

(a) the occurrence of a Dissolution Event;

(b) the date of delivery of a Purchase Undertaking Exercise Notice; or

(c) in the case of a Substitution Notice, the date of delivery of a Sale Undertaking Exercise Notice; or

(d) in the case of a Sale Undertaking Exercise Notice, the date on which Albaraka fails to settle the Sale Undertaking Exercise Price in accordance with the terms of the Sale Undertaking.

The Sale Undertaking is governed by, and shall be construed in accordance with, the laws of England. Each Sale Undertaking Sale Agreement and each Transfer Agreement will be governed by, and construed in accordance with the laws of Turkey.

For these purposes:

"**New Assets**" means the Lease Assets or Investment Sukuk specified as such in a Substitution Notice, the identity of which shall be determined by Albaraka in its sole and absolute discretion subject to the terms of the Sale Undertaking;

"**Sale Undertaking Exercise Notice**" means a notice substantially in the form set out in Schedule 1 (*Form of Sale Undertaking Exercise Notice*) of the Sale Undertaking;

"**Sale Undertaking Exercise Price**" means: (a) the Outstanding Principal Value of each Portfolio Asset on the Dissolution Date; (b) without duplication or double-counting, an amount equal to any accrued but unpaid Management Costs; and (c) without duplication or double-counting, an amount representing any prior ranking claims (as described in items (i) and (ii) of Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*)) in accordance with Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*); and "**Sale Undertaking Sale Agreement**" means an agreement substantially in the form set out in Schedule 3 (*Form of Sale Agreement*) of the Sale Undertaking;

"**Substituted Assets**" means the Portfolio Assets specified as such in a Substitution Notice, the identity of which shall be determined by Albaraka in its sole and absolute discretion subject to the terms of the Sale Undertaking;

"**Substitution Date**" means the date specified as such in a Substitution Notice;

"**Substitution Notice**" means a notice substantially in the form set out in Schedule 2 (*Form of Substitution Notice*) of the Sale Undertaking; and

"**Transfer Agreement**" means an agreement substantially in the form set out at Schedule 4 (*Form of Transfer Agreement*) of the Sale Undertaking.

Redemption Undertaking

Pursuant to a redemption undertaking (the "**Redemption Undertaking**") dated on or about the Closing Date granted by the Issuer in favour of Albaraka and the Representative, the Issuer irrevocably grants to Albaraka the right to require the Issuer to purchase the Redemption Certificates from Albaraka in consideration for:

(a) the sale and transfer of its interests, rights, benefits and entitlements in, to and under the relevant Redemption and Cancellation Assets to Albaraka; and

(b) the payment of an amount equal to the Redemption Amount to Albaraka,

and the cancellation of the Redemption Certificates on the relevant Redemption and Cancellation Date in accordance with the terms of the Representative Agreement, the Conditions and the terms of the Redemption Undertaking.

The right granted to Albaraka under the Redemption Undertaking may only be exercised by Albaraka delivering a Redemption and Cancellation Notice to the Issuer specifying the Redemption Certificates to be transferred to the Issuer and the Redemption and Cancellation Date (which must also be a Periodic Distribution Date), the Redemption and Cancellation Assets and the Redemption Amount (together with a breakdown of the constituent elements of that amount) and **provided that** in such Redemption and Cancellation Notice, Albaraka represents and warrants that:

(a) the aggregate face amount of the relevant Redemption Certificates is at least equal in value to the aggregate Outstanding Principal Value of the relevant Redemption and Cancellation Assets and the Redemption Amount specified therein; and

(b) on the relevant Redemption and Cancellation Date, immediately following the redemption and cancellation of the relevant Redemption Certificates, the transfer of the Redemption and Cancellation Assets and the payment of the Redemption Amount in accordance with the terms of the Redemption Undertaking and the other Transaction Documents, the aggregate of:

    (i) the Outstanding Principal Value of the remaining Portfolio Assets;

    (ii) the amount standing to the credit of the Principal Collection Account (if any) as reduced pursuant to the Management Agency Agreement;

    (iii) the remaining principal amount invested in the remaining Shari'a Compliant Investments (if any); and

    (iv) the outstanding Deferred Principal Amount under the Murabaha Contract, will be at least equal to the face amount of the Certificates then outstanding; and

(c) the:

    (i) sale of the Issuer's interests, rights, benefits and entitlements in, to and under the relevant Redemption and Cancellation Assets in accordance with the Redemption Undertaking and the relevant Redemption Sale Agreement; and

    (ii) the payment of the relevant Redemption Amount (in the manner described below),

    represents fair and valuable consideration for the relevant Redemption Certificates which shall be transferred by Albaraka and cancelled by the Issuer in accordance with the Redemption Undertaking, the Representative Agreement and the Conditions.

Following the exercise of the right granted to Albaraka under the Redemption Undertaking, the Issuer will:

(a) purchase the relevant Redemption Certificates from Albaraka on the relevant Redemption and Cancellation Date;

(b) cancel the relevant Redemption Certificates on the relevant Redemption and Cancellation Date;

(c) sell and transfer the Issuer's interests, rights, benefits and entitlements in, to and under the relevant Redemption and Cancellation Assets to Albaraka by entering into a Redemption Sale Agreement with Albaraka on the terms and subject to the conditions of the Redemption Undertaking and the Redemption and Cancellation Notice on or after the Redemption and Cancellation Date, in which case the redemption and cancellation of the relevant proportion of the relevant Redemption Certificates shall represent the consideration for those Redemption and Cancellation Assets; and

(d) pay the relevant Redemption Amount (in the manner described below), in which case the redemption and cancellation of the remaining proportion of the relevant Redemption Certificates shall represent the consideration for such payment.

Albaraka acknowledges that on a Redemption and Cancellation Date the relevant Redemption Amount to be paid by the Issuer to Albaraka will be paid as follows:

(a) the amount equal to the Principal Collections Redemption Amount shall be paid, and be deemed to have been paid, by the Issuer authorising the Managing Agent to debit such amount from the Principal Collection Account and retain it for its own account in accordance with the terms of the Management Agency Agreement;

(b) the amount equal to the Shari'a Compliant Investments Redemption Amount shall be paid, and be deemed to have been paid, by the Issuer authorising the Managing Agent to liquidate a corresponding amount of the Shari'a Compliant Investments and retain such amount for its own account in accordance with the terms of the Management Agency Agreement; and

(c) the amount equal to the Murabaha Contract Redemption Amount shall be set-off against the amount of the Deferred Principal Amount to be paid by Albaraka to the Issuer on the Redemption and Cancellation Date under the Murabaha Agreement.

The exercise of the right granted to Albaraka under the Redemption Undertaking is subject to the Issuer or Representative not having previously delivered a Purchase Undertaking Exercise Notice or Change of Control Exercise Notice under the Purchase Undertaking and a Redemption and Cancellation Notice will cease to have any effect following the occurrence of a Dissolution Event.

Albaraka may select, in its sole and absolute discretion, the relevant Redemption and Cancellation Assets **provided always that** following such selection:

(a) the Outstanding Principal Value of the Redemption and Cancellation Assets immediately prior to the redemption and cancellation of the Redemption Certificates is equal to the Redemption and Cancellation Asset Value;

(b) on the relevant Redemption and Cancellation Date, immediately following the redemption and cancellation of the relevant Redemption Certificates, the transfer of the Redemption and Cancellation Assets and the payment of the Redemption Amount in accordance with the terms of the Redemption Undertaking and the other Transaction Documents, the aggregate of:

    (i) the Outstanding Principal Value of the remaining Portfolio Assets;

    (ii) the amount standing to the credit of the Principal Collection Account (if any) as reduced pursuant to the Management Agency Agreement;

    (iii) the remaining principal amount invested in the remaining Shari'a Compliant Investments (if any); and

    (iv) the outstanding Deferred Principal Amount under the Murabaha Contract, will be at least equal to the outstanding face amount of the Certificates then outstanding.

Nothing in the Redemption Undertaking shall require the Representative to determine the value of the relevant Redemption and Cancellation Assets.

Albaraka will acknowledge and agree that, where the proportion of a Portfolio Asset forming part of the Redemption and Cancellation Assets is less than the whole of that Portfolio Asset, a Redemption Sale Agreement shall not be entered into in respect of part of that Portfolio Asset and the possible transfer to Albaraka of such proportion of that Portfolio Asset shall be deferred until such time that the face amount of Redemption Certificates that have been purchased and cancelled by the Issuer which relate to such Portfolio Asset when aggregated with any Change of Control Exercise Price that has been paid to the Issuer which relates to that Portfolio Asset in accordance with the terms of the Purchase Undertaking is at least equal to the Outstanding Principal Value of that Portfolio Asset.

The Redemption Undertaking is governed by, and shall be construed in accordance with, the laws of England. Each Redemption Sale Agreement will be governed by, and construed in accordance with the laws of Turkey.

Representative Agreement

Pursuant to a representative agreement to be dated on or about the Closing Date entered into by way of a deed between Albaraka, the Issuer and the Representative (the "**Representative Agreement**"), the Representative will act as trustee for the Certificateholders and undertake certain administrative functions in respect of the Certificates and the Transaction Documents.

Pursuant to the Representative Agreement, upon issue of the Certificates, the Representative shall hold, the benefit of certain covenants given by the Issuer on trust for the Certificateholders. Such covenants include, amongst others:

(i) the covenant to pay the face amount of the Certificates when due for redemption or repayment;

(ii) the covenant to pay Periodic Distribution Amounts due to be paid;

(iii) certain undertakings of the Issuer to, amongst others, cause all income from the Portfolio Assets to be collected, and all payments in respect of the Certificates to be made, in accordance with the Conditions, the Representative Agreement and the Paying Agency Agreement;

(iv) the Negative Pledge given by Albaraka in the Purchase Undertaking; and

(v) covenants given by Albaraka in the Purchase Undertaking (such as to purchase the Lease Assets if certain conditions are met).

Pursuant to the Representative Agreement, the Issuer will declare that it will hold the Lease Certificate Assets comprising:

(i) all of the Issuer's rights, interest and benefit (present and future) in, to and under the Sukuk Assets;

(ii) all monies standing to the credit of the Transaction Account;

(iii) all of the Issuer's rights, interest and benefit (present and future) in, to and under the Transaction Documents (excluding any representations given to the Issuer by Albaraka pursuant to any of the Transaction Documents); and

(iv) all proceeds of the foregoing (which are held by the Issuer),

in its own name and on its own behalf and for the account and benefit of the Certificateholders and the income accruing to the Issuer from the Lease Certificate Assets, together with any capital arising from disposal of such Lease Certificate Assets, shall be for the benefit of, and shall be accounted by the Issuer to, the Certificateholders, on a *pro rata* basis in the proportion which the face amount of such Certificateholder's Certificates bears to the aggregate outstanding Certificates and will rank *pari passu*, without any preference, with the other Certificates.

The Representative Agreement will specify that, on or after the Scheduled Dissolution Date or, as the case may be, the Dissolution Date, the rights of recourse in respect of the Certificates shall be limited to the amounts from time to time available and comprising the Sukuk Assets, subject to the priority of payments set out in the Representative Agreement, the Certificates and the Conditions. The Certificateholders have no claim or recourse against the Issuer, Albaraka, the Representative, the Agents or any other person in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

In the Representative Agreement, the Representative may, upon the occurrence of a Dissolution Event (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), exercise all of the rights of the Issuer under the Transaction Documents and the Conditions (**provided that** no obligations, duties, Liabilities or covenants of the Issuer pursuant to the Representative Agreement or any other Transaction Document shall be imposed on the Representative by virtue of this delegation). The Representative may also 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 or, to the extent applicable, of England. Furthermore, the Representative may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or in England 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 in England or if it is determined by any court or other competent authority in that jurisdiction or in England that it does not have such power.

The Issuer will undertake in the Representative Agreement that it shall: (i) following it becoming aware of the occurrence of a Potential Dissolution Event in respect of any Certificates and subject to Condition 13 (*Dissolution Events*) promptly notify the Representative and the Certificateholders of the occurrence of such Dissolution Event; and (ii) take all such steps as are necessary to enforce the obligations of Albaraka under the Initial Asset Portfolio Sale and Purchase Agreement, the Murabaha Agreement, the Purchase Undertaking, the Redemption Undertaking, the Management Agency Agreement and any other Transaction Document to which Albaraka is a party in accordance with the provisions of the relevant Transaction Document.

Following the occurrence of a Dissolution Event, the Representative shall (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), if notified in writing of the occurrence of such Dissolution Event, give notice in writing of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 16 (*Notices*) with a request to such holders to indicate if they wish the Certificates to be redeemed. If so requested in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates or if so directed by an Extraordinary Resolution of the Certificateholders (a "**Dissolution Request**"), the Representative shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer (with a copy to Albaraka) of the Dissolution Request and, upon receipt of such notice, the Issuer shall promptly exercise its rights under the Purchase Undertaking by serving a Purchase Undertaking Exercise Notice on Albaraka in accordance with the terms of the Purchase Undertaking and use the proceeds of the resultant sale to redeem the Certificates at the Dissolution Distribution Amount on the date specified in such notice.

Upon the occurrence of a Dissolution Event, to the extent that the Dissolution Distribution Amount payable in respect of the Certificates has not been paid in full (and subject to it being indemnified and/or secured and/or prefunded to its satisfaction) the Representative shall pursuant to the Representative Agreement and/or any other Transaction Document, as applicable, and further subject to Condition 14 (*Enforcement and Exercise of Rights*), take one or more of the following steps:

(i) enforce the provisions of the Purchase Undertaking against Albaraka; and/or

(ii) take such other steps as the Issuer or the Representative may consider necessary to exercise all of the rights of the Issuer or the Representative under the Purchase Undertaking and any of the other Transaction Documents and make such distributions from the Sukuk Assets as the Issuer is bound to make in accordance with the Representative Agreement.

The Representative Agreement specifies, *inter alia*, that:

(i) following the enforcement and ultimate distribution of the net proceeds of the Sukuk Assets in respect of the Certificates to the Certificateholders in accordance with the Conditions and the Representative Agreement, neither the Issuer nor the Representative shall be liable for any amounts which remain unpaid under the Certificates and, accordingly, Certificateholders may not take any action against the Issuer, the Representative or any other person to recover any such sum or asset in respect of the relevant Certificates;

(ii) subject to clause 18 (*Remuneration and Indemnification*) of the Representative Agreement, shall not be bound in any circumstances to take any action to enforce the rights of the Certificateholders in respect of the Lease Certificate Assets or take any action against the Issuer or Albaraka under any Transaction Document to which either of the Issuer or Albaraka (as applicable) is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction by the Certificateholders against all Liabilities which it may thereby render itself liable to incur or which it may incur by so doing; and

(iii) paragraphs (i) and (ii) above are subject to this paragraph (iii). After distributing the net proceeds of the Sukuk Assets in accordance with Condition 5(b) (*The Asset Leasing Corporation — Application of Proceeds from Lease Certificate Assets*), the obligations of the Issuer in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Issuer (or any steps against the Representative) to recover any further sums in respect of the Certificates and the right to receive any unpaid sums 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 Issuer.

Albaraka will undertake in the Representative Agreement to the Issuer and the Representative that, for as long as any Certificate is outstanding, it will not create or permit to subsist any Security Interest, other than Permitted Security, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any of its Financial

Indebtedness or any Guarantee of Financial Indebtedness given by Albaraka.

The Representative Agreement will be governed by, and construed in accordance with, English law.

Paying Agency Agreement

Pursuant to a paying agency agreement (the "**Paying Agency Agreement**") to be dated on or about the Closing Date entered into between the Issuer, Albaraka, the Representative, the Principal Paying Agent, the Registrar and the Transfer Agent:

(i) the Registrar has agreed to be appointed as agent of the Issuer and in such capacity has agreed, amongst other things, to complete, authenticate and deliver the Global Certificates;

(ii) the Principal Paying Agent has agreed to be appointed as agent of the Issuer and in such capacity has agreed, amongst other things, to pay all sums due under such Global Certificates, and to make all calculations and determinations in relation to amounts due under the Global Certificates; and

(iii) the Transfer Agent has agreed to be appointed as agent of the Issuer and in such capacity has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificates and issue Definitive Certificates in accordance with each request.

Issue of Global Certificates

On the Closing Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the Representative Agreement; and (ii) deliver, on the Closing Date, the Global Certificate to the common depositary or to such clearing system or other depositary or custodian for a clearing system as shall have been agreed between the Issuer, Albaraka and the Principal Paying Agent or otherwise, at such time, on such date, to such person and in such place as may have been agreed between the Issuer, Albaraka and the Principal Paying Agent.

Payments

The Issuer will pay in freely transferable, cleared funds to the Transaction Account opened by the Issuer with the Principal Paying Agent, any payment which becomes due in respect of a Certificate in accordance with the Conditions on the Business Day preceding the due date for payment.

The Issuer will confirm within three Business Days preceding the day on which any payment is to be made to the Principal Paying Agent that the payment instructions have been given.

The Principal Paying Agent will notify the Issuer and the Representative if the Issuer has not made any payment or if it pays the full amount of any sum payable after the date specified for such payment. If the Principal Paying Agent decides in its discretion that the amounts are not sufficient to make a payment then neither the Principal Paying Agent nor any other Paying Agent is obliged to pay any sums to Certificateholders until the Principal Paying Agent has received the full amount.

The Principal Paying Agent is entitled to treat the registered holder of any Certificate as the absolute owner for all purposes.

Changes in Agents

The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents by giving, *inter alia*, such Agent at least 60 days' prior written notice to that effect, **provided that**: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent 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; and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Costs Undertaking Deed

Pursuant to a costs undertaking deed (the "**Costs Undertaking Deed**") to be dated on or about the Closing Date granted by Albaraka in favour of the Issuer and the Representative, Albaraka irrevocably undertakes to and for the benefit of the Issuer and the Representative:

(i) that it will pay, as and when they fall due, all outstanding fees, costs and expenses due by the Issuer to an Agent pursuant to the Paying Agency Agreement or any other contract relating to the Certificates between the Issuer and such Agent;

(ii) that it will pay all amounts due by the Issuer to each Agent with respect to certain losses incurred by such Agents on the terms and conditions set out in the Paying Agency Agreement (in which Albaraka indemnifies each Agent against any claim, demand, action, liability, damages, cost, actual loss or expense (including, without limitation, legal fees and any applicable value added tax) which the Agent properly incurs otherwise than by reason of its own fraud, gross negligence or wilful default, as a result or arising out of or in relation to its acting as the agent of the Issuer in relation to the Certificates and the appointment of or the exercise of the powers and duties by each Agent under the Paying Agency Agreement); and

(iii) that it will pay all outstanding taxes (including any government related costs, fees, penalties and charges in relation to such taxes) to be paid by the Issuer to the Turkish tax authorities when they become due and payable.

The Costs Undertaking Deed will be governed by, and construed in accordance with, English law.

Commodity Purchase Letter of Understanding

Pursuant to a commodity purchase letter of understanding (the "**Commodity Purchase Letter of Understanding**") dated on or about the Closing Date between the Issuer as purchaser of Commodities and the Supplier as seller of the Commodities, the Issuer will, on the Settlement Date, purchase the Commodities requested by Albaraka in a Notice of Request to Purchase delivered under the Murabaha Agreement from the Supplier for a purchase price equal to no more than 49 per cent. of the issuance proceeds (the "**Commodity Purchase Price**") on spot payment and spot delivery terms.

The Issuer and the Supplier will agree in the Commodity Purchase Letter of Understanding that settlement of the Commodity Purchase Price shall occur in accordance with the terms of the Netting Deed.

Commodity Sale Letter of Understanding

Pursuant to a commodity sale letter of understanding (the "**Commodity Sale Letter of Understanding**") dated on or about the Closing Date between Condor Trading Limited (the "**On-Sale Broker**") as purchaser of Commodities and Albaraka as seller of the Commodities, Albaraka will, on the Settlement Date, sell the Commodities that it has acquired from the Issuer pursuant to the Murabaha Contract concluded in accordance with the Murabaha Agreement to the On-Sale Broker for an amount equal to the Commodity Purchase Price (the "**Commodity Sale Price**") on spot payment and spot delivery terms.

The On-Sale Broker and Albaraka will agree in the Commodity Sale Letter of Understanding that settlement of the Commodity Sale Price shall occur in accordance with the terms of the Netting Deed.

Netting Deed

Pursuant to a netting deed (the "**Netting Deed**") dated on or about the Closing Date between the Issuer, Albaraka, the Supplier and the On-Sale Broker, each of the parties agree that the obligation of the Issuer to pay the Commodity Purchase Price to the Supplier and the obligation of the On-Sale Broker to pay the Commodity Sale Price to Albaraka in respect of the respective sales of Commodities under the Commodity Purchase Letter of Understanding and the Commodity Sale Letter of Understanding shall be netted off in accordance with the terms of the Netting Deed.

TAXATION

The following is a general description of certain Turkish and European Union 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 countries 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 of profit, principal and/or other amounts 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 taxation section describes the principal tax consequences of an investment in the Certificates by a person who is not a resident of Turkey and will not hold the Certificates in connection with the conduct of a trade or business through a permanent establishment in Turkey. This summary does not intend to be a comprehensive description of all of the tax considerations that may be relevant to a decision to make an investment in the Certificates. In addition, it does not describe any tax consequences (a) arising under the laws of any taxing jurisdiction other than Turkey; or (b) applicable to a resident of Turkey or with a fixed base or permanent establishment in Turkey.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile or its business centre is in Turkey. A legal entity having its corporate domicile and effective place of management outside of Turkey is a non resident of Turkey. A natural person is a resident of Turkey if it has established domicile or stays in Turkey for more than six months in a calendar year.

While resident legal entities and resident individuals are taxed on their worldwide income in Turkey, non resident legal entities acting without creating a permanent establishment in Turkey and non resident individuals are taxed only on the income that is sourced or derived in Turkey.

Income from capital investment including periodic distribution payment is sourced in Turkey when the principal is invested in Turkey. Capital gains derived from trading income is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "**accounted for**" means that a payment is made in Turkey, or if the payment is made abroad, that it is recorded in the books in Turkey.

Any withholding tax levied on income derived by a non resident is the final tax for the non resident and no further declaration is needed. Any other income of a non resident sourced in Turkey that has not been subject to withholding tax will be subject to taxation and declaration where exemptions are reserved.

Article 30.1 of the Corporation Tax Law (Law No. 5520) ("**Corporation Tax Law**") requires a 15 per cent. withholding tax from the income received under the Certificates by the non resident legal entities. However, according to the Council of Ministers' Decree No. 2009/14593, changed through Decree No 2011/1854, issued pursuant to Article 30.8 of the Corporation Tax Law, the rate of such withholding tax is reduced to 0 per cent. for Certificates with a maturity of five years and more. The withholding tax rates for Certificates with a maturity of less than five years range between 3 per cent. and 10 per cent.

Article 94.7 of the Income Tax Law (Law No. 193) ("**Income Tax Law**") requires a 25 per cent. withholding tax from the income received under the Certificates by the non resident individuals. However, according to the Council of Ministers' Decree No. 2009/14592, as amended by Decree No. 2011/1854, issued pursuant to Article 94 of the Income Tax Law, the rate of such withholding tax is reduced to 0 per cent. for Certificates with a maturity of five years and more. The withholding tax rates for Certificates with a maturity of less than five years range between 3 per cent. and 10 per cent.

As noted, such withholding tax on the periodic distribution payments is final for the non resident individual Certificateholders and no declaration is required. Such withholding tax is also final for non-resident corporate Certificateholders if the corporate entity does not earn income through a permanent establishment in the Republic of Turkey. No declaration is required in such circumstances.

Please note that there can be no assurance that such rates will continue to be 0 per cent., but in the event of any increase in such rates, the Issuer will be obliged to pay additional amounts as specified in Condition 10 (*Taxation*) of the Terms and Conditions of the Certificates.

Capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Certificates shall be subject to declaration. However, pursuant to Temporary Article 67.7 of the Income Tax Law, special or separate tax returns will not be submitted for capital gains derived from the sale of Certificates. Therefore, no tax is levied on non resident individuals and corporate entities not earning income through a permanent establishment in the Republic of Turkey on capital gains from such Certificates and no declaration is needed.

Article 30.7 of the Corporation Tax Law and Article 94 of the Income Tax Law provide for all payments to corporations and individuals established or operating in tax havens to be determined by a decision of the Cabinet of Ministers to be subject to withholding tax at a rate of 30 per cent. As of the date of this prospectus, the Cabinet of Ministers has not issued a list of tax havens. Therefore, Article 30.7 of the Corporate Tax Law would not be applied until such determination is made.

According to Section IV.41 of Table 2 of the Stamp Tax Law (Law No. 488) (as amended), Certificates are exempt from Turkish stamp tax.

A non resident holder will not be liable for Turkish inheritance, registration or similar tax or duty with respect to its investment in the Certificates.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income, which may include Periodic Distribution Amounts) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries, including Turkey, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above (see also "*The proposed financial transactions tax ("FTT")*" below). Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Certificates (including secondary market transactions) in certain circumstances.

Under current proposals 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 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.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Under the terms and conditions contained in a subscription agreement (the "**Subscription Agreement**") dated 26 June 2014 between the Issuer, Albaraka and Emirates NBD Capital Limited, Nomura International plc, QInvest LLC and Standard Chartered Bank (the "**Joint Lead Managers**") the Issuer has agreed to issue and sell to the Joint Lead Managers U.S.$350,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe for the Certificates. The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Certificates are subject to certain conditions. Pursuant to the Subscription Agreement, the Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers will also be reimbursed in respect of certain of their expenses, and each of the Issuer and Albaraka has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Certificates.

General

Each Joint Lead Manager has represented, warranted and undertaken, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses, distributes or publishes this Prospectus or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus comes are required by the Issuer, Albaraka and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Certificates or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

The Subscription Agreement provides that the Joint Lead Managers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Joint Lead Managers described in this paragraph.

United States of America

The Certificates have not been and will not be registered under the Securities Act 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has agreed that it will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates, as certified to the Principal Paying Agent or the Issuer by such Joint Lead Manager (or, in the case of a sale of Certificates to or through more than one Joint Lead Manager, by each of such Joint Lead Managers as to the Certificates purchased by or through it, in which case the Principal Paying Agent, the Issuer or Albaraka shall notify each such Joint Lead Manager when all such Joint Lead Managers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Joint Lead Manager will have sent to each Joint Lead Manager to which it sells Certificates during the distribution compliance period relating thereto a confirmation or other notice setting forth 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.

In addition, until 40 days after the commencement of the offering of Certificates, any offer or sale of Certificates within the United States by any manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented, warranted and undertaken that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Certificates to the public in that Relevant Member State:

(c) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(d) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Joint Lead Manager or Joint Lead Managers nominated by the Issuer for any such offer; or

(e) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to in (a) to (c) above shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of Certificates to the public**" in relation to any Certificates in any Relevant Member State means 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 for Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) 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 Issuer or Albaraka; and

(b) 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.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) 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

(b) 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.

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 Certificates, and will not, directly or indirectly, offer or sell any Certificates 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 (Act No. 228 of 1949, as amended)), or to others for reoffering 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.

Malaysia

Each Joint Lead Manager has represented and agreed that:

(a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the "**SC**") under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"). While a copy of the Prospectus will be deposited with the SC, the SC takes no responsibility for its content; and

(b) accordingly, the Certificates have not been and will not be issued, offered for subscription or purchase, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may this Prospectus, any application or the Certificates nor any document or other material in connection with the offering, the Prospectus or the Certificates be circulated or distributed in Malaysia, other than to persons falling within Schedule 6 or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b), and Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the SC 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

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, 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 under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"); (ii) to a relevant person pursuant to Section 275(1), or 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) 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

(b) 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:

(a) 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;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA.

The Republic of Turkey

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) the offering of the Certificates has been authorised by the CMB for the purpose of the sale of the Certificates outside of Turkey only in accordance with Article 15(b) of Decree 32; and

(b) the Certificates shall not be offered or sold in Turkey in any circumstances which would constitute an offer to the public within the meaning of the Capital Markets Law and 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 any offer or sale of Certificates without the prior approval of the CMB. Pursuant to Article 15(d) (ii) of Decree 32, residents of Turkey may purchase or sell the Certificates in secondary markets, **provided that** (i) such Certificates are traded in financial markets outside of Turkey and (ii) such purchase is made through banks and/or licensed brokerage institutions in Turkey authorised pursuant to CMB regulations.

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:

(a) an "Exempt Offer" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of 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 10 or Article 11 of the "**Offer 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 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital

Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Joint Lead Manager represents and agrees that any offer of Certificates to a Saudi Investor will comply with the KSA Regulations.

Investors are informed that Article 17 of the Regulations place restrictions on secondary market activity with respect to the Certificates, including as follows:

(a) a Saudi Investor (referred to as a "**transferor**") who has acquired Certificates pursuant to a private placement may not offer or sell Certificates to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:

   (i) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

   (ii) the Certificates are offered or sold to a sophisticated investor; or

   (iii) the Certificates are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Certificates if he/she sells his entire holding of Certificates to one transferee; and

(d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Certificates.

Kingdom of Bahrain

Each Joint Lead Manager has represented, warranted and undertakes that it will only make any offer pursuant to this Prospectus available on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) 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

(c) 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).

Qatar (excluding the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell or deliver, directly or indirectly, any Certificates in the State of Qatar, except: (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) 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 the State of Qatar.

Qatar Financial Centre

This Prospectus 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. This document is intended for the original recipient only and must not be provided to any other person. It is not for general circulation in the Qatar Financial Centre and may not be reproduced or used for any other purpose.

GENERAL INFORMATION

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Issuer dated 12 May 2014. The Issuer 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 30 April 2014.

Listing of Certificates

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and admitted to trading on the Main Securities Market. The listing of the Certificates is expected to be granted on or before 30 June 2014. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Certificates and is not itself seeking admission of the Certificates to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or Albaraka is aware) which may have, or have had during the twelve months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer, Albaraka, or Albaraka and its subsidiary taken as a whole.

Significant/Material Change

Save in respect of the issuance of the Outstanding Certificates (See "*Description of the Issuer — Business of the Issuer and Principal Activities*" for further details), there has been no significant change in the financial or trading position of the Issuer and no material adverse change in the prospects of the Issuer, in each case, since the date of its incorporation.

Since 31 March 2014 there has been no significant change in the financial or trading position of Albaraka and its subsidiary taken as a whole and, since 31 December 2013, there has been no material adverse change in the prospects of Albaraka and its subsidiary taken as a whole.

Auditors

The financial statements of the Bank have been audited or reviewed (as applicable) without qualification in accordance with BRSA Principles for each of the two years ended 31 December 2012 and 31 December 2013 and for the three month period ended 31 March 2014 by EY (Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş, a member firm of Ernst & Young Global Limited, as previously defined) of Beytem Plaza, Büyükdere Caddesi, No: 22 Kat: 9-10, Şişli 34381, Istanbul, Turkey as stated in their reports appearing elsewhere herein. EY is an institution authorised by the BRSA to conduct independent audits of banks in Turkey. EY is a member of the Union of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey.

Expenses

The expenses relating to the admission to trading of the Certificates on the Main Securities Market are expected to amount to €5,291.

Documents Available

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available both in electronic and physical format and in the English language, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuer and the specified London office of the Principal Paying Agent:

(a) the Transaction Documents;

(b) the Memorandum and Articles of Association of the Issuer;

(c) the Memorandum and Articles of Association of Albaraka;

(d) the Audited Annual Financial Statements and the unaudited consolidated financial statements for the three month period ended 31 March 2014, in each case together with any audit or review reports prepared in connection therewith;

(e) the most recently published audited consolidated financial statements of the Bank and the most recently published unaudited consolidated financial statements (if any) of the Bank, in each case together with any audit or review reports prepared in connection therewith; and

(f) this Prospectus.

The Prospectus is available for viewing on the website of the Central Bank of Ireland (http: www.centralbank.ie).

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Certificates is XS1082151868. The Common Code for the Certificates is 108215186.

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, L – 1855 Luxembourg.

Shari'a Advisory Boards

The transaction structure relating to the Certificates (as described in this Prospectus) has been reviewed by the Albaraka Türk Katilim Bankası A.Ş. *Shari'a* Advisory Board, the Sharia'a Supervisory Board of QInvest LLC and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on the review referred to above 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 *Shari'a* principles.

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 Consolidated 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 on-balance 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

(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

Consolidated financial statements including independent auditors' limited review report for the interim period ended March 31, 2014

EY
Building a better working world

Güney Bağımsız Denetim ve SMMM AŞ
Büyükdere Cad.
Beytem Plaza No:20
K:9-10, 34381 - Şişli
İstanbul - Turkey

Tel: +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish - see section three Note XXIV)

Independent auditors' limited review report

To the Board of Directors of Albaraka Türk Katılım Bankası Anonim Şirketi:

We have reviewed the accompanying consolidated balance sheet of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") and its consolidated subsidiary ("the Group") as of March 31, 2014 and the consolidated statements of income, consolidated statement of income and expense items accounted under equity, consolidated cash flows and consolidated changes in shareholders' equity for the period then ended. These financial statements are the responsibility of the Bank's management. As independent auditors, our responsibility is to issue a report based on the review performed on these financial statements.

We conducted our review in accordance with the accounting rules and policies, and the accounting and auditing standards, set out as per the Banking Act No: 5411. Those standards require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is principally limited to reviewing financial statements by applying analytical procedures, inquiring as to the integrity of the financial statements and making inquiries of management to obtain information; and hence it is substantially less in scope than an audit and therefore provides a lesser assurance. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of Albaraka Türk Katılım Bankası A.Ş. and its consolidated subsidiary as of March 31, 2014 and the results of its operations and its cash flows for the period then ended in accordance with the prevailing accounting principles and standards set out as per the Articles 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

Additional paragraph for convenience translation:

As explained in detail in Note XXIV of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Articles 37 and 38 of the Banking Act No: 5411 and 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 the accompanying financial statements. Accordingly, the accompanying consolidated 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 Şirketi
A member firm of Ernst & Young Global Limited

Damla Harman, SMMM
Partner in charge

May 12, 2014
Istanbul, Turkey

alBaraka

CONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2014

Address of the Bank's headquarter	: 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 consolidated interim financial report for the three month period 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this consolidated financial report are as follows.

	Subsidiaries	Associates	Joint Ventures
1.	-	-	Katılım Emeklilik ve Hayat A.Ş.

The consolidated 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 reviewed and presented as attached.

May 12, 2014

Adnan Ahmed Yusuf ABDULMALEK Chairman of the Board of Directors	**Fahrettin YAHŞI** General Manager
Melikşah UTKU Assistant General Manager	**Ahmet OCAK** Budget and Financial Reporting Senior Manager

Hamad Abdulla A. EQAB Chairman of the Audit Committee	**Mitat AKTAŞ** 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	: Yunus AHLATCI / Budget and Financial Reporting / Vice Manager
Telephone	: 00 90 216 666 01 99
Facsimile	: 00 90 216 666 16 11

Albaraka Turk Katılım Bankası A.Ş.
Saray Mah. Dr. Adnan Büyükdeniz Cad.
No:6 34768 Ümraniye/İstanbul
SWIFT: BTFHTRIS

tel : (0216) 666 01 01
faks : (0216) 666 16 00
www.albarakaturk.com.tr
İstanbul Ticaret Sicil Memurluğu No:206671/154214

Table of contents

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes related to consolidated financial statements
as at March 31, 2014
(Currency - Thousand Turkish Lira)

Section one

General information

I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status:

Albaraka Türk Katılım Bankası Anonim Şirketi (The Parent 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 permit 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 Undersecretariat 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 Parent 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 Parent 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 Parent Bank's head office is located in Istanbul and is operating through 168 (December 31, 2013: 166) local branches and 1 (December 31, 2013: 1) foreign branch and with 3.140 (December 31, 2013: 3.057) staff as of March 31, 2014.

The Parent Bank together with its consolidated subsidiary is referred to as the "Group" in the accompanying consolidated financial statements.

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management of the Parent Bank and the disclosures on related changes in the current year, if any:

As of March 31, 2014, 54,06% (December 31, 2013: 54,06%) of the Parent Bank's shares are owned by Albaraka Banking Group located in Bahrain. 23,08% (December 31, 2013: 23,08%) of the shares are publicly traded and quoted on Borsa İstanbul.

(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 Parent 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	0,0006
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	(*) 0,0000
	Osman AKYÜZ	Member of BOD	Bachelor	-
	Prof.Dr. Ekrem PAKDEMİRLİ	Member of BOD	Doctorate	(*) 0,0000
	Mitat AKTAŞ	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 BOD	Master	(*) 0,0000
	Khalifa Taha HAMOOD	Member of BOD	Bachelor	(*) 0,0000
	Ass. Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	-
General Manager	Fahrettin YAHŞİ	Member of BOD /General Manager	Master	-
Assistant General Managers	Mehmet Ali VERÇİN	Corporate Marketing, Treasury Marketing, Investment Projects	Bachelor	-
	Nihat BOZ	Legal Advisory, Legal Follow-up	Bachelor	-
	Temel HAZIROĞLU	Human Values, Training & Organisation, Performance & Career Management, Administrative Affairs, Financial Affairs	Bachelor	0,0048
	Bülent TABAN	Commercial Marketing, Commercial Products Management, Regional Offices	Master	0,0342
	Turgut SİMİTCİOĞLU	Credit Operations, Banking Services Operations, Foreign Affairs Operations, Payment Systems Operations, Risk Follow-up	Master	-
	Melikşah UTKU	Project Management, Software Development, IT Support, IT Strategy & Governance, Budget & Financial Reporting	Master	-
	Mahmut Esfa EMEK	Corporate Credits, Commercial Credits, Retail Credits, Credit Management & Monitoring	Bachelor	-
	Ayhan KESER	Retail Marketing, Alternative Distribution Channels, Retail Products Management, Financial Institutions	Bachelor	-
Audit Committee	Hamad Abdulla 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

(*) 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 0,0396% of the Parent Bank's share capital (December 31,2013: 0,0396%).

IV. Information on the Parent Bank's qualified shareholders:

The Parent 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	-

V. Summary on the Parent Bank's service activities and field of operations:

The Parent Bank operates in accordance with the principles of interest-free banking as a participation bank. The Parent 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 Parent 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, semi annual and annual profit share payment).

The Parent 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 Parent 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 Parent Bank operates as an insurance agency on behalf of Işık Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz, Aviva Sigorta, Neova Sigorta, Zurich Sigorta, Ankara Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik and Avivasa 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 Parent 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 Parent Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Parent 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 Parent Bank did not consolidate the financial statements of its subsidiary Bereket Varlık Kiralama A.Ş. and its associate Kredi Garanti Fonu A.Ş. considering the materiality principle and its insignificant influence over the associate, respectively and the related subsidiary and associate are carried at cost in the accompanying financial statements. Moreover, the financial statements of the Parent Bank's structured entity, Albaraka Türk Sukuk Limited, which is not a subsidiary but over which the Parent Bank exercises 100% control, are not consolidated in the accompanying financial statements considering the materiality principle. Katılım Emeklilik ve Hayat A.Ş, an entity under common control, is consolidated through equity method in the consolidated financial statements.

VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the parent bank and Its subsidiaries:

Immediate transfer of equity between the Parent Bank and its subsidiaries is not an issue.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

Section two

The consolidated financial statements

I. Consolidated balance sheet (Statement of financial position)

II. Consolidated statement of off-balance sheet commitments

III. Consolidated statement of income

IV. Consolidated statement of income and expense items accounted under shareholders' equity

V. Consolidated statement of changes in shareholders' equity

VI. Consolidated statement of cash flows

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS		Notes (Section Five-I)	THOUSAND TURKISH LIRA					
			CURRENT PERIOD (31/03/2014)			PRIOR PERIOD (31/12/2013)		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	193.973	2.130.804	2.324.777	246.414	2.036.267	2.282.681
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)	(2)	7.446	25	7.471	4.769	22	4.791
2.1	Trading Financial Assets		7.446	25	7.471	4.769	22	4.791
2.1.1	Public Sector Debt Securities		-	-	-	-	-	-
2.1.2	Equity Securities		4.754	-	4.754	4.764	-	4.764
2.1.3	Derivative Financial Assets Held for Trading		2.577	-	2.577	-	-	-
2.1.4	Other Marketable Securities		115	25	140	5	22	27
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	461.394	1.044.349	1.505.743	625.878	752.830	1.378.708
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS-AVAILABLE FOR SALE (net)	(4)	393.766	136.710	530.476	127.575	113.315	240.890
5.1	Equity Securities		15	1.528	1.543	15	1.528	1.543
5.2	Public Sector Debt Securities		383.928	85.962	469.890	117.550	83.973	201.523
5.3	Other Marketable Securities		9.823	49.220	59.043	10.010	27.814	37.824
VI.	LOANS AND RECEIVABLES	(5)	10.613.044	1.460.660	12.073.704	10.403.976	1.583.604	11.987.580
6.1	Loans and Receivables		10.577.351	1.460.576	12.037.927	10.377.759	1.583.581	11.961.340
6.1.1	Loans to Risk Group of The Bank		1.359	-	1.359	1.504	-	1.504
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		10.575.992	1.460.576	12.036.568	10.376.255	1.583.581	11.959.836
6.2	Non-performing loans		281.521	789	282.310	278.968	700	279.668
6.3	Specific Provisions (-)		245.828	705	246.533	252.751	677	253.428
VII.	INVESTMENTS HELD TO MATURITY (net)	(6)	728.589	-	728.589	745.390	-	745.390
VIII.	INVESTMENTS IN ASSOCIATES (net)	(7)	4.211	-	4.211	4.211	-	4.211
8.1	Accounted for under Equity Method		-	-	-	-	-	-
8.2	Unconsolidated Associates		4.211	-	4.211	4.211	-	4.211
8.2.1	Financial Associates		4.211	-	4.211	4.211	-	4.211
8.2.2	Non-Financial Associates		-	-	-	-	-	-
IX.	SUBSIDIARIES (net)	(8)	250	-	250	250	-	250
9.1	Unconsolidated Financial Subsidiaries		250	-	250	250	-	250
9.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
X.	JOINT VENTURES (net)	(9)	9.427	-	9.427	5.064	-	5.064
10.1	Accounted for under Equity Method		9.427	-	9.427	5.064	-	5.064
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial Joint Ventures		-	-	-	-	-	-
10.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XI.	LEASE RECEIVABLES	(10)	92.616	-	92.616	72.321	-	72.321
11.1	Finance Lease Receivables		117.704	-	117.704	85.893	-	85.893
11.2	Operational Lease Receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned Income (-)		25.088	-	25.088	13.572	-	13.572
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
12.1	Fair Value Hedge		-	-	-	-	-	-
12.2	Cash Flow Hedge		-	-	-	-	-	-
12.3	Hedge of Net Investment Risks in Foreign Operations		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (net)	(12)	388.585	1.840	390.425	378.689	1.925	380.614
XIV.	INTANGIBLE ASSETS (net)	(13)	15.073	574	15.647	15.335	594	15.929
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		15.073	574	15.647	15.335	594	15.929
XV.	INVESTMENT PROPERTY (net)	(14)	-	-	-	-	-	-
XVI.	TAX ASSET	(15)	9.195	-	9.195	10.914	-	10.914
16.1	Current Tax Asset		3.384	-	3.384	2.558	-	2.558
16.2	Deferred Tax Asset		5.811	-	5.811	8.356	-	8.356
XVII.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)	(16)	22.810	153	22.963	28.253	154	28.407
17.1	Assets Held for Sale		22.810	153	22.963	28.253	154	28.407
17.2	Assets of Discontinued Operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(17)	81.209	12.115	93.324	56.113	2.254	58.367
	TOTAL ASSETS		13.021.588	4.787.230	17.808.818	12.725.152	4.490.965	17.216.117

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES		Notes (Section Five-II)	THOUSAND TURKISH LIRA					
			CURRENT PERIOD (31/03/2014)			PRIOR PERIOD (31/12/2013)		
			TL	FC	Total	TL	FC	Total
I.	**FUNDS COLLECTED**	(1)	**7.392.768**	**5.249.000**	**12.641.768**	**7.518.851**	**5.007.361**	**12.526.212**
1.1	Funds from Risk Group of The Bank		11.927	131.252	143.179	23.152	170.967	194.119
1.2	Other		7.380.841	5.117.748	12.498.589	7.495.699	4.836.394	12.332.093
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	(2)	-	-	-	**2.804**	-	**2.804**
III.	**FUNDS BORROWED**	(3)	-	**2.084.718**	**2.084.718**	-	**2.035.816**	**2.035.816**
IV.	**BORROWINGS FROM MONEY MARKETS**		**450.403**	-	**450.403**	**144.775**	-	**144.775**
V.	**SECURITIES ISSUED (net)**		-	-	-	-	-	-
VI.	**MISCELLANEOUS PAYABLES**		**387.784**	**34.452**	**422.236**	**307.767**	**21.407**	**329.174**
VII.	**OTHER LIABILITIES**	(4)	-	-	-	-	-	-
VIII.	**LEASE PAYABLES**	(5)	-	-	-	-	-	-
8.1	Finance Lease Payables		-	-	-	-	-	-
8.2	Operational Lease Payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
IX.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	(6)	-	-	-	-	-	-
9.1	Fair Value Hedge		-	-	-	-	-	-
9.2	Cash Flow Hedge		-	-	-	-	-	-
9.3	Net Foreign Investment Hedge		-	-	-	-	-	-
X.	**PROVISIONS**	(7)	**139.298**	**58.577**	**197.875**	**146.944**	**54.519**	**201.463**
10.1	General Provisions		90.994	25.867	116.861	89.117	24.591	113.708
10.2	Restructuring Reserves		-	-	-	-	-	-
10.3	Reserve for Employee Benefits		26.179	-	26.179	39.465	-	39.465
10.4	Insurance Technical Reserves (net)		-	-	-	-	-	-
10.5	Other Provisions		22.125	32.710	54.835	18.362	29.928	48.290
XI.	**TAX LIABILITY**	(8)	**40.269**	**92**	**40.361**	**46.033**	**35**	**46.068**
11.1	Current Tax Liability		40.269	92	40.361	46.033	35	46.068
11.2	Deferred Tax Liability		-	-	-	-	-	-
XII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)**	(9)	-	-	-	-	-	-
12.1	Assets Held for Sale		-	-	-	-	-	-
12.2	Assets of Discontinued Operations		-	-	-	-	-	-
XIII.	**SUBORDINATED LOANS**	(10)	-	**441.236**	**441.236**	-	**432.973**	**432.973**
XIV.	**SHAREHOLDERS' EQUITY**	(11)	**1.532.765**	**(2.544)**	**1.530.221**	**1.501.363**	**(4.531)**	**1.496.832**
14.1	Paid-In Capital		900.000	-	900.000	900.000	-	900.000
14.2	Capital Reserves		99.147	(2.544)	96.603	97.311	(4.531)	92.780
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Marketable Securities Valuation Reserve		1.813	(2.544)	(731)	(211)	(4.531)	(4.742)
14.2.4	Revaluation Reserve on Tangible Assets		96.109	-	96.109	96.712	-	96.712
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 Discontinued Operations		-	-	-	-	-	-
14.2.10	Other Capital Reserves		1.225	-	1.225	810	-	810
14.3	Profit Reserves		470.272	-	470.272	261.645	-	261.645
14.3.1	Legal Reserves		71.744	-	71.744	59.602	-	59.602
14.3.2	Status Reserves		-	-	-	-	-	-
14.3.3	Extraordinary Reserves		398.528	-	398.528	202.043	-	202.043
14.3.4	Other Profit Reserves		-	-	-	-	-	-
14.4	Profit or Loss		63.346	-	63.346	242.407	-	242.407
14.4.1	Prior Years Profit / (Loss)		2.405	-	2.405	1.434	-	1.434
14.4.2	Current Year Profit / (Loss)		60.941	-	60.941	240.973	-	240.973
14.5	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES		**9.943.287**	**7.865.531**	**17.808.818**	**9.668.537**	**7.547.580**	**17.216.117**

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS

			THOUSAND TURKISH LIRA					
		Notes (Section Five-III)	CURRENT PERIOD (31/03/2014)			PRIOR PERIOD (31/12/2013)		
			TL	FC	Total	TL	FC	Total
A.	**OFF BALANCE SHEET COMMITMENTS (I+II+III)**	(1)	**4.025.895**	**3.684.515**	**7.710.410**	**4.064.280**	**3.567.122**	**7.631.402**
I.	**GUARANTEES AND SURETIES**		**2.893.017**	**3.389.789**	**6.282.806**	**2.956.853**	**3.207.014**	**6.163.867**
1.1.	Letters of Guarantees		2.879.489	2.362.624	5.242.113	2.947.334	2.284.564	5.231.898
1.1.1.	Guarantees Subject to State Tender Law		91.301	17.403	108.704	92.207	23.278	115.485
1.1.2.	Guarantees Given for Foreign Trade Operations		316	819.034	819.350	280	814.268	814.548
1.1.3.	Other Letters of Guarantee		2.787.872	1.526.187	4.314.059	2.854.847	1.447.018	4.301.865
1.2.	Bank Loans		-	24.881	24.881	-	23.524	23.524
1.2.1.	Import Letter of Acceptances		-	24.881	24.881	-	23.524	23.524
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letter of Credits		-	513.650	513.650		482.011	482.011
1.3.1.	Documentary Letter of Credits		-	-	-	-	-	-
1.3.2.	Other Letter of Credits		-	513.650	513.650	-	482.011	482.011
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		1.995	430.762	432.757	937	355.427	356.364
1.7.	Other Collaterals		11.533	57.872	69.405	8.582	61.488	70.070
II.	**COMMITMENTS**	(1)	**884.125**	**48.626**	**932.751**	**813.111**	**63.108**	**876.219**
2.1.	Irrevocable Commitments		884.125	48.626	932.751	813.111	63.108	876.219
2.1.1.	Asset Purchase and Sale Commitments		14.324	48.500	62.824	2.401	62.982	65.383
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-	5.000	-	5.000
2.1.3.	Loan Granting Commitments		46.406	-	46.406	45.428	-	45.428
2.1.4.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6.	Payment Commitment for Cheques		325.440	-	325.440	297.235	-	297.235
2.1.7.	Tax And Fund Liabilities from Export Commitments		1.444	-	1.444	1.445	-	1.445
2.1.8.	Commitments for Credit Card Expenditure Limits		494.722	-	494.722	458.540	-	458.540
2.1.9.	Commitments for Promotions Related with Credit Cards and Banking Activities		387	-	387	369	-	369
2.1.10.	Receivables From Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments		1.402	126	1.528	2.693	126	2.819
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(2)	**248.753**	**246.100**	**494.853**	**294.316**	**297.000**	**591.316**
3.1.	Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1.	Fair Value Hedge		-	-	-	-	-	-
3.1.2.	Cash Flow Hedge		-	-	-	-	-	-
3.1.3.	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2.	Held for Trading Transactions		248.753	246.100	494.853	294.316	297.000	591.316
3.2.1	Forward Foreign Currency Buy/Sell Transactions		248.753	246.100	494.853	294.316	297.000	591.316
3.2.1.1	Forward Foreign Currency Transactions-Buy		248.753	-	248.753	294.316	-	294.316
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	246.100	246.100	-	297.000	297.000
3.2.2.	Other Forward Buy/Sell Transactions		-	-	-	-	-	-
3.3.	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**23.783.252**	**3.458.957**	**27.242.209**	**22.641.233**	**3.855.845**	**26.497.078**
IV.	**ITEMS HELD IN CUSTODY**		**1.068.314**	**1.070.665**	**2.138.979**	**1.660.275**	**1.293.437**	**2.953.712**
4.1.	Assets Under Management		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		11.072	-	11.072	72	-	72
4.3.	Cheques Received for Collection		787.334	70.412	857.746	701.874	89.326	791.200
4.4.	Commercial Notes Received for Collection		253.796	17.758	271.554	235.972	23.262	259.234
4.5.	Other Assets Received for Collection		104	-	104	104	-	104
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	726.000	726.000	-	720.711	720.711
4.8.	Custodians		16.008	256.495	272.503	722.253	460.138	1.182.391
V.	**PLEDGED ITEMS**		**22.714.938**	**2.388.292**	**25.103.230**	**20.980.958**	**2.562.408**	**23.543.366**
5.1.	Marketable Securities		1.318.076	687.036	2.005.112	689.548	714.909	1.404.457
5.2.	Guarantee Notes		1.440.837	175.225	1.616.062	1.415.238	172.025	1.587.263
5.3.	Commodity		809.414	348.394	1.157.808	762.432	321.208	1.083.640
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		17.742.361	745.473	18.487.834	16.616.802	787.750	17.404.552
5.6.	Other Pledged Items		1.354.565	424.019	1.778.584	1.448.353	542.198	1.990.551
5.7.	Pledged Items-Depository		49.685	8.145	57.830	48.585	24.318	72.903
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		-	-	-	-	-	-
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**27.809.147**	**7.143.472**	**34.952.619**	**26.705.513**	**7.422.967**	**34.128.480**

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME

	INCOME AND EXPENSE ITEMS	Notes (Section Five-IV)	THOUSAND TURKISH LIRA CURRENT PERIOD (01/01/2014-31/03/2014)	PRIOR PERIOD (01/01/2013-31/03/2013)
I.	**PROFIT SHARE INCOME**	(1)	**318.539**	**274.166**
1.1	Profit Share on Loans		295.672	262.127
1.2	Income Received from Reserve Deposits		-	-
1.3	Income Received from Banks		1.034	346
1.4	Income Received from Money Market Placements		-	-
1.5	Income Received from Marketable Securities Portfolio		19.185	10.327
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		6.407	2.316
1.5.4	Investments Held to Maturity		12.778	8.011
1.6	Finance Lease Income		2.648	1.366
1.7	Other Profit Share Income		-	-
II.	**PROFIT SHARE EXPENSE**	(2)	**172.230**	**123.367**
2.1	Expense on Profit Sharing Accounts		151.026	114.633
2.2	Profit Share Expense on Funds Borrowed		18.468	8.734
2.3	Profit Share Expense on Money Market Borrowings		2.736	-
2.4	Profit Share Expense on Securities Issued		-	-
2.5	Other Profit Share Expense		-	-
III.	**NET PROFIT SHARE INCOME (I – II)**		**146.309**	**150.799**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**29.592**	**25.688**
4.1	Fees and Commissions Received		36.114	32.164
4.1.1	Non-Cash Loans		19.659	19.225
4.1.2	Other	(12)	16.455	12.939
4.2	Fees and Commissions Paid		6.522	6.476
4.2.1	Non-Cash Loans		95	148
4.2.2	Other	(12)	6.427	6.328
V.	**DIVIDEND INCOME**	(3)	-	-
VI.	**TRADING INCOME/LOSS(net)**	(4)	**17.002**	**7.965**
6.1	Capital Market Transaction Income / (Loss)		5	759
6.2.	Income / (Loss) from Derivative Financial Instruments		2.560	-
6.3	Foreign Exchange Income / (Loss)		14.437	7.206
VII.	**OTHER OPERATING INCOME**	(5)	**41.107**	**58.809**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**234.010**	**243.261**
IX.	**PROVISION FOR IMPAIRMENT OF LOANS AND OTHER RECEIVABLES (-)**	(6)	**24.698**	**85.091**
X.	**OTHER OPERATING EXPENSES (-)**	(7)	**128.781**	**90.233**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**80.531**	**67.937**
XII.	**EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER**		-	-
XIII.	**INCOME / (LOSS) ON EQUITY METHOD**		**(637)**	-
XIV.	**INCOME / (LOSS) ON NET MONETARY POSITION**		-	-
XV.	**INCOME / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)**	(8)	**79.894**	**67.937**
XVI.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	(9)	**(18.953)**	**(14.227)**
16.1	Provision for Current Taxes		(17.411)	(15.142)
16.2	Provision for Deferred Taxes		(1.542)	915
XVII.	**NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	(10)	**60.941**	**53.710**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
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 (-)**		-	-
19.1	Loss from Assets Held for Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
19.3	Loss from Other Discontinued Operations		-	-
XX.	**INCOME / (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 INCOME / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**		-	-
XXIII.	**NET INCOME / LOSS (XVII+XXII)**	(11)	**60.941**	**53.710**
23.1	Group's Income/Loss		60.941	53.710
23.2	Minority Interest		-	-
	Earnings Per Share (Full TL)		0,068	0,060

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	THOUSAND TURKISH LIRA CURRENT PERIOD (01/01/2014-31/03/2014)	PRIOR PERIOD (01/01/2013-31/03/2013)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	6.267	(812)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(64)	1
V.	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	(1.002)	135
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS	-	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(1.253)	162
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	3.948	(514)
XI.	PROFIT/LOSS	60.941	53.710
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	60.941	53.710
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	64.889	53.196

The accompanying explanations and notes are an integral part of these financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIV)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

	CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Years Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
	PRIOR PERIOD (01/01/2013-31/03/2013)																	
I.	**Beginning balance**	(V)	900.000	-	-	-	49.966	-	18.954	(28)	191.835	891	1.193	55.522	-	-	-	1.218.333
	Changes In Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(650)	-	-	-	-	(650)
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1
IX.	Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	362	130	(357)	-	-	-	135
XVII.	Period Net Income/(Loss)		-	-	-	-	-	-	-	-	53.710	-	-	-	-	-	-	53.710
XVIII.	Profit Distribution		-	-	-	-	9.636	-	183.089	-	(191.835)	(890)	-	-	-	-	-	-
18.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers To Reserves		-	-	-	-	9.636	-	183.089	-	-	(192.725)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(191.835)	191.835	-	-	-	-	-	-
	Closing Balance (I+II+III+...+XVI+XVII+XVIII)		900.000	-	-	-	59.602	-	202.043	(27)	53.710	363	673	55.165	-	-	-	1.271.529

The accompanying explanations and notes are an integral part of these financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIV)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

	CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Years Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
	CURRENT PERIOD (01/01/2014-31/03/2014)																	
I.	**Beginning balance**	(V)	900.000	-	-	-	59.602	-	202.043	810	240.973	1.434	(4.742)	96.712	-	-	-	1.496.832
	Changes In Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	5.014	-	-	-	-	5.014
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	(64)	-	-	-	-	-	-	-	(64)
IX.	Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	479		125	(1.003)	(603)	-	-	-	(1.002)
XVII.	Period Net Income/(Loss)		-	-	-	-	-	-	-	-	60.941	-	-	-	-	-	-	60.941
XVIII.	Profit Distribution		-	-	-	-	12.142	-	196.485	-	(240.973)	846	-	-	-	-	-	(31.500)
18.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	(31.500)	-	-	-	-	-	(31.500)
18.2	Transfers To Reserves		-	-	-	-	12.142	-	196.485	-	-	(208.627)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(240.973)	240.973	-	-	-	-	-	-
	Closing Balance (I+II+III+...+XVI+XVII+XVIII)		900.000	-	-	-	71.744	-	398.528	1.225	60.941	2.405	(731)	96.109	-	-	-	1.530.221

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS

	STATEMENT OF CASH FLOWS	Notes	THOUSAND TURKISH LIRA CURRENT PERIOD (01/01/2014-31/03/2014)	PRIOR PERIOD (01/01/2013-31/03/2013)
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes In Operating Assets And Liabilities**		**209.117**	**115.314**
1.1.1	Profit Share Income Received		278.906	256.287
1.1.2	Profit Share Expense Paid		(151.127)	(114.988)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		29.592	47.376
1.1.5	Other Income		18.891	56.641
1.1.6	Collections from Previously Written Off Loans	(V-I-5,h2)	13.789	61.483
1.1.7	Payments to Personnel and Service Suppliers		(78.707)	(52.333)
1.1.8	Taxes Paid		(27.498)	(17.323)
1.1.9	Others		125.271	(121.829)
1.2	**Changes In Operating Assets And Liabilities**		**(154.569)**	**158.788**
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets		(2.680)	(1.198)
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		(51.929)	(353.076)
1.2.4	Net (Increase) Decrease in Loans		(183.809)	(352.332)
1.2.5	Net (Increase) Decrease in Other Assets		(40.541)	16.906
1.2.6	Net Increase (Decrease) in Funds Collected From Banks		-	-
1.2.7	Net Increase (Decrease) in Other Funds Collected		111.296	874.927
1.2.8	Net Increase (Decrease) in Funds Borrowed		(74.373)	-
1.2.9	Net Increase (Decrease) in Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities		87.467	(26.439)
I.	**Net Cash Flow From Banking Operations**		**54.548**	**274.102**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Flow From Investing Activities**		**(149.974)**	**(237.888)**
2.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries		(5.000)	-
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3	Fixed Assets Purchases		(20.754)	(27.418)
2.4	Fixed Assets Sales		3.401	2.749
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(157.200)	-
2.6	Cash Obtained from Sale of Financial Assets Available for Sale		-	-
2.7	Cash Paid for Purchase of Investment Securities	(V-I-6.4)	-	(274.378)
2.8	Cash Obtained from Sale of Investment Securities	(V-I-6.4)	29.579	61.159
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Flow From Financing Activities**		**85.021**	**144.497**
3.1	Cash Obtained from Funds Borrowed and Securities Issued		1.104.724	144.497
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(1.019.703)	-
3.3	Capital Increase		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**132.365**	**(3.494)**
V.	**Net (Decrease) Increase in Cash and Cash Equivalents**		**121.960**	**177.217**
VI.	**Cash and Cash Equivalents at the Beginning of the Period**		**1.881.992**	**1.362.144**
VII.	**Cash and Cash Equivalents at the End of the Period**		**2.003.952**	**1.539.361**

The accompanying explanations and notes are an integral part of these financial statements.

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 Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC"), and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

b. Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

Accounting policies and valuation methods used in the preparation of financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA for the year ended December 31, 2013. Consolidated financial statements as of March 31, 2014 have been prepared by accounting for Katılım Emeklilik ve Hayat A.Ş. using equity Method. The accounting policies and valuation principles used in the preparation of consolidated financial statements are explained in Notes II and XXIII below.

TAS/TFRS changes which are effective from January 1, 2014 (TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended), TRFS Interpretation 21 Levies, Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets), Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting, TFRS 10 Consolidated Financial Statements (Amendment)) do not have a significant effect on the Bank's accounting policies, financial position or performance.

The effects of TFRS 9, "Financial Instruments" which has not been implemented yet, are under evaluation by the Group. The standard which the Group did not early adopt will primarily have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of adopting TFRS 9. However, as the impact of adoption depends on the assets held by the Group at the date of adoption itself, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Group's accounting policies, financial position and performance.

I. Explanations on basis of presentation (continued):

b. Accounting policies and valuation principles applied in the preparation of consolidated financial statements (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 December 30, 2012 numbered 28513 , the effective date of the mentioned Communiqué has been changed as December 31, 2014 which was previously January 1, 2013) "Financial Instruments" before January 1, 2015. Since the Parent Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the consolidated 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 consolidated financial statements are prepared in accordance with the historical cost basis except for the financial assets at fair value through profit and loss, financial assets-available for sale and immovables which are reflected at fair values.

The preparation of the consolidated financial statements according to TAS requires the Group'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, 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 Group 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 Parent Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Parent Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Parent 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 Parent 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.

II. Explanations on strategy of using financial instruments and foreign currency transactions (continued):

Since the Parent Bank provides full specific provision (except foreign branch) for the Parent 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 Group.

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 Parent Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Parent 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 Parent Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Group.

III. Information on consolidated associates:

a) Consolidation principles on joint ventures:

Consolidated financial statements are prepared in accordance with the decrees, notes and explanations set forth in Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006, Numbered 26340 and "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10").

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is private pension and insurance and operates according to special legislation with permission and license and is established in Turkey. The related joint venture has been consolidated through equity method. Where necessary, accounting policies of the joint venture have been harmonized to ensure consistency with the policies adopted by the Parent Bank.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the joint venture amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Private pension and insurance	50,00	50,00

III. Information on consolidated associates (continued):

b) Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements" ("TAS 27") in the consolidated financial statements.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

IV. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Group consist of forward foreign currency agreements. The Group records the spot foreign currency transactions in asset purchase and sale commitments.

The Group's derivative transactions, even though they provide effective economic hedges under the Group'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.

As of the balance sheet date, the Group has no embedded derivatives and no derivative instruments formed through separation from the host contract.

V. 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", 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 Parent 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.

VI. 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 non-cash loans commissions directly as income.

VII. Explanations on financial assets:

The Group 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 Group 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; This category 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 Parent 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 March 31, 2014, the Parent Bank has no financial assets classified as financial assets at fair value through profit or loss except for trading financial assets.

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.

VII. Explanations on financial assets (continued):

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 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("TAS 39"). 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".

Held to maturity financial assets:

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.

VIII. Explanations on impairment of financial assets:

At each balance sheet date, the Group 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 Group 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.

VIII. Explanations on impairment of financial assets (continued):

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.

IX. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Group 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 Group has no such offset of financial assets and liabilities.

X. 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 Group 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 Group has no securities lending transactions.

XI. 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 Group 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 Group 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.

A discontinued operation is a part of the Group'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 Group has no discontinued operations.

(Currency - Thousand Turkish Lira)

XII. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The Parent's Bank intangible assets consist of softwares and intangible rights.

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.

XIII. 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 "Tangible Assets" in the financial statements.

As of March 31, 2009, the Parent 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, 2013, the Parent 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:

	%
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 5 years. After January 1, 2010 in cases where leasing period is more than 5 years, the useful life is determined as 5 years.

XIII. Explanations on tangible assets (continued):

If there is an indication for impairment, the Group 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.

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.

XIV. 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 Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent 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.

XV. 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 if; as of the balance sheet date there is a present legal or constructive obligation as a result of past events, it is probable that an outflow resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision is booked for contingent liabilities originated as a result of past events in the period they arise if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

XVI. Explanations on liabilities regarding employee benefits:

i) *Defined benefit plans*:

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The retirement pay provision recognized in the financial statements, is calculated in accordance with TAS 19 "Turkish Accounting Standard for Employee Benefits" by using the "projection method" and based upon factors derived using the Group's experience with respect to completion of service period and eligibility to receive retirement pay and which is discounted by using the current market yield rate of government bonds at the balance sheet date. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised TAS 19 standard.

The Group's employees are not members of any pension fund, foundations, union or other similar entities.

ii) *Defined contribution plans*:

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group 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, the Group measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

XVII. Explanations on taxation:

Current tax:

The Group is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law no.5520 published in the Official Gazette no.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.

XVII. Explanations on taxation (continued):

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.

Deferred tax:

The Group 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.

XVIII. Additional explanations on borrowings:

The Group 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 Group.

The Group has not issued convertible bonds.

XIX. Explanations on issued share certificates:

None.

XX. 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.

XXI. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Group.

XXII. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Group 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 XIII.

XXIII. Explanations on other matters:

None.

XXIV. Additional paragraph for convenience translation:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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.

Section four

Information on consolidated financial structure and risk management

I. Explanations on the consolidated 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 no.28337 dated June 28, 2012 starting from July 1, 2012. As of March 31, 2014, the Group's consolidated capital adequacy ratio calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" is 15,17% (Parent Bank 15,18%) (Prior Period-14,86%;Parent Bank, Prior Period-14,82% Consolidated).

a) Risk measurement methods used in the calculation of consolidated 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", "Regulation on Credit Risk Mitigation Techniques" published in the Official Gazette no.28337 dated June 28, 2012 and become valid as of July 1 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.28756 dated September 5, 2013.

In the calculation of capital adequacy ratio the Group 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 that are classified under liabilities 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.

(Currency - Thousand Turkish Lira)

I. Explanations on consolidated capital adequacy standard ratio (continued):

b) Information on capital adequacy standard ratio:

	Parent Bank								
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Value at Credit Risk	3.101.722	-	1.762.290	4.341.948	1.824.206	7.547.965	26.070	15.993	-
Risk Categories									
Conditional and unconditional receivables from central governments or central banks	2.954.678	-	11.849	85.960	-	-	-	-	-
Conditional and unconditional receivables from regional or local govemments	-	-	151.462	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1.148.816	395.041	-	135.461	-	-	-
Conditional and unconditional receivables from corporates	-	-	286.491	16.275	-	6.916.284	-	-	-
Conditional and unconditional retail receivables	-	-	109.547	444	1.824.206	17.375	-	-	-
Conditional and unconditional receivables secured by mortgages on property	-	-	3.791	3.831.688	-	-	-	-	-
Past due receivables	-	-	-	12.540	-	15.289	5.369	-	-
Receivables defined in high risk category by BRSA	-	-	1.112	-	-	-	20.701	15.993	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	49.222	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	147.044	-	-	-	-	463.556	-	-	-

On the table, the collateralized credit amounts are included to risk weights based on related risk categories.

(Currency - Thousand Turkish Lira)

I. Explanations on consolidated capital adequacy standard ratio (continued):

	Consolidated								
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Value at Credit Risk	3.101.722	-	1.762.290	4.341.948	1.824.206	7.546.892	26.070	15.993	-
Risk Categories									
Conditional and unconditional receivables from central governments or central banks	2.954.678	-	11.849	85.960	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	151.462	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1.148.816	395.041	-	135.461	-	-	-
Conditional and unconditional receivables from corporates	-	-	286.491	16.275	-	6.916.284	-	-	-
Conditional and unconditional retail receivables	-	-	109.547	444	1.824.206	17.375	-	-	-
Conditional and unconditional receivables secured by mortgages on property	-	-	3.791	3.831.688	-	-	-	-	-
Past due receivables	-	-	-	12.540	-	15.289	5.369	-	-
Receivables defined in high risk category by BRSA	-	-	1.112	-	-	-	20.701	15.993	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	49.222	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	147.044	-	-	-	-	462.483	-	-	-

c) Summary information related to consolidated capital adequacy standard ratio:

	CONSOLIDATED		PARENT BANK	
	Current Period	Prior Period	Current Period	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	920.766	910.925	920.851	911.365
Capital Requirement for Market Risk (MRCR)	8.876	11.622	8.876	11.622
Capital Requirement for Operational Risk (ORCR)	95.440	77.228	95.440	77.228
Shareholders' Equity	**1.943.683**	**1.852.624**	**1.944.756**	**1.858.124**
Shareholders' Equity/((CRCR+MRCR+ORCR)*12.5*100)	**%15,17**	**% 14,82**	**% 15,18**	**% 14,86**
Core Capital/((CRCR+MRCR+ORCR) *12,5)*100	**%11,53**	**%10,80**	**%11,53**	**%10,80**
Tier I Capital/((CRCR+MRCR+ORCR) *12,5)*100	**%11,62**	**-**	**%11,63**	**-**

(*) Equity calculation has changed as per the "Regulation on Equities of Banks" applicable as of January 1, 2014, figures belonging to prior period are calculated as per former regulation.

(Currency - Thousand Turkish Lira)

I. Explanations on consolidated capital adequacy standard ratio (continued):

ç) Details of consolidated shareholders' equity accounts:

Current period equity amount is calculated as per "Regulation on Equities of Banks" applicable as of January 1, 2014 published in Offical gazette dated September 5, 2013 numbered 28756

	March 31, 2014
Tier I capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	900.000
Share Premium	-
Share Cancellation Profits	-
Reserves	470.272
Other Comprehensive Income according to TAS	97.334
Profit	63.346
Current Period Profit	60.941
Prior Period Profit	2.405
General Reserves for Possible Losses	72
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Minority Interest	-
Tier I capital before deductions	**1.531.024**
Deductions from tier I capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	731
Leasehold Improvements on Operational Leases (-)	38.539
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	2.978
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 the10% 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	**42.248**
Total tier I capital	**1.488.776**
Additonal 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	-
Total additional core capital	-

(Currency - Thousand Turkish Lira)

I. Explanations on consolidated 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 (-)	11.912
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	**1.476.864**
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)	424.148
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	45.684
Third parties' share in the Tier II Capital	-
Tier II capital before deductions	**469.832**
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	**-**
Total tier II capital	**469.832**
Capital	**1.946.696**
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 (-)	1.376
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 (-)	1.637
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	**1.943.683**
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	50
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	6.366

(Currency - Thousand Turkish Lira)

I. Explanations on consolidated capital adequacy standard ratio (continued):

	December 31, 2013
Core capital	
Paid-in Capital	900.000
Nominal Capital	900.000
Capital Commitments (-)	-
Inflation Adjustments to Paid-in Capital	-
Share Premium	-
Share Cancellation Profits	-
Reserves	262.455
Inflation Adjustments to Reserves	-
Profit	242.407
Current Period Net Profit	240.973
Prior Years' Profits	1.434
Provision for possible losses up to 25% of the core capital	72
Income on Sale of Equity Shares and Real Estate Property	-
Primary Subordinated Debts	-
Loss in excess of Reserves (-)	-
Current Period Net Loss	-
Prior Years' Loss	-
Leasehold Improvements on Operational Leases(-)	38.688
Intangible Assets (-)	15.929
Deferred Tax Asset Exceeding 10% of the Core Capital (-)	-
Amount in excess as per the 3rd Paragraph of the Article 56 of the Banking Law(-)	-
Total core capital	**1.350.317**
Supplementary capital	
General Loan Loss Reserves	47.378
45% of the Revaluation Reserve for Movable Fixed Assets	-
45% of the Revaluation Reserve for Properties	43.520
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	-
Primary Subordinated Loans Excluded in the Calculation of The Core Capital	-
Secondary Subordinated Loans	424.148
45% of Marketable Securities Value Increase Fund	(4.742)
Indexation Differences For Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-
Total supplementary capital	**510.304**
Capital	**1.860.621**
Deductions from the capital	**7.997**
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Ten Percent or More of Capital	5.314
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Less than Ten Percent of Capital which Exceed the Ten Percent Of Bank's Core and Supplementary Capital	-
Secondary Subordinated Loans Granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and Placements that Possess the Nature of their Primary or Secondary Subordinated Debt	-
Loans Granted Being Non-Compliant with the Articles 50 and 51 of the Banking Law	-
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired In Exchange of Loans and Receivables According to the Article 57 of the Banking Law and Have Not Been Disposed Yet After 5 Years After Foreclosure	1.391
Securitization Positions to be Deducted from Equity	-
Other	1.292
Total shareholders' equity	**1.852.624**

d) Approaches for assessment of adequacy of internal capital requirements for current and future activities:

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".

(Currency - Thousand Turkish Lira)

I. Explanations on consolidated capital adequacy standard ratio (continued):

Issuer	ABT Sukuk Ltd.
Unique Identifier	-
Governing Law(s) of the Instrument	English Law
Special Consierdation in the Calculation of Equity	
As of January 1, 2015 consideration to be subject to a 10% reduction application status	-
Eligible at Solo/Consolidated	Solo/ Consolidated
Instrument Type	Sukuk Murabaha
Amount recognized in regulatory capital (as of most recent reporting date)	424.148.000
Par Value of Instrument	428.000.000
Accounting Classification	Subordinated Loan
Original date of Issuance	May 7 2013
Perpetual or dated	Dated
Original maturity date	May 7 2013
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	Last payment date : 07.05.2018 Total repayment amount : USD.77.500.000,- repayment period : 6 months Total Amount : USD.69.750.000,-
Subsequent call dates	-
Profit Share / Dividends	
Fixed or floating profit share / dividend	Fixed
Profit share rate and any related index	7,75%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	Noncumulative
Convertible or Non-convertible	
If convertible, conversion trigger	-
If convertible, fully or partially	-
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	-
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 ceditors and participation fund owners
In compliance with article number 7 and 8 of "Own fund regulation"	Yes
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-

II. Explanations on consolidated 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".

(Currency - Thousand Turkish Lira)

III. Explanations on consolidated market risk:

The Parent 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 Parent 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 consolidated market risk:

		Amount
(I)	Capital requirement to be employed for general market risk - standard method	380
(II)	Capital requirement to be employed for specific risk - standard method	380
	Capital requirement against specific risks of securitisation positions– standard method	-
(III)	Capital requirement to be employed for currency risk - standard method	7.711
(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)	Capital requirement against counterparty credit risks - standard method	405
(VIII)	Capital requirement to be employed for market risks of banks using risk measurement model	-
(IX)	Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII)	8.876
(X)	Amount subject to market risk (12,5 X VIII) or (12,5 x IX)	110.950

b) Average Market Risk Table Concerning Market Risk Calculated as of Month Ends During the Period:

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".

IV. Explanations on consolidated operational 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".

(Currency - Thousand Turkish Lira)

V. Explanations on consolidated currency risk:

Foreign currency risk arises from the Group's possible exposure to the changes in foreign currencies.

a) The Parent 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 Parent 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 Group 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 Parent 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 Parent Bank are as follows:

	USD	EUR
As of March 31, 2014 - Balance sheet evaluation rate	2,140	2,948
As of March 28, 2014	2,170	2,984
As of March 27, 2014	2,167	2,978
As of March 26, 2014	2,173	2,996
As of March 25, 2014	2,207	3,041
As of March 24, 2014	2,217	3,056

d) The simple arithmetical average of the major foreign exchange buying rates of the Parent Bank for the thirty days before the balance sheet date is full TL 2,191 for 1 USD (December 2013 – full TL 2,038), full TL 3,029 for 1 EURO (December 2013 – full TL 2,796).

Foreign currency sensitivity:

The Group is mainly exposed to EUR and USD currency risks.

The following table details the Group'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 decrease/ increase of USD and EUR against TL.

	% Change in foreign currency rate	Effect on profit / loss		Effect on equity	
		March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
USD	10% increase	(251)	4.629	410	474
USD	10% decrease	251	(4.629)	(410)	(474)
EURO	10% increase	1.226	548	-	-
EURO	10% decrease	(1.226)	(548)	-	-

(Currency - Thousand Turkish Lira)

V. Explanations on consolidated currency risk (continued):

Information on currency risk of the Group:

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	799.036	1.101.039	230.729	2.130.804
Banks	145.968	826.049	72.332	1.044.349
Financial assets at fair value through profit and loss	18	3	4	25
Money market placements	-	-	-	-
Available-for-sale financial assets	51	136.659	-	136.710
Loans and financial lease receivables(**)	1.431.298	3.405.201	32	4.836.531
Subsidiaries, associates and joint ventures	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	1.840	1.840
Intangible assets	-	-	574	574
Other assets (***)	704	10.858	1.251	12.813
Total assets	**2.377.075**	**5.479.809**	**306.762**	**8.163.646**
Liabilities				
Current account and funds collected from banks via participation accounts	132.492	352.261	1.449	486.202
Other current and profit sharing accounts	1.351.768	3.143.074	267.956	4.762.798
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	848.615	1.677.339	-	2.525.954
Marketable securities issued	-	-	-	-
Miscellaneous payables	5.204	26.225	3.023	34.452
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	17.219	39.709	1.741	58.669
Total liabilities	**2.355.298**	**5.238.608**	**274.169**	**7.868.075**
Net balance sheet position	**21.777**	**241.201**	**32.593**	**295.571**
Net off balance sheet position	**(9.522)**	**(243.707)**	**(1.223)**	**(254.452)**
Derivative financial instruments assets(****)	3.390	15.183	1.501	20.074
Derivative financial instruments liabilities(****)	12.912	258.890	2.724	274.526
Non-cash loans (*****)	991.015	2.358.919	39.855	3.389.789
Prior Period				
Total assets	2.342.048	5.197.465	388.354	7.927.867
Total liabilities	2.300.815	4.894.442	356.854	7.552.111
Net balance sheet position	**41.233**	**303.023**	**31.500**	**375.756**
Net off balance sheet position	**(35.754)**	**(256.730)**	**(2.620)**	**(295.104)**
Derivative financial instruments assets	8.496	21.605	2.338	32.439
Derivative financial instruments liabilities	44.250	278.335	4.958	327.543
Non-cash loans(*****)	852.441	2.343.620	10.953	3.207.014

(*) TL 230.484 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 24.532 of the balance in Banks in other FC column represent precious metals accounts with banks, TL 253.551 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 3.375.871 (December 31, 2013: TL 3.436.101).

(***) Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 545 (December 31, 2013: TL 801) is included in other assets.

(****) In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 20.074 (December 31, 2013: 32.439) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 28.426 (December 31, 2013: TL 30.543).

(*****) Does not have any effect on the net off-balance sheet position.

(Currency - Thousand Turkish Lira)

VI. Explanations on consolidated position risk of equity securities in banking book:

The Parent Bank does not have an associate and subsidiary quoted on the Borsa İstanbul.

VII. Explanations on consolidated liquidity risk:

In the banking sector, liquidity risk mainly arises from average maturity of sources being shorter than average maturity of utilizations. The Bank acts in a conservative manner in liquidity management and keeps necessary reserves to meet the liquidity requirements. The Bank utilizes some of its sources in short term foreign investments; receivables from loans are generally collected in monthly installments.

The Parent Bank collects funds through profit/loss sharing accounts for which the profit share rate is not predetermined and repayment of principal is not guaranteed and share of profit/loss on projects funded from these accounts are allocated to such profit/loss sharing accounts. Accordingly, the Parent Bank's assets and liabilities and profit share ratios are compatible.

The Bank covers TL and Foreign Currency (FC) liquidity needs mostly by the funds collected and also utilizes Syndicated Murabaha Loans and wakala borrowings from abroad. Moreover, the Bank takes care to keep the assets in short term liquid assets and prolong average maturity of the liabilities.

The Board of Directors of the Parent 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 utilized in case of a potential liquidity shortage are defined in the contingency plans.

As per the BRSA Communiqué "Measurement and Assessment of the Adequacy of Banks' Liquidity", starting from June 1, 2007 the weekly and monthly liquidity ratios for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. Liquidity ratios for the periods ending March 31, 2014 and December 31, 2013 are as follows:

March 31, 2014	**First Maturity Bracket (Weekly)**		**Second Maturity Bracket (Monthly)**	
	FC	**FC + TL**	**FC**	**FC + TL**
Average (%)	165,68	171,80	119,31	113,55
Maximum (%)	241,00	219,31	125,43	118,26
Minimum (%)	119,09	137,88	105,54	106,64

December 31, 2013	**First Maturity Bracket (Weekly)**		**Second Maturity Bracket (Monthly)**	
	FC	**FC + TL**	**FC**	**FC + TL**
Average (%)	166,23	183,59	128,09	131,86
Maximum (%)	261,07	286,26	156,72	201,10
Minimum (%)	105,34	105,74	107,43	100,83

(Currency - Thousand Turkish Lira)

VII. Explanations on consolidated liquidity risk (continued):

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (*)	Total
Current Period								
Assets								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	499.269	1.825.508	-	-	-	-	-	2.324.777
Banks	1.063.934	15.535	426.274	-	-	-	-	1.505.743
Financial Assets at Fair Value Through Profit and Loss	4.754	2.717	-	-	-	-	-	7.471
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	1.543	45.124	6.420	82.968	394.421	-		530.476
Loans	4.030	1.344.087	1.913.430	4.203.379	4.352.427	313.190	-	12.130.543
Held-To-Maturity Investments	-	-	11.038	-	567.551	150.000		728.589
Other Assets	-	509	76	3.243	7.054	-	570.337	581.219
Total Assets	**1.573.530**	**3.233.480**	**2.357.238**	**4.289.590**	**5.321.453**	**463.190**	**570.337**	**17.808.818**
Liabilities								
Current account and funds collected from banks via participation accounts	92.658	183.718	253.118	21.740	-	-	-	551.234
Other current and profit sharing accounts	2.066.681	7.354.652	1.817.297	827.009	24.895	-	-	12.090.534
Funds provided from other financial institutions	-	513.067	318.148	640.310	613.193	441.236		2.525.954
Money Market Borrowings	-	450.403	-	-	-	-	-	450.403
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	100.766	10.175	3.332	-	-	307.963	422.236
Other liabilities	-	22.961	17.400	-	-	-	1.728.096	1.768.457
Total Liabilities	**2.159.339**	**8.625.567**	**2.416.138**	**1.492.391**	**638.088**	**441.236**	**2.036.059**	**17.808.818**
Net Liquidity Gap	**(585.809)**	**(5.392.087)**	**(58.900)**	**2.797.199**	**4.683.365**	**21.954**	**(1.465.722)**	**-**
Prior period								
Total Assets	1.517.809	3.190.580	2.091.291	4.909.313	4.683.449	304.631	519.044	17.216.117
Total Liabilities	2.568.063	8.616.916	1.544.972	1.491.862	709.310	432.973	1.852.021	17.216.117
Net Liquidity Gap	**(1.050.254)**	**(5.426.336)**	**546.319**	**3.417.451**	**3.974.139**	**(128.342)**	**(1.332.977)**	**-**

(*) 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 as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, are included here. The unallocated other liabilities row consists of equity, provisions and tax liabilities.

(Currency - Thousand Turkish Lira)

VII. Explanations on consolidated 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 Group 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	2.159.339	7.538.370	2.070.415	848.749	24.895	-	12.641.768
Funds Borrowed from Other Financial Institutions	-	513.067	374.866	657.328	730.274	455.178	2.730.713
Borrowings from Money Markets	-	450.403	-	-	-	-	450.403
Total	**2.159.339**	**8.501.840**	**2.445.281**	**1.506.077**	**755.169**	**455.178**	**15.822.884**
Prior period							
Funds Collected	2.568.063	7.773.719	1.137.226	954.242	92.962	-	12.526.212
Funds Borrowed from Other Financial Institutions	-	578.823	322.760	526.652	632.395	444.585	2.505.215
Borrowings from Money Markets	-	144.475	-	-	-	-	144.475
Total	**2.568.063**	**8.497.017**	**1.459.986**	**1.480.894**	**725.357**	**444.585**	**15.175.902**

Breakdown of commitment and contingencies according to their remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
Current Period								
Letters of guarantee (*)	2.624.459	146.015	299.895	1.341.418	785.991	44.335	-	5.242.113
Bank acceptances	24.881	-	-	-	-	-	-	24.881
Letters of credit	472.269	25.675	2.964	12.263	479	-	-	513.650
Other commitments and contingencies	-	502.162	-	-	-	-	-	502.162
Total	**3.121.609**	**673.852**	**302.859**	**1.353.681**	**786.470**	**44.335**	**-**	**6.282.806**
Prior Period								
Letters of guarantee (*)	2.574.442	295.641	317.747	1.226.349	782.376	35.343	-	5.231.898
Bank acceptances	23.524	-	-	-	-	-	-	23.524
Letters of credit	447.522	27.559	2.645	4.285	-	-	-	482.011
Other commitments and contingencies	-	426.434	-	-	-	-	-	426.434
Total	**3.045.488**	**749.634**	**320.392**	**1.230.634**	**782.376**	**35.343**	**-**	**6.163.867**

(*) 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.

VIII. Explanations on consolidated securitisation positions:

None.

(Currency - Thousand Turkish Lira)

IX. Explanations on consolidated credit risk mitigation techniques:

On and off balance sheet offsetting agreements are not utilized.

The risk mitigators that are used by the Parent Bank in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at June 28, 2012 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 Parent Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

The appraisal of the mortgages for loans exceeding TL 3.000 or 5% of Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

The Parent 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 Parent Bank and the market fluctuations are considered in credit activities.

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:

Risk Categories	Amount(*)	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	3.052.487	-	-	-
Conditional and unconditional receivables from regional or local governments	151.462	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.679.318	4.387	-	-
Conditional and unconditional receivables from corporates	7.219.050	302.766	-	29.252
Conditional and unconditional retail receivables	1.951.572	109.991	-	13.483
Conditional and unconditional receivables secured by mortgages on property	3.835.479	-	-	-
Past due receivables	33.198	-	-	-
Receivables defined in high risk category by BRSA	37.806	1.112	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks,brokerage houses and corporates	49.222	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	609.527	-	-	-

(*) Represents the total risk amount after credit mitigation techniques are applied.

X. Explanations on consolidated risk management objectives and policies:

The aim of the Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent Bank's strategy for the currency risk is keeping it at a balance and not having any short or long position.

Liquidity Risk

The Parent 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.

X. Explanations on consolidated risk management objectives and policies (continued):

Regarding liquidity risk of the Parent 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 Parent 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 Parent 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.

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 Parent 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 Parent 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 Parent Bank takes necessary measures in order to keep operational risk at an acceptable level.

X. Explanations on consolidated risk management objectives and policies (continued):

Other risks

Other risks the Parent Bank is exposed to are strategic risk, reputation risk, counterparty risk, compliance risk, residual risk, country risk, and concentration risk.

The Parent 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 Parent 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 Parent Bank that would cause to lose confidence in the Bank and damage its image. The Parent 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 Parent 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 Parent 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 Parent Bank's operations and the attitudes and acts of the Parent 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.

Country risk is the probability of loss that the Parent Bank may be exposed to in case borrowers in one country fail or shirk to fulfill their foreign obligations due to uncertainties in economic, social and political conditions. The Parent 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 Parent 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.

(Currency - Thousand Turkish Lira)

XI. 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.

	Carrying value		Fair value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Money market placements	-	-	-	-
Banks	1.505.743	1.378.708	1.505.743	1.378.708
Financial assets at fair value through profit and loss	7.471	4.791	7.471	4.791
Financial assets available for sale	530.476	240.890	530.476	240.890
Held to maturity investments	728.589	745.390	716.242	731.303
Loans and financial lease receivables	12.166.320	12.059.901	12.080.063	12.069.915
Financial Liabilities				
Funds collected from banks via current accounts and profit sharing accounts	551.234	507.624	551.234	507.624
Other current and profit sharing accounts	12.090.534	12.018.588	12.090.534	12.018.588
Funds provided from other financial institutions	2.084.718	2.035.816	2.069.772	2.021.228
Marketable securities issued	-	-	-	-
Miscellaneous payables	422.236	329.174	422.236	329.174

(Currency - Thousand Turkish Lira)

XI. Explanations on presentation of financial assets and liabilities at fair value (continued):

b. Information on fair value measurement recognized in the consolidated 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. 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 Parent 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	4.754	2.717	-	7.471
Public sector debt securities		-	-	
Equity securities	4.754	-	-	4.754
Derivative financial assets held for trading	-	2.577	-	2.577
Other	-	140	-	140
Financial assets- available for sale	528.933	-	-	528.933
Equity securities (*)				
Public sector debt securities	469.890	-	-	469.890
Other marketable securities	59.043	-	-	59.043
Financial liabilities				
Derivative financial liabilities held for trading	-	-	-	-
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	4.764	27	-	4.791
Public sector debt securities	-	-	-	-
Equity securities	4.764	-	-	4.764
Derivative financial assets held for trading	-	-	-	-
Other	-	27	-	27
Financial assets- available for sale	239.347	-	-	239.347
Equity securities (*)	-	-	-	-
Public sector debt securities	201.523	-	-	201.523
Other marketable securities	37.824	-	-	37.824
Financial liabilities				
Derivative financial liabilities held for trading	-	2.804	-	2.804
Derivative financial liabilities for hedging purposes	-	-	-	-

(*) The balances in the balance sheet include unquoted equity securities carried at cost which are not included in the above table since they are not carried at fair value.

(Currency - Thousand Turkish Lira)

XII. Explanations regarding the activities carried out on behalf and account of other persons:

The Parent Bank does not perform purchases, sales and custody services on behalf of its customers. The Parent Bank has no fiduciary transactions.

XIII. Explanations on consolidated business segments:

The Parent Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

Currnet Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	1.425.428	10.614.048	1.560.825	4.208.517	17.808.818
Total Liabilities	8.923.035	6.760.173	312.015	1.813.595	17.808.818
Net profit share income/(expense)(*)(**)	(77.652)	201.938	22.023	-	146.309
Net fees and commissions income/(expense)	1.723	26.156	972	741	29.592
Other operating income /(expense)	43	3.240	486	(99.776)	(96.007)
Profit/(loss) before tax	(75.886)	231.334	23.481	(99.035)	79.894
Provision for tax	-	-	-	(18.953)	(18.953)
Net profit for the period	**(75.886)**	**231.334**	**23.481**	**(117.988)**	**60.941**

Prior Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	1.383.561	10.482.611	1.496.617	3.853.328	17.216.117
Total Liabilities	8.358.926	6.880.760	217.852	1.758.579	17.216.117
Net profit share income/(expense)(*)(**)	(48.995)	184.483	15.311	-	150.799
Net fees and commissions income/(expense)	(511)	25.379	(1.840)	2.660	25.688
Other operating income /(expense)	(75)	12.592	432	(121.499)	(108.550)
Profit/(loss) before tax	(49.581)	222.454	13.903	(118.839)	67.937
Provision for tax	-	-	-	(14.227)	(14.227)
Net profit for the period	**(49.581)**	**222.454**	**13.903**	**(133.066)**	**53.710**

(*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Parent Bank.

(**) Since the management uses net profit share income/ (expense) as a performance measurement criteria, profit share income and expense is presented net.

(Currency - Thousand Turkish Lira)

Section five

Explanations and notes on the consolidated 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 Period	
	TL	FC	TL	FC
Cash/foreign currency	66.050	70.738	65.105	63.244
CBRT	127.923	2.059.006	181.309	1.967.205
Other (*)	-	1.060	-	5.818
Total	**193.973**	**2.130.804**	**246.414**	**2.036.267**

(*) Includes precious metals amounting to TL 1.060 as of March 31, 2014 (December 31, 2013: TL 5.818).

b) Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	127.923	233.498	181.309	193.626
Unrestricted time deposit	-	-	-	-
Restricted time deposit (*)	-	1.825.508	-	1.773.579
Total	**127.923**	**2.059.006**	**181.309**	**1.967.205**

In accordance with the "Communiqué Regarding the Reserve Requirements no. 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.

The reserve rates for TL liabilities vary between 5% and 11,5% for TL deposits and other liabilities according to their maturities as of March 31, 2014 (December 31, 2013: for all TL liabilities between 5% and 11,5%). The reserve rates for foreign currency liabilities vary between 6% and 13% for deposit and other foreign currency liabilities according to their maturities as of March 31, 2014 (December 31, 2013: for all foreign currency liabilities between 6% and 13%).

(*) As of March 31, 2014, the reserve requirement held in standard gold is TL 229.424 (December 31, 2013: TL 299.635).

(Currency - Thousand Turkish Lira)

2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

There are no financial assets at fair value through profit and loss subject to repurchase transaction, given as collateral or blocked.

b) Table of positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	2.577	-	-	-
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	**2.577**	**-**	**-**	**-**

3. a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	461.394	860.109	625.878	425.117
Abroad	-	150.349	-	279.352
Foreign head offices and branches	-	33.891	-	48.361
Total	**461.394**	**1.044.349**	**625.878**	**752.830**

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 99.299 and carrying value of TL 101.454 to CBRT with respect to money market transactions and subjected to repurchase agreements.

As of March 31,2014, available for sale investments given as a guarantee or blocked amount to TL 25.440.

b) Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	531.428	243.121
Quoted on a stock exchange(*)	531.428	243.121
Unquoted	-	-
Share certificates	1.543	1.543
Quoted on a stock exchange	-	-
Unquoted (**)	1.543	1.543
Impairment provision (-)	2.495	3.774
Total	**530.476**	**240.890**

(*) Includes debt securities quoted on a stock exchange which are not traded at the related period ends.
(**) Indicates unquoted equity securities.

(Currency - Thousand Turkish Lira)

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 Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	56.539	26.019	45.889	31.349
Corporate shareholders	56.378	26.019	45.682	31.349
Real person shareholders	161	-	207	-
Indirect loans granted to shareholders	1.353	47.904	1.476	15.514
Loans granted to employees	7.371	-	6.179	-
Total	**65.263**	**73.923**	**53.544**	**46.863**

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 under close monitoring		
Cash loans	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	**11.482.311**	-	-	**555.616**	**222.352**	**8.608**
Export loans	161.091	-	-	735	130	-
Import loans	1.375.394	-	-	16.837	5.529	493
Business loans	6.119.293	-	-	426.570	185.796	7.069
Consumer loans	1.354.751	-	-	24.026	11.332	1.019
Credit cards	157.685	-	-	1.818	-	-
Loans given to financial sector	-	-	-	-	-	-
Other (*)	2.314.097	-	-	85.630	19.565	27
Other receivables (**)	-	-	-	-	-	-
Total	**11.482.311**	-	-	**555.616**	**222.352**	**8.608**

(**) Amount of TL 515 consist of extension of repayment plan for financial leasing receivables and presented in the footnote 10-c.

(*) Details of other loans are provided below:

Commercial loans with installments	997.875
Other investment credits	394.404
Loans given to abroad	335.505
Profit and loss sharing investments (***)	185.697
Loans for purchase of marketable securities for customer	470.823
Other	15.423
Total	**2.399.727**

(***) As March 31, 2014, the related balance represents profit and loss sharing investment projects (11 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 Parent 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 Parent Bank. In the current period the Parent Bank recognized TL 14.850 (March 31, 2013: TL 10.878) income in the accompanying financial statements in relation to such loans.

(Currency - Thousand Turkish Lira)

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	-	222.867
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	-	10.652
6 - 12 months	-	11.904
1 - 2 years	-	33.854
2 - 5 years	-	137.413
5 years and over	-	29.044

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 real persons and legal entities resident in Libya and real persons and legal entities having operations in or for Libya:

As of March 31, 2014, the Parent Bank does not have any loan receivables arising from rescheduled loans within the scope of related Communiqué.

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 March 31, 2014, the Parent Bank has loan receivables amounting to TL 2.824 arising from rescheduled loans 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".

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

ç) 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	**8.032**	**1.366.054**	**1.374.086**
Housing loans	1.861	1.184.939	1.186.800
Vehicle loans	3.297	82.974	86.271
Consumer loans	1.600	2.027	3.627
Other	1.274	96.114	97.388
Consumer loans-FC indexed	**-**	**188**	**188**
Housing loans	-	188	188
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	**-**	**-**	**-**
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	**50.796**	**4.800**	**55.596**
With installment	20.945	4.314	25.259
Without installment	29.851	486	30.337
Retail credit cards-FC	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	**3.089**	**1.414**	**4.503**
Housing loans	-	211	211
Vehicle loans	32	1.027	1.059
Consumer loans	3.057	176	3.233
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	**2.617**	**251**	**2.868**
With installment	1.372	237	1.609
Without installment	1.245	14	1.259
Personnel credit cards-FC	**-**	**-**	**-**
With installment	-	-	-
Without-installment	-	-	-
Overdraft account-TL(real person)	-	-	-
Overdraft account-FC(real person)	-	-	-
Total	**64.534**	**1.372.707**	**1.437.241**

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

d) Information on commercial loans with installments and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TL	**674.226**	**106.091**	**780.317**
Business loans	174.303	11.114	185.417
Vehicle loans	159.691	4.173	163.864
Consumer loans	49	-	49
Other	340.183	90.804	430.987
Commercial installment loans-FC indexed	**210.350**	**7.208**	**217.558**
Business loans	69.104	3.864	72.968
Vehicle loans	19.294	360	19.654
Consumer loans	41	-	41
Other	121.911	2.984	124.895
Commercial installment Loans-FC	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	**93.835**	**7.204**	**101.039**
With installment	1.736	6.174	7.910
Without installment	92.099	1.030	93.129
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (legal entity)	-	-	-
Overdraft account-FC(legal entity)	-	-	-
Total	**978.411**	**120.503**	**1.098.914**

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	11.702.422	11.549.770
Foreign loans	335.505	411.570
Total	**12.037.927**	**11.961.340**

g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

ğ) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectibility	18.216	25.660
Loans and receivables with doubtful collectibility	34.599	64.539
Uncollectible loans and receivables	184.580	154.798
Total	**237.395**	**244.997**

In addition to specific provision for loans amounting TL 237.395 (December 31, 2013: TL 244.997), provision amounting to TL 9.138 (December 31, 2013: TL 8.431) have been provided for fees and commissions and other receivables with doubtful collectibility which sums up to total TL 246.533 (December 31, 2013: TL 253.428). Specific provision for loans amounting to TL 155.016 (December 31, 2013: TL 161.892) 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)	-	-	19.235
Restructured loans and other receivables	-	-	19.235
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before special provisions)	-	-	19.311
Restructured loans and other receivables	-	-	19.311
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	31.036	73.087	167.114
Additions in the current period (+)	16.507	131	489
Transfers from other categories of non-performing loans (+)	-	12.523	35.352
Transfers to other categories of non-performing loans (-)	12.523	37.494	-
Collections in the current period (-)	2.246	6.253	4.551
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Closing balance of the current period	32.774	41.994	198.404
Specific provisions (-)	18.216	34.599	184.580
Net balance at the balance sheet	**14.558**	**7.395**	**13.824**

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

Non-performing loans and receivables in the amount of TL 273.172 (December 31, 2013: TL 271.237) comprise TL 160.975 (December 31, 2013: TL 160.586) 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 collectibility amounting to TL 9.138 (December 31, 2013: TL 8.431). In the current period, collections from fees, commissions and other receivables with doubtful collectibility amounted to TL 739.

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 collectibility	Uncollectible loans and receivables
Current period:			
Period end balance	89	52	648
Specific provision (-)	25	32	648
Net balance on balance sheet	64	20	-
Prior period:			
Period end balance	-	-	700
Specific provision (-)	-	-	677
Net balance on balance sheet	-	-	23

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 collectibility	Uncollectible loans and receivables
Current period (net)	**14.558**	**7.395**	**13.824**
Loans to individuals and corporates (gross)	32.774	41.994	198.404
Specific provision (-)	18.216	34.599	184.580
Loans to individuals and corporates (net)	**14.558**	**7.395**	**13.824**
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	**5.376**	**8.548**	**12.316**
Loans to individuals and corporates (gross)	31.036	73.087	167.114
Specific provision (-)	25.660	64.539	154.798
Loans to individuals and corporates (net)	**5.376**	**8.548**	**12.316**
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-

(Currency - Thousand Turkish Lira)

5. **Information on loans and receivables (continued):**

ı) **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".

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	More than 91 days	Total
Loans and Receivables					
Corporate Loans	757.980	233.326	39.818	-	1.031.124
Consumer Loans	63.951	12.136	3.384	-	79.471
Credit Cards	6.912	842	654	-	8.408
Total	**828.843**	**246.304**	**43.856**	**-**	**1.119.003**

Prior Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	494.682	69.757	189.749	-	754.188
Consumer Loans	62.662	9.771	6.715	-	79.148
Credit Cards	5.662	903	451	-	7.016
Total	**563.006**	**80.431**	**196.915**	**-**	**840.352**

(Currency - Thousand Turkish Lira)

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 March 31, 2014, held to maturity investments given as a guarantee or blocked amount to TL 56.013 (December 31, 2013: 18.228). Held to maturity investments subject to repurchase agreements amount to TL 364.845 (December 31, 2013: 146.794).

6.2) Information related to government securities held to maturity :

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities (*)	728.589	730.267
Total	**728.589**	**730.267**

(*) 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	728.589	745.390
Quoted on a stock exchange(*)	728.589	745.390
Unquoted	-	-
Impairment provision(-)	-	-
Total	**728.589**	**745.390**

(*) 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	745.390	365.815
Foreign currency differences on monetary assets	-	-
Purchases during period	-	429.378
Disposals through sales and redemptions	(29.579)	(91.427)
Impairment provision (-)	-	-
Income accruals	12.778	41.624
Closing balance	**728.589**	**745.390**

(Currency - Thousand Turkish Lira)

7. Associates (net):

a) Information on unconsolidated associates:

Since the Parent 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	1,67	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the unaudited financial statements as of March 31, 2014.

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
280.665	276.055	2.887	-	-	3.910	2.122	-

b) Information on consolidated associates:

As of balance sheet date, the Group does not have consolidated associates.

8. Information on subsidiaries (net):

a) Information on unconsolidated subsidiaries:

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Bereket Varlık Kiralama A.Ş	İstanbul / Türkiye	99,99	99,99

The Group did not consolidate financial statements of its subsidiary Bereket Varlık Kiralama A.Ş., considering the materiality principle.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from the unaudited financial statements as of March 31, 2014.

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	Additional Shareholders' Equity Required
194	194	5	-	-	(10)	(5)	-	-

b) Information on consolidated subsidiaries:

The Group does not have consolidated subsidiaries as of the balance sheet date.

(Currency - Thousand Turkish Lira)

9. Information on investments in joint- ventures:

a) Information on unconsolidated investments in joint- ventures:

The Group does not have unconsolidated investments in joint- ventures as of the balance sheet date.

b) Information on consolidated investments in joint- ventures:

The Parent Bank has founded Katılım Emeklilik ve Hayat A.Ş ("Company") – a private pension 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 as of March 31, 2014 are below.

Joint-Ventures	The Parent Bank's shareholding percentage (%)	Groups shareholding percentage (%)	Current Assets	Non-Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	15.489	3.418	-	-	1.591 (*)

Joint venture in the consolidated 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 Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	43.323	32.580	30.318	23.558
1 to 4 years	70.153	57.015	51.197	45.648
More than 4 years	4.228	3.021	4.378	3.115
Total	**117.704**	**92.616**	**85.893**	**72.321**

b) Information on net investments through finance lease:

	Current Period	Prior Period
Gross finance lease receivables	117.704	85.893
Unearned finance lease receivable (-)	25.088	13.572
Net receivable from finance leases	**92.616**	**72.321**

(Currency - Thousand Turkish Lira)

10. Information on lease receivables (net)(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.

	Standard loans and Other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Restructured or rescheduled		Loans and other receivables	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Finance lease receivables Net)	88.219	-	-	4.397	515	-

11. Information on derivative financial assets for hedging purposes:

The Group does not have any derivative financial assets for hedging purposes.

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:

The Parent Bank does not have investment property.

(Currency - Thousand Turkish Lira)

15. Information related to deferred tax asset:

As of March 31, 2014, the Group calculated deferred tax asset of TL 31.071 (December 31, 2013: TL 33.398) and deferred tax liability of TL 25.260 (December 31, 2013: TL 25.042) 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.

	Current Period	Prior Period
Rediscount on profit share and prepaid fees and commission income	24.208	23.346
Provisions for retirement and vacation pay liabilities	5.320	7.977
Financial assets available for sale valuation difference	183	1.185
Difference between carrying value and tax base of tangible assets	930	454
Provision for impairment	377	382
Other	53	54
Deferred tax asset	**31.071**	**33.398**
Revaluation difference of property	24.027	24.178
Trading securities valuation difference	210	212
Rediscount on profit share	170	88
Other	853	564
Deferred tax liability	**25.260**	**25.042**
Deferred tax asset (net)	**5.811**	**8.356**

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 consolidated 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	28.407	10.714
Additions	6.781	42.628
Disposals	(1.398)	(16.374)
Transfers (*)	(10.820)	(8.045)
Impairment Provision(-)/Reversal of Impairment Provision	(7)	(516)
Net closing balance	**22.963**	**28.407**

(*) The balance is transferred to assets to be disposed included in tangible assets.

The Group has no discontinued operations and assets of discontinued operations.

17. Information on other assets:

As of the balance sheet date, the Group's other assets balance is TL 93.324 (December 31, 2013: TL 58.367) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

(Currency - Thousand Turkish Lira)

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 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	**446.145**	-	-	-	-	-	-	-	**446.145**
II. Real Persons Participation Accounts Non-Trade TL		**3.508.964**	**1.093.893**	**92.584**	-	**16.009**	**395.199**	-	**5.106.649**
III. Current Account other-TL	**642.627**	-	-	-	-	-	-	-	**642.627**
Public Sector	31.782	-	-	-	-	-	-	-	**31.782**
Commercial Institutions	590.526	-	-	-	-	-	-	-	**590.526**
Other Institutions	19.228	-	-	-	-	-	-	-	**19.228**
Commercial and Other Institutions	892	-	-	-	-	-	-	-	**892**
Banks and Participation Banks	199	-	-	-	-	-	-	-	**199**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	1	-	-	-	-	-	-	-	**1**
Foreign Banks	11	-	-	-	-	-	-	-	**11**
Participation Banks	187	-	-	-	-	-	-	-	**187**
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	**583.611**	**167.099**	**167.227**	-	**143.551**	**135.859**	-	**1.197.347**
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	540.207	122.988	118.441	-	143.089	124.594	-	**1.049.319**
Other Institutions	-	42.417	22.892	5.470	-	462	7.377	-	**78.618**
Commercial and Other Institutions	-	987	1.141	2.449	-	-	-	-	**4.577**
Banks and Participation Banks	-	-	20.078	40.867	-	-	3.888	-	**64.833**
V. Real Persons Current Accounts Non- Trade FC	**413.012**	-	-	-	-	-	-	-	**413.012**
VI. Real Persons Participation Accounts Non-Trade FC	-	**1.675.467**	**615.109**	**101.563**	-	**16.534**	**338.398**	-	**2.747.071**
VII. Other Current Accounts FC	**515.227**	-	-	-	-	-	-	-	**515.227**
Residents in Turkey-Corporate	396.350	-	-	-	-	-	-	-	396.350
Residents Abroad-Corporate	26.418	-	-	-	-	-	-	-	26.418
Banks and Participation Banks	92.459	-	-	-	-	-	-	-	92.459
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	70.977	-	-	-	-	-	-	-	70.977
Participation Banks	21.482	-	-	-	-	-	-	-	21.482
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other-FC	-	**648.135**	**535.414**	**62.679**	-	**24.367**	**49.540**	-	**1.320.135**
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	442.152	335.983	17.547	-	-	28.953	-	**824.635**
Other institutions	-	27.957	2.261	8	-	-	-	-	**30.226**
Commercial and Other Institutions	-	65.128	-	2.187	-	-	4.216	-	**71.531**
Banks and Participation Banks	-	112.898	197.170	42.937	-	24.367	16.371	-	**393.743**
IX. Precious Metals Deposits	**142.328**	-	**108.382**	**1.706**	-	**415**	**724**	-	**253.555**
X. Participation Accounts 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+X+XI)	**2.159.339**	**6.416.177**	**2.519.897**	**425.759**	-	**200.876**	**919.720**	-	**12.641.768**

(Currency - Thousand Turkish Lira)

1. Information on 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 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	**520.107**	-	-	-	-	-	-	-	**520.107**
II. Real Persons Participation Accounts Non-Trade TL	-	**3.366.875**	**809.658**	**86.932**	-	**28.740**	**420.175**	-	**4.712.380**
III. Current Account other-TL	**922.112**	-	-	-	-	-	-	-	**922.112**
Public Sector	18.029	-	-	-	-	-	-	-	18.029
Commercial Institutions	873.573	-	-	-	-	-	-	-	873.573
Other Institutions	27.147	-	-	-	-	-	-	-	27.147
Commercial and Other Institutions	2.434	-	-	-	-	-	-	-	2.434
Banks and Participation Banks	929	-	-	-	-	-	-	-	929
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	274	-	-	-	-	-	-	-	274
Participation Banks	655	-	-	-	-	-	-	-	655
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	**671.069**	**345.486**	**109.846**	-	**101.743**	**136.108**	-	**1.364.252**
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	629.331	196.949	108.418	-	101.734	122.917	-	1.159.349
Other Institutions	-	39.124	45.944	1.428	-	9	9.389	-	95.894
Commercial and Other Institutions	-	2.614	1.123	-	-	-	-	-	3.737
Banks and Participation Banks	-	-	101.470	-	-		3.802	-	105.272
V. Real Persons Current Accounts Non- Trade FC	**464.824**	-	-	-	-	-	-	-	**464.824**
VI. Real Persons Participation Accounts Non-Trade FC	-	**1.459.461**	**438.269**	**95.481**	-	**16.377**	**352.111**	-	**2.361.699**
VII. Other Current Accounts FC	**472.670**	-	-	-	-	-	-	-	**472.670**
Residents in Turkey-Corporate	406.538	-	-	-	-	-	-	-	406.538
Residents abroad-Corporate	25.388	-	-	-	-	-	-	-	25.388
Banks and Participation Banks	40.744	-	-	-	-	-	-	-	40.744
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	36.072	-	-	-	-	-	-	-	36.072
Participation Banks	4.672	-	-	-	-	-	-	-	4.672
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other-FC	-	**534.021**	**676.219**	**69.386**	-	**25.317**	**62.298**	-	**1.367.241**
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	395.237	401.721	10.206	-	-	42.916	-	850.080
Other Institutions	-	29.930	2.255	7	-	-	-	-	32.192
Commercial and Other Institutions	-	49.307	64.945	5.851	-	1.102	3.085	-	124.290
Banks and Participation Banks	-	59.547	207.298	53.322	-	24.215	16.297	-	360.679
IX. Precious Metals Deposits	**188.350**	-	**149.530**	**1.589**	-	**712**	**746**	-	**340.927**
X. Participation Accounts 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+X+XI)	**2.568.063**	**6.031.426**	**2.419.162**	**363.234**	-	**172.889**	**971.438**	-	**12.526.212**

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes related to consolidated financial statements
As at March 31, 2014
(Currency - Thousand Turkish Lira)

1. Information on funds collected (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	2.947.327	2.588.347	2.605.467	2.644.139
Foreign currency accounts	1.047.045	990.673	2.426.490	2.146.456
Foreign branches' deposits subject to foreign 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	12.367	9.774
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	6.099	5.640
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	-	-

(Currency - Thousand Turkish Lira)

2. Information on derivative financial liabilities held for trading:

None. (December 31, 2013 - TL 2.804)

3. Information on borrowings:

The Parent Bank has obtained a Syndicated Murabaha Loan from international markets amounting to USD 61.000.000 and EUR 64.500.000, with maturity of one year and amounting to EUR 13.000.000 from domestic markets and with maturity of one year and amounting to USD 135.000.000 and EUR 98.000.000 with maturity of two years, totaling to USD 196.000.000 and EUR 175.500.000 from international markets. The loan agreement has been signed on September 12, 2013.

As of March 31, 2014, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from international and domestic banks in the amounts of USD 358.122.086 and EUR 110.071.855, USD 2.150.000 and EUR 1.808.970 respectively. (31 December 2013: USD 343.292.089 and EUR 104.772.443 (foreign), USD 1.730.000 and EUR 1.800.000 (domestic))

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	-	48.289	-	47.392
Loans from foreign banks, institutions and funds	-	2.036.429	-	1.988.424
Total	-	**2.084.718**	-	**2.035.816**

b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	1.463.123	-	1.414.563
Medium and Long-Term	-	621.595	-	621.253
Total	-	**2.084.718**	-	**2.035.816**

c) Additional disclosures on concentration areas of Bank's liabilities:

The Parent 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.

5. Lease payables:

a) Information on finance lease transactions:

a.1) Information on financial lease agreements:

The Group 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.

b) Explanations on operational leases:

The Parent Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Parent Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Parent Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	26.290	23.451
1 to 4 years	73.519	66.677
Over 4 years	71.013	62.254
Total	**170.822**	**152.382**

6. Information on hedging derivative financial liabilities:

The Group does not have hedging derivative financial liabilities.

(Currency - Thousand Turkish Lira)

7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General provision for	**116.861**	**113.708**
I. Group loans and receivables (Total)	**88.118**	**86.549**
Participation Accounts' Share	60.415	55.687
Bank's Share	27.703	30.862
Others	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group I	-	-
Participation Accounts' Share	-	-
Bank's Share	-	-
Others	-	-
II. Group loans and receivables (Total)	**16.577**	**15.598**
Participation Accounts' Share	10.762	10.643
Bank's Share	5.815	4.955
Others	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group II	**6.306**	**6.685**
Participation Accounts' Share	4.274	*4.493*
Bank's Share	2.032	*2.192*
Others	-	-
Non-cash loans	**12.166**	**11.561**
Others	-	-

b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of March 31, 2014, provision for foreign exchange losses on foreign currency indexed loans amounting to TL 23.743 (December 31, 2013: TL 129) has been offset against the loans included in the assets of the balance sheet.

c) Information on specific provisions for non-cash loans that are not indemnified:

As of March 31, 2014, the Parent Bank has provided specific provisions amounting to TL 12.743 (December 31, 2013: TL 12.629) 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 (*)	72	72
Total	**72**	**72**

(*) The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

(Currency - Thousand Turkish Lira)

7. Information on provisions (continued):

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 (*)	39.265	33.033
Provision for unindemnified non-cash loans	12.743	12.629
Payment commitments for cheques	2.486	2.256
Provision for promotions related with credit cards and promotion of banking services	223	230
General reserves for possible losses	72	72
Financial assets at fair value through profit and loss	46	70
Total	**54.835**	**48.290**

(*) 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 18.109 (December 31, 2013: TL 16.526), vacation pay liability amounting to TL 7.322 (December 31, 2013: TL 5.939) and provision for performance premium amounting to TL 748 (December 31, 2013: 17.000) totaling to TL 26.179 (December 31, 2013: TL 39.465). The Group 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 (%)	10,34	10,34
Estimated increase rate of salary ceiling (%)	6,00	6,00
Rate used in relation to possibility of retirement (*) (%)	73,04	73,01

(*) 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	16.526	14.850
Provisions made in the period	2.130	3.958
Actuarial gain/(loss)	-	(420)
Paid during the period	(547)	(1.862)
Balance at the end of the period	**18.109**	**16.526**

(Currency - Thousand Turkish Lira)

8. Information on taxes payable:

a) Explanations on current tax liability:

a.1) As of March 31, 2014, the Group's corporate tax payable is TL 17.411 (December 31, 2013: TL 22.749) after offsetting prepaid corporate tax.

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	17.411	22.749
Banking insurance transaction tax	6.554	7.444
Taxation on securities income	7.805	6.777
Value added tax payable	453	654
Taxation on real estate income	479	440
Foreign exchange transaction tax	-	-
Other	3.034	4.107
Total	**35.736**	**42.171**

a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	2.020	1.705
Social security premiums-employer	2.179	1.832
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	142	120
Unemployment insurance-employer	284	240
Other	-	-
Total	**4.625**	**3.897**

b) Information on deferred tax liability:

The Group does not have net deferred tax liability as of the balance sheet date.

9. Liabilities for assets held for sale and discontinued operations:

None.

(Currency - Thousand Turkish Lira)

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	-	-	-	-
Loans from other Institutions	-	-	-	-
Loans from Foreign Banks	-	-	-	-
Loans from other Foreign Institutions	-	441.236	-	432.973
Total	**-**	**441.236**	**-**	**432.973**

The Parent Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey amounting to USD 200 million with 10 years maturity with a grace period of five years. The profit rate was determined as 7,75%. The profit rate of the subordinated loan with grace period of five years with 10 years total maturity' was determined as 7,75%.

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 Parent Bank has taken a resolution on transition to registered capital system. The Parent'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.

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.

11. Information on shareholders' equity (continued):

e) Estimated effects on the shareholders equity of the Parent 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 Parent Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through capital increase or transfer to reserves. Moreover, the Parent 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 (*)	1.813	(2.544)	(211)	(4.531)
Foreign exchange difference	-	-	-	-
Total	**1.813**	**(2.544)**	**(211)**	**(4.531)**

(*) The amount represents the net balance after deferred tax liability.

(Currency - Thousand Turkish Lira)

III. Explanations and notes related to off-balance sheet commitments:

1. Explanations on off balance sheet commitments:

a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	494.722	458.540
Payment commitments for cheques	325.440	297.235
Asset purchase and sale commitments	62.824	65.383
Loan granting commitments	46.406	45.428
Share capital commitment to associates and subsidiaries	-	5.000
Tax and funds liabilities arising from export commitments	1.444	1.445
Commitments for promotions related with credit cards and banking activities	387	369
Other irrevocable commitments	1.528	2.819
Total	**932.751**	**876.219**

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	5.242.113	5.231.898
Acceptances	24.881	23.524
Letters of credit	513.650	482.011
Other guaranties and sureties	502.162	426.434
Total	**6.282.806**	**6.163.867**

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	5.242.113	5.231.898
Long standing letters of guarantees	3.293.729	3.262.242
Temporary letters of guarantees	417.770	475.388
Advance letters of guarantees	226.921	269.201
Letters of guarantees given to customs	213.996	219.985
Letters of guarantees given for obtaining cash loans	1.089.697	1.005.082
Sureties and similar transactions	502.162	426.434
Total	**5.744.275**	**5.658.332**

(Currency - Thousand Turkish Lira)

III. Explanations and notes related to off-balance sheet commitments (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	1.089.697	1.005.082
With original maturity of 1 year or less	491.885	426.048
With original maturity of more than 1 year	597.812	579.034
Other non-cash loans	5.193.109	5.158.785
Total	**6.282.806**	**6.163.867**

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 Group has no operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions

(Currency - Thousand Turkish Lira)

IV. Explanations and notes related to the statement of income:

I. 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 (*)	**274.045**	**21.627**	**237.321**	**24.806**
Short Term Loans	113.575	3.151	89.724	2.580
Medium and Long Term Loans	157.435	18.468	143.839	21.383
Loans Under Follow up	3.035	8	3.758	843

(*) Includes fees and commission income on cash loans.

b) Information on profit share income received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	1.034	-	346
Head Offices and Branches Abroad	-	-	-	-
Total	**-**	**1.034**	**-**	**346**

c) Information on profit share income received from marketable securities:

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".

ç) Information on profit share income received from associates and subsidiaries:

The Parent Bank has not received profit share income from associates and subsidiaries.

(Currency - Thousand Turkish Lira)

2. Explanations on profit share expenses:

a) Information on profit share expense paid to funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	10.205	-	8.734
CBRT	-	-	-	-
Domestic banks	-	177	-	-
Foreign banks	-	10.028	-	8.734
Head offices and branches abroad	-	-	-	-
Other institutions	-	8.263	-	-
Total	**-**	**18.468**	**-**	**8.734**

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	47	-	46	-

c) Profit share expenses paid to marketable securities issued:

None.

ç) Distribution of profit share expense on funds collected based on maturity of funds collected:

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".

(Currency - Thousand Turkish Lira)

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	**1.043.038**	**470.137**
Income from capital market transactions	5	759
Income from derivative financial instruments	2.560	-
Foreign exchange income	1.040.473	469.378
Loss (-)	**1.026.036**	**462.172**
Loss on capital market transactions	-	-
Loss on derivative financial instruments	-	-
Foreign exchange losses	1.026.036	462.172
Trading income/loss (net)	**17.002**	**7.965**

5. Explanations related to other operating income:

	Current Period	Prior Period
Reversal of prior year provisions	37.743	56.667
Income from sale of assets	1.831	796
Reimbursement for communication expenses	711	647
Reimbursement for bank statement expenses	217	164
Cheque book charges	187	164
Other income	418	371
Total	**41.107**	**58.809**

(Currency - Thousand Turkish Lira)

6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	**6.856**	**33.850**
Loans and receivables in III. Group	3.689	29.886
Loans and receivables in IV. Group	645	962
Loans and receivables in V. Group	1.240	2.114
Doubtful commission, fee and other receivables	1.282	888
General provision expenses	**8.664**	**12.191**
Provision expenses for possible losses	**-**	**13**
Impairment losses on marketable securities	**4**	**-**
Financial assets at fair value through profit and loss	4	-
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(*)	**9.174**	**39.037**
Total	**24.698**	**85.091**

TL 2.412 (March 31, 2013: TL 27.151) of the total specific provisions provided for loan and other receivables amounting to TL 6.856 (March 31, 2013: TL 33.850) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 7.098 (March 31, 2013: TL 6.383) of the total general loan loss provisions provided for loan and other receivables amounting to TL 8.664 (March 31, 2013: TL 12.191) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

(*) Related amount includes 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", amounting to TL 8.438 (March 31,2013:TL 37.713).

(Currency - Thousand Turkish Lira)

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	79.041	52.553
Provision for retirement pay liability	1.583	882
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	6.966	5.411
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	1.959	996
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	48	436
Depreciation expenses of assets to be disposed	277	225
Impairment expenses of assets held for sale and assets of discontinued operations	11	354
Other operating expenses	24.164	17.015
Operating lease expenses	9.245	6.960
Maintenance expenses	1.041	788
Advertisement expenses	2.049	796
Other expenses	11.829	8.471
Loss on sale of assets	3	51
Other(*)	14.729	12.310
Total	**128.781**	**90.233**

(*) Details of other balance are provided below:

	Current Period	Prior Period
Saving Deposit Insurance Fund	5.192	4.096
Taxes, Duties, Charges and Funds	4.524	3.338
Provision expenses for short term employee rights	1.383	2.365
Audit and Consultancy Fees	1.437	863
Other	2.193	1.648
Total	**14.729**	**12.310**

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".

(Currency - Thousand Turkish Lira)

9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	79.894	67.937
Tax calculated with tax rate of 20%	15.979	13.587
Other additions and disallowable expenses	4.873	1.296
Deductions	(1.899)	(656)
Continuing Operations Tax Provision	18.953	14.227

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.

(Currency - Thousand Turkish Lira)

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	6.064	6.143
Clearing room fees and commissions	3.433	1.282
Commissions on money orders	2.197	1.530
Appraisal fees	1.348	1.006
Insurance and brokerage commissions	838	644
Other	2.575	2.334
Total	**16.455**	**12.939**

Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed fees and commisions	2.824	2.406
Credit cards fees and commisions	1.498	1.804
Member firm-POS fees and commisions	563	876
Other	1.542	1.242
Total	**6.427**	**6.328**

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 notes 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".

(Currency - Thousand Turkish Lira)

VII. Explanations related to the risk group of the Parent Bank:

1. Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

a) Current period:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		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 the period	-	-	28	-	1.476	15.514
Balance at the end of the period	-	-	6	-	1.353	47.904
Profit share and commission income received	-	-	-	-	73	25

b) Prior period:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		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	-	-	9	-	34.253	10.305
Balance at end of period	-	-	28	-	1.476	15.514
Profit share and commission income received	-	-	-	-	2.835	7

c.1) Information on current and profit sharing accounts of the Parent Bank's risk group:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect Shareholders of the Parent Bank		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	5.703	33	3.224	1.647	185.192	229.835
Balance at the end of period	7.965	5.703	2.297	3.224	132.917	185.192
Profit share expense	-	-	64	33	1.285	1.712

(*) As of March 31, 2014 wakala borrowings obtained from risk group of the Parent Bank through investment purpose wakala contracts amount to USD 271.148.503 and EURO 96.590.914 (December 31,2013: USD 214.182.338 and EURO 96.424.370). The profit share expense relating to such borrowings for the period between January 1, 2014 – March 31, 2014 is TL 4.404 (March 31, 2013: 2.714 TL).

c.2) Information on forward and option agreements and other similar agreements with related parties:

The Group does not have forward and option agreements with the risk group of the Bank.

As of March 31, 2014; the Group has paid TL 4.901 (March 31, 2013: TL 4.008) 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:

With the resolution dated April 30,2014 and per the Communique on Sukuk numbered III-61.1 published by Capital Markets Board of Turkey in Official Gazette dated June 7,2013 numbered 28670 ("The Communique"), the Bank decided to issue Sukuk outside of Turkey up to the amount of TL 500 million with a 5 year maturity through Bereket Varlık A.Ş.

Additionally, according to the framework of the Communique, Bank also proceed on issuing Sukuk in Turkey through Bereket Varlık A.Ş. with a maximum issuance limit of TL 1.000.000.000 (1 Billion TL) which will be matured on various dates. Under the terms of the above mentioned framework of Communique and as part of the issuance in Turkey, Bank will offer SUKUK to qualified investors via public offerings and/or private placements.

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 independent auditors' limited review report:

The Group's consolidated financial statements as of and for the period ended March 31, 2014 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated May 12, 2014 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.

(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

Consolidated financial statements including independent auditors' report and notes to the financial statements as of December 31, 2013

EY
Building a better working world

Güney Bağımsız Denetim ve SMMM AŞ
Büyükdere Cad.
Beytem Plaza No:20
K:9-10, 34381 - Şişli
İstanbul - Turkey

Tel: +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com

(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
Independent auditors' report
for the year ended December 31, 2013

To the Board of Directors of Albaraka Türk Katılım Bankası Anonim Şirketi,

We have audited the accompanying consolidated balance sheet of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group") as at December 31, 2013 and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended and 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:

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error and selecting and applying appropriate accounting policies.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Albaraka Türk Katılım Bankası A.Ş. and its consolidated subsidiaries as at December 31, 2013 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 per Articles 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the Banking Regulation and Supervision Agency in respect of accounting and financial reporting.

Building a better
working world

Additional Paragraph for Convenience Translation:

As explained in detail in Note XXIV of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Articles 37 and 38 of the Banking Act No: 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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 Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları
Partner, SMMM

February 20, 2014
Istanbul, Turkey

alBaraka

CONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

Address of the Bank's headquarter	: 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 consolidated 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this annual consolidated financial report are as follows.

	Subsidiaries	Associates	Joint Ventures
1.	-	-	Katılım Emeklilik ve Hayat A.Ş.

The consolidated 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.

February 20, 2014

Adnan Ahmed Yusuf ABDULMALEK Chairman of the Board of Directors	**Fahrettin YAHŞI** General Manager
Melikşah UTKU Assistant General Manager	**Ahmet OCAK** Budget and Financial Reporting Senior Manager

Hamad Abdulla A. EQAB Chairman of the Audit Committee	**Mitat AKTAŞ** 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	: Oya AKDOĞAN / Budget and Financial Reporting Vice Manager
Telephone	: 00 90 216 666 02 35
Facsimile	: 00 90 216 666 16 11

Table of contents

Section one

General information

I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status:

Albaraka Türk Katılım Bankası Anonim Şirketi (The Parent 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 permit 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 Undersecretariat 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 Parent 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 Parent 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 Parent Bank's head office is located in Istanbul and is operating through 166 (December 31, 2012: 136) local branches and 1 (December 31, 2012: 1) foreign branch and with 3.057 (December 31, 2012: 2.758) staff as of December 31, 2013.

The Parent Bank together with its consolidated subsidiary is referred to as the "Group" in the accompanying consolidated financial statements.

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management of the Parent Bank and the disclosures on related changes in the current year, if any:

As of December 31, 2013, 54,06% (December 31, 2012: %54,06) of the Parent Bank's shares are owned by Albaraka Banking Group located in Bahrain. 23,08% (December 31, 2012: %22,97) of the shares are publicly traded and quoted on Borsa İstanbul.

(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 Parent 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	0,0006
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	(*) 0,0000
	Osman AKYÜZ	Member of BOD	Bachelor	-
	Prof.Dr. Ekrem PAKDEMİRLİ	Member of BOD	Doctorate	(*) 0,0000
	Mitat AKTAŞ	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 BOD	Master	(*) 0,0000
	Khalifa Taha HAMOOD	Member of BOD	Bachelor	(*) 0,0000
	Ass. Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	-
General Manager	Fahrettin YAHŞİ	Member of BOD /General Manager	Master	-
Assistant General Managers	Mehmet Ali VERÇİN	Corporate Marketing, Treasury Marketing, Investment Projects	Bachelor	-
	Nihat BOZ	Legal Advisory, Legal Follow-up	Bachelor	-
	Temel HAZIROĞLU	Human Values, Training & Organisation, Performance & Career Management, Administrative Affairs, Financial Affairs	Bachelor	0,0048
	Bülent TABAN	Commercial Marketing, Commercial Products Management, Regional Offices	Master	0,0342
	Turgut SİMİTCİOĞLU	Credit Operations, Banking Services Operations, Foreign Affairs Operations, Payment Systems Operations, Risk Follow-up	Master	-
	Melikşah UTKU	Project Management, Software Development, IT Support, IT Strategy & Governance, Budget & Financial Reporting	Master	-
	Mahmut Esfa EMEK	Corporate Credits, Commercial Credits, Retail Credits, Credit Management & Monitoring	Bachelor	-
	Ayhan KESER	Retail Marketing, Alternative Distribution Channels, Retail Products Management, Financial Institutions	Bachelor	-
Audit Committee	Hamad Abdulla 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

(*) 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 0,0396% of the Parent Bank's share capital (December 31,2012: 0,0396%).

IV. Information on the Parent Bank's qualified shareholders:

The Parent 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	-

V. Summary on the Parent Bank's service activities and field of operations:

The Parent Bank operates in accordance with the principles of interest-free banking as a participation bank. The Parent 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 Parent 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, semi annual and annual profit share payment).

The Parent 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 Parent 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 Parent Bank operates as an insurance agency on behalf of Işık Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz, Aviva Sigorta, Neova Sigorta, Zurich Sigorta, Ankara Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik and Avivasa 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 Parent 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 Parent Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Parent 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 Parent Bank did not consolidate the financial statements of its subsidiary Bereket Varlık Kiralama A.Ş. and its associate Kredi Garanti Fonu A.Ş. considering the materiality principle and its insignificant influence over the associate, respectively and the related subsidiary and associate are carried at cost in the accompanying financial statements. Moreover, the financial statements of the Parent Bank's special purpose entity, Albaraka Türk Sukuk Limited, which is not a subsidiary but over which the Parent Bank exercises 100% control, are not consolidated in the accompanying financial statements considering the materiality principle. Katılım Emeklilik ve Hayat A.Ş, an entity under common control, is consolidated through equity method in the consolidated financial statements.

VII. The Existing or Potential, Actual or Legal Obstacles on Immediate Transfer of Equity or Reimbursement of Liabilities between the Parent Bank and Its Subsidiaries:

Immediate transfer of equity between the Parent Bank and its subsidiaries is not an issue.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

Section two

The consolidated financial statements

I. Consolidated Balance sheet (Statement of financial position)

II. Consolidated Statement of off-balance sheet commitments

III. Consolidated Statement of income

IV. Consolidated Statement of income and expense items accounted under shareholders' equity

V. Consolidated Statement of changes in shareholders' equity

VI. Consolidated Statement of cash flows

VII. Statement of profit appropriation

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	ASSETS	Notes (Section Five-I)	THOUSAND TURKISH LIRA					
			CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	246.414	2.036.267	2.282.681	122.743	1.177.900	1.300.643
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)	(2)	4.769	22	4.791	6.192	-	6.192
2.1	Trading Financial Assets		4.769	22	4.791	6.192	-	6.192
2.1.1	Public Sector Debt Securities		-	-	-	-	-	-
2.1.2	Equity Securities		4.764	-	4.764	4.609	-	4.609
2.1.3	Derivative Financial Assets Held for Trading		-	-	-	-	-	-
2.1.4	Other Marketable Securities		5	22	27	1.583	-	1.583
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	(3)	625.878	752.830	1.378.708	643.330	393.782	1.037.112
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS-AVAILABLE FOR SALE (net)	(4)	127.575	113.315	240.890	104.749	47.820	152.569
5.1	Equity Securities		15	1.528	1.543	-	1.269	1.269
5.2	Public Sector Debt Securities		117.550	83.973	201.523	104.749	46.551	151.300
5.3	Other Marketable Securities		10.010	27.814	37.824	-	-	-
VI.	LOANS AND RECEIVABLES	(5)	10.403.976	1.583.604	11.987.580	7.907.609	1.150.795	9.058.404
6.1	Loans and Receivables		10.377.759	1.583.581	11.961.340	7.882.729	1.150.795	9.033.524
6.1.1	Loans to Risk Group of The Bank		1.504	-	1.504	34.262	-	34.262
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		10.376.255	1.583.581	11.959.836	7.848.467	1.150.795	8.999.262
6.2	Non-performing loans		278.968	700	279.668	221.404	1.145	222.549
6.3	Specific Provisions (-)		252.751	677	253.428	196.524	1.145	197.669
VII.	INVESTMENTS HELD TO MATURITY (net)	(6)	745.390	-	745.390	356.879	8.936	365.815
VIII.	INVESTMENTS IN ASSOCIATES (net)	(7)	4.211	-	4.211	4.211	-	4.211
8.1	Accounted for under Equity Method		-	-	-	-	-	-
8.2	Unconsolidated Associates		4.211	-	4.211	4.211	-	4.211
8.2.1	Financial Associates		4.211	-	4.211	4.211	-	4.211
8.2.2	Non-Financial Associates		-	-	-	-	-	-
IX.	SUBSIDIARIES (net)	(8)	250	-	250	50	-	50
9.1	Unconsolidated Financial Subsidiaries		250	-	250	50	-	50
9.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
X.	JOINT VENTURES (net)	(9)	5.064	-	5.064	-	-	-
10.1	Accounted for under Equity Method		5.064	-	5.064	-	-	-
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial Joint Ventures		-	-	-	-	-	-
10.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XI.	LEASE RECEIVABLES	(10)	72.321	-	72.321	41.659	-	41.659
11.1	Finance Lease Receivables		85.893	-	85.893	51.494	-	51.494
11.2	Operational Lease Receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned Income (-)		13.572	-	13.572	9.835	-	9.835
XII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(11)	-	-	-	-	-	-
12.1	Fair Value Hedge		-	-	-	-	-	-
12.2	Cash Flow Hedge		-	-	-	-	-	-
12.3	Hedge of Net Investment Risks in Foreign Operations		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (net)	(12)	378.689	1.925	380.614	292.493	1.844	294.337
XIV.	INTANGIBLE ASSETS (net)	(13)	15.335	594	15.929	6.497	555	7.052
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		15.335	594	15.929	6.497	555	7.052
XV.	INVESTMENT PROPERTY (net)	(14)	-	-	-	-	-	-
XVI.	TAX ASSET	(15)	10.914	-	10.914	10.400	-	10.400
16.1	Current Tax Asset		2.558	-	2.558	2.482	-	2.482
16.2	Deferred Tax Asset		8.356	-	8.356	7.918	-	7.918
XVII.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)	(16)	28.253	154	28.407	10.714	-	10.714
17.1	Assets Held for Sale		28.253	154	28.407	10.714	-	10.714
17.2	Assets of Discontinued Operations		-	-	-	-	-	-
XVIII.	OTHER ASSETS	(17)	56.113	2.254	58.367	37.859	637	38.496
	TOTAL ASSETS		12.725.152	4.490.965	17.216.117	9.545.385	2.782.269	12.327.654

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	LIABILITIES	Notes (Section Five-II)	THOUSAND TURKISH LIRA					
			CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
			TL	FC	Total	TL	FC	Total
I.	**FUNDS COLLECTED**	(1)	**7.518.851**	**5.007.361**	**12.526.212**	**5.535.572**	**3.689.446**	**9.225.018**
1.1	Funds from Risk Group of The Bank		23.152	170.967	194.119	65.574	165.908	231.482
1.2	Other		7.495.699	4.836.394	12.332.093	5.469.998	3.523.538	8.993.536
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	(2)	**2.804**	-	**2.804**	-	-	-
III.	**FUNDS BORROWED**	(3)	-	**2.035.816**	**2.035.816**	-	**1.393.830**	**1.393.830**
IV.	**BORROWINGS FROM MONEY MARKETS**		**144.775**	-	**144.775**	-	-	-
V.	**SECURITIES ISSUED (net)**		-	-	-	-	-	-
VI.	**MISCELLANEOUS PAYABLES**		**307.767**	**21.407**	**329.174**	**304.153**	**12.245**	**316.398**
VII.	**OTHER LIABILITIES**	(4)	-	-	-	-	-	-
VIII.	**LEASE PAYABLES**	(5)	-	-	-	-	-	-
8.1	Finance Lease Payables		-	-	-	-	-	-
8.2	Operational Lease Payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
IX.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	(6)	-	-	-	-	-	-
9.1	Fair Value Hedge		-	-	-	-	-	-
9.2	Cash Flow Hedge		-	-	-	-	-	-
9.3	Net Foreign Investment Hedge		-	-	-	-	-	-
X.	**PROVISIONS**	(7)	**146.944**	**54.519**	**201.463**	**111.101**	**24.717**	**135.818**
10.1	General Provisions		89.117	24.591	113.708	81.488	21.612	103.100
10.2	Restructuring Reserves		-	-	-	-	-	-
10.3	Reserve for Employee Benefits		39.465	-	39.465	19.245	-	19.245
10.4	Insurance Technical Reserves (net)		-	-	-	-	-	-
10.5	Other Provisions		18.362	29.928	48.290	10.368	3.105	13.473
XI.	**TAX LIABILITY**	(8)	**46.033**	**35**	**46.068**	**38.256**	**1**	**38.257**
11.1	Current Tax Liability		46.033	35	46.068	38.256	1	38.257
11.2	Deferred Tax Liability		-	-	-	-	-	-
XII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)**	(9)	-	-	-	-	-	-
12.1	Assets Held for Sale		-	-	-	-	-	-
12.2	Assets of Discontinued Operations		-	-	-	-	-	-
XIII.	**SUBORDINATED LOANS**	(10)	-	**432.973**	**432.973**	-	-	-
XIV.	**SHAREHOLDERS' EQUITY**	(11)	**1.501.363**	**(4.531)**	**1.496.832**	**1.218.406**	**(73)**	**1.218.333**
14.1	Paid-In Capital		900.000	-	900.000	900.000	-	900.000
14.2	Capital Reserves		97.311	(4.531)	92.780	56.760	(73)	56.687
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Marketable Securities Valuation Reserve		(211)	(4.531)	(4.742)	1.266	(73)	1.193
14.2.4	Revaluation Reserve on Tangible Assets		96.712	-	96.712	55.522	-	55.522
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 Discontinued Operations		-	-	-	-	-	-
14.2.10	Other Capital Reserves		810	-	810	(28)	-	(28)
14.3	Profit Reserves		261.645	-	261.645	68.920	-	68.920
14.3.1	Legal Reserves		59.602	-	59.602	49.966	-	49.966
14.3.2	Status Reserves		-	-	-	-	-	-
14.3.3	Extraordinary Reserves		202.043	-	202.043	18.954	-	18.954
14.3.4	Other Profit Reserves		-	-	-	-	-	-
14.4	Profit or Loss		242.407	-	242.407	192.726	-	192.726
14.4.1	Prior Years Profit / (Loss)		1.434	-	1.434	891	-	891
14.4.2	Current Year Profit / (Loss)		240.973	-	240.973	191.835	-	191.835
14.5	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES		**9.668.537**	**7.547.580**	**17.216.117**	**7.207.488**	**5.120.166**	**12.327.654**

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS

		Notes (Section Five-III)	THOUSAND TURKISH LIRA					
			CURRENT PERIOD (31/12/2013)			PRIOR PERIOD (31/12/2012)		
			TL	FC	Total	TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	(1)	4.064.280	3.567.122	7.631.402	3.737.941	2.617.485	6.355.426
I.	GUARANTEES AND SURETIES		2.956.853	3.207.014	6.163.867	2.859.471	2.353.810	5.213.281
1.1.	Letters of Guarantees		2.947.334	2.284.564	5.231.898	2.852.364	1.682.435	4.534.799
1.1.1.	Guarantees Subject to State Tender Law		92.207	23.278	115.485	149.051	15.888	164.939
1.1.2.	Guarantees Given for Foreign Trade Operations		280	814.268	814.548	20	795.286	795.306
1.1.3.	Other Letters of Guarantee		2.854.847	1.447.018	4.301.865	2.703.293	871.261	3.574.554
1.2.	Bank Loans		-	23.524	23.524	-	15.490	15.490
1.2.1.	Import Letter of Acceptances		-	23.524	23.524	-	15.490	15.490
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letter of Credits			482.011	482.011	6.296	471.537	477.833
1.3.1.	Documentary Letter of Credits		-	-	-	-	-	-
1.3.2.	Other Letter of Credits		-	482.011	482.011	6.296	471.537	477.833
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		937	355.427	356.364	-	168.039	168.039
1.7.	Other Collaterals		8.582	61.488	70.070	811	16.309	17.120
II.	COMMITMENTS	(1)	813.111	63.108	876.219	878.470	263.675	1.142.145
2.1.	Irrevocable Commitments		813.111	63.108	876.219	878.470	263.675	1.142.145
2.1.1.	Asset Purchase and Sale Commitments		2.401	62.982	65.383	265.158	263.575	528.733
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		5.000	-	5.000	-	-	-
2.1.3.	Loan Granting Commitments		45.428	-	45.428	39.577	-	39.577
2.1.4.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6.	Payment Commitment for Cheques		297.235	-	297.235	263.656	-	263.656
2.1.7.	Tax And Fund Liabilities from Export Commitments		1.445	-	1.445	1.043	-	1.043
2.1.8.	Commitments for Credit Card Expenditure Limits		458.540	-	458.540	306.032	-	306.032
2.1.9.	Commitments for Promotions Related with Credit Cards and Banking Activities		369	-	369	323	-	323
2.1.10.	Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11.	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments		2.693	126	2.819	2.681	100	2.781
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	294.316	297.000	591.316	-	-	-
3.1.	Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1.	Fair Value Hedge		-	-	-	-	-	-
3.1.2.	Cash Flow Hedge		-	-	-	-	-	-
3.1.3.	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2.	Held for Trading Transactions		294.316	297.000	591.316	-	-	-
3.2.1	Forward Foreign Currency Buy/Sell Transactions		294.316	297.000	591.316	-	-	-
3.2.1.1	Forward Foreign Currency Transactions-Buy		294.316	-	294.316	-	-	-
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	297.000	297.000	-	-	-
3.2.2.	Other Forward Buy/Sell Transactions		-	-	-	-	-	-
3.3.	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		22.641.233	3.855.845	26.497.078	18.914.892	2.365.084	21.279.976
IV.	ITEMS HELD IN CUSTODY		1.660.275	1.293.437	2.953.712	1.313.127	662.365	1.975.492
4.1.	Assets Under Management		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		72	-	72	72	-	72
4.3.	Cheques Received for Collection		701.874	89.326	791.200	626.896	51.715	678.611
4.4.	Commercial Notes Received for Collection		235.972	23.262	259.234	230.109	19.014	249.123
4.5.	Other Assets Received for Collection		104	-	104	105	-	105
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	720.711	720.711	-	253.338	253.338
4.8.	Custodians		722.253	460.138	1.182.391	455.945	338.298	794.243
V.	PLEDGED ITEMS		20.980.958	2.562.408	23.543.366	17.601.765	1.702.719	19.304.484
5.1.	Marketable Securities		689.548	714.909	1.404.457	444.122	193.889	638.011
5.2.	Guarantee Notes		1.415.238	172.025	1.587.263	1.225.294	163.687	1.388.981
5.3.	Commodity		762.432	321.208	1.083.640	485.124	242.477	727.601
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		16.616.802	787.750	17.404.552	14.424.663	706.303	15.130.966
5.6.	Other Pledged Items		1.448.353	542.198	1.990.551	995.139	376.727	1.371.866
5.7.	Pledged Items-Depository		48.585	24.318	72.903	27.423	19.636	47.059
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		26.705.513	7.422.967	34.128.480	22.652.833	4.982.569	27.635.402

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF INCOME

	INCOME AND EXPENSE ITEMS	Notes (Section Five-IV)	THOUSAND TURKISH LIRA CURRENT PERIOD 01/01/2013-31/12/2013)	PRIOR PERIOD (01/01/2012-31/12/2012)
I.	**PROFIT SHARE INCOME**	(1)	**1.153.336**	**996.828**
1.1	Profit Share on Loans		1.095.102	966.404
1.2	Income Received from Reserve Deposits		-	-
1.3	Income Received from Banks		1.680	1.712
1.4	Income Received from Money Market Placements		-	-
1.5	Income Received from Marketable Securities Portfolio		51.985	24.801
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		10.361	6.126
1.5.4	Investments Held to Maturity		41.624	18.675
1.6	Finance Lease Income		4.569	3.896
1.7	Other Profit Share Income		-	15
II.	**PROFIT SHARE EXPENSE**	(2)	**528.160**	**510.930**
2.1	Expense on Profit Sharing Accounts		464.403	479.892
2.2	Profit Share Expense on Funds Borrowed		59.166	30.549
2.3	Profit Share Expense on Money Market Borrowings		4.591	489
2.4	Profit Share Expense on Securities Issued		-	-
2.5	Other Profit Share Expense		-	-
III.	**NET PROFIT SHARE INCOME (I – II)**		**625.176**	**485.898**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**113.197**	**113.353**
4.1	Fees and Commissions Received		141.295	135.585
4.1.1	Non-Cash Loans		82.354	77.846
4.1.2	Other	(12)	58.941	57.739
4.2	Fees and Commissions Paid		28.098	22.232
4.2.1	Non-Cash Loans		518	423
4.2.2	Other	(12)	27.580	21.809
V.	**DIVIDEND INCOME**	(3)	**459**	**788**
VI.	**TRADING INCOME/LOSS(net)**	(4)	**37.181**	**20.397**
6.1	Capital Market Transaction Income / (Loss)		18	(175)
6.2.	Income / (Loss) from Derivative Financial Instruments		(2.804)	-
6.3	Foreign Exchange Income / (Loss)		39.967	20.572
VII.	**OTHER OPERATING INCOME**	(5)	**118.814**	**85.122**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**894.827**	**705.558**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	(6)	**190.883**	**122.412**
X.	**OTHER OPERATING EXPENSES (-)**	(7)	**404.401**	**341.921**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**299.543**	**241.225**
XII.	**EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER**		-	-
XIII.	**INCOME / (LOSS) ON EQUITY METHOD**		(436)	-
XIV.	**INCOME / (LOSS) ON NET MONETARY POSITION**		-	-
XV.	**INCOME / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)**	(8)	**299.107**	**241.225**
XVI.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	(9)	**(58.134)**	**(49.390)**
16.1	Provision for Current Taxes		(67.827)	(54.181)
16.2	Provision for Deferred Taxes		9.693	4.791
XVII.	**NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	(10)	**240.973**	**191.835**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
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 (-)**		-	-
19.1	Loss from Assets Held for Sale		-	-
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
19.3	Loss from Other Discontinued Operations		-	-
XX.	**INCOME / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)**	(8)	-	-
XXI.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**	(9)	-	-
21.1	Provision for Current Taxes		-	-
21.2	Provision for Deferred Taxes		-	-
XXII.	**NET INCOME / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**	(10)	-	-
XXIII.	**NET INCOME / LOSS (XVII+XXII)**	(11)	**240.973**	**191.835**
23.1	Group's Income/Loss		240.973	191.835
23.2	Minority Interest		-	-
	Earnings Per Share (Full TL)		0,268	0,213

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		THOUSAND TURKISH LIRA CURRENT PERIOD (01/01/2013-31/12/2013)	THOUSAND TURKISH LIRA PRIOR PERIOD (01/01/2012-31/12/2012)
I.	ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	(7.419)	3.289
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	53.265	24.090
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	502	354
V.	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	11	(10)
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS	420	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(9.253)	(5.476)
X.	TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	37.526	22.247
XI.	PROFIT/LOSS	240.973	191.835
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	240.973	191.835
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	278.499	214.082

The accompanying explanations and notes are an integral part of these financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

	CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Years Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
	PRIOR PERIOD (01/01/2012-31/12/2012)																	
I.	Beginning balance	(V)	539.000	-	-	-	39.160	-	229.891	(382)	160.155	715	(1.438)	37.150	-	-	-	1.004.251
	Changes In Period																	
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	3.289	-	-	-	-	3.289
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	24.090	-	-	-	24.090
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	354	-	-	-	-	-	-	-	354
IX.	Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		361.000	-	-	-	(61)	-	(360.939)	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Sources		361.000	-	-	-	(61)	-	(360.939)	-	-	-	-	-	-	-	-	-
XIII.	Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	2.824	-	(2.824)	-	-	890	(658)	(5.718)	-	-	-	(5.486)
XVII.	Period Net Income/(Loss)		-	-	-	-	-	-	-	-	191.835	-	-	-	-	-	-	191.835
XVIII.	Profit Distribution		-	-	-	-	8.043	-	152.826	-	(160.155)	(714)	-	-	-	-	-	-
18.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers To Reserves		-	-	-	-	8.043	-	152.826	-	-	(160.869)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(160.155)	160.155	-	-	-	-	-	-
	Closing Balance (I+II+III+...+XVI+XVII+XVIII)		900.000	-	-	-	49.966	-	18.954	(28)	191.835	891	1.193	55.522	-	-	-	1.218.333

The accompanying explanations and notes are an integral part of these financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

	CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Years Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
	CURRENT PERIOD (01/01/2013-31/12/2013)																	
I.	Beginning balance	(V)	900.000	-	-	-	49.966	-	18.954	(28)	191.835	891	1.193	55.522	-	-	-	1.218.333
	Changes In Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(7.419)	-	-	-	-	(7.419)
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	53.551	-	-	-	53.551
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	502	-	-	-	-	-	-	-	502
IX.	Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	-	-	-	-	(286)	-	-	-	(286)
X.	Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	336	-	1.433	1.484	(12.075)	-	-	-	(8.822)
XVI.	Other		-	-	-	-	-	-	-	-	240.973	-	-	-	-	-	-	240.973
XVII.	Period Net Income/(Loss)		-	-	-	-	9.636	-	183.089	-	(191.835)	(890)	-	-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1	Dividends Distributed		-	-	-	-	9.636	-	183.089	-	-	(192.725)	-	-	-	-	-	-
18.2	Transfers To Reserves		-	-	-	-	-	-	-	-	(191.835)	191.835	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (I+II+III+...+XVI+XVII+XVIII)		900.000	-	-	-	59.602	-	202.043	810	240.973	1.434	(4.742)	96.712	-	-	-	1.496.832

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS

			THOUSAND TURKISH LIRA	
	STATEMENT OF CASH FLOWS	Notes	CURRENT PERIOD (01/01/2013-31/12/2013)	PRIOR PERIOD (01/01/2012-31/12/2012)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	**Operating Profit Before Changes In Operating Assets And Liabilities**		**934.859**	**479.835**
1.1.1	Profit Share Income Received		1.034.359	944.634
1.1.2	Profit Share Expense Paid		(508.675)	(508.708)
1.1.3	Dividend Received		459	788
1.1.4	Fees and Commissions Received		232.147	224.593
1.1.5	Other Income		110.815	76.196
1.1.6	Collections from Previously Written Off Loans	(V-I-5,h2)	108.240	27.639
1.1.7	Payments to Personnel and Service Suppliers		(227.302)	(200.912)
1.1.8	Taxes Paid		(74.955)	(69.531)
1.1.9	Others	(V-VI-3)	259.771	(14.864)
1.2	**Changes in operating assets and liabilities**		**(520.308)**	**(1.189.835)**
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets		1.401	(1.390)
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		(863.125)	(447.756)
1.2.4	Net (Increase) Decrease in Loans		(2.739.115)	(1.981.802)
1.2.5	Net (Increase) Decrease in Other Assets		39.392	44.036
1.2.6	Net Increase (Decrease) in Funds Collected From Banks		-	-
1.2.7	Net Increase (Decrease) in Other Funds Collected		2.713.238	1.165.138
1.2.8	Net Increase (Decrease) in Funds Borrowed		358.600	-
1.2.9	Net Increase (Decrease) in Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	(V-VI-3)	(30.699)	31.939
I.	**Net Cash Flow From Banking Operations**		**414.551**	**(710.000)**
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	**Net cash flow from investing activities**		**(513.180)**	**(29.805)**
2.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries		(5.700)	(1.211)
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3	Fixed Assets Purchases	(V-I-12, 13,16)	(131.034)	(60.872)
2.4	Fixed Assets Sales	(V-I-12, 13,16)	46.426	12.356
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(118.921)	(113.299)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale		34.000	50.000
2.7	Cash Paid for Purchase of Investment Securities	(V-I-6.4)	(429.378)	(300.000)
2.8	Cash Obtained from Sale of Investment Securities	(V-I-6.4)	91.427	383.221
2.9	Other		-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	**Net cash flow from financing activities**		**518.434**	**333.893**
3.1	Cash Obtained from Funds Borrowed and Securities Issued		1.538.137	936.239
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(1.019.703)	(602.346)
3.3	Capital Increase		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**	(V-VI-3)	**100.043**	**2.065**
V.	**Net (Decrease) Increase in Cash and Cash Equivalents**		**519.848**	**(403.847)**
VI.	**Cash and Cash Equivalents at the Beginning of the Period**	(V-VI-i)	**1.362.144**	**1.765.991**
VII.	**Cash and Cash Equivalents at the End of the Period**	(V-VI-ii)	**1.881.992**	**1.362.144**

The accompanying explanations and notes are an integral part of these financial statements.

(Currency - Thousand Turkish Lira)

	THOUSAND TURKISH LIRA	
STATEMENT OF PROFIT APPROPRIATION(*****)	CURRENT PERIOD (*) (31/12/2013)	PRIOR PERIOD (31/12/2012)
I. Distribution of current year income		
1.1. Current year income (****)	300.977	242.116
1.2. Taxes and duties payable (-)	58.134	49.390
1.2.1. Corporate tax (Income tax)	67.827	54.181
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities (**)	(9.693)	(4.791)
A. Net income for the year (1.1-1.2)	242.843	192.726
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	9.636
1.5. Other statutory reserves (-)	-	-
B. Distributable net period income [(A-(1.3+1.4+1.5)] (*)	242.843	183.090
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of preferred shares	-	-
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	-	-
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	-	183.090
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 /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
III. Earnings per share		
3.1. To owners of ordinary shares (***) (Full TL)	0,270	0,214
3.2. To owners of ordinary shares (%)	27,0	21,4
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)	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of preferred shares	-	-
4.3. To owners of preferred shares (%)	-	-

(*) General Assembly of the Parent 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

(**) 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 years profit and current year profit.

(*****)Statement of Profit Appropriation has been prepared according to unconsolidated financial statements of the Parent Bank.

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 Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC"), and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

b. Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

Accounting policies and valuation methods used in the preparation of financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA. Consolidated financial statements as of December 31, 2013 have been prepared by accounting for Katılım Emeklilik ve Hayat A.Ş. using equity Method.The accompanying financial statements as of December 31, 2012 are unconsolidated financial statements of the parent Bank. The accounting policies and valuation principles used in the preparation of consolidated financial statements are explained in Notes II and XXIII below.

TAS/TFRS changes which are effective from January 1, 2013 (TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment), TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income, TAS 19 Employee Benefits (Amended), TAS 27 Separate Financial Statements (Amended), TAS 28 Investments in Associates and Joint Ventures (Amended), TFRS 10 Consolidated Financial Statements, TFRS 11 Joint Arrangements, TFRS 12 Disclosure of Interests in Other Entities, TFRS 13 Fair Value Measurement) do not have a significant effect on the Group's accounting policies, financial position or performance. The effects of changes introduced by TFRS 13 and TFRS 9, which are not effective yet, are evaluated by the Parent Bank.

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 December 30, 2012 numbered 28513 , the effective date of the mentioned Communiqué has been changed as December 31, 2014 which was previously January 1, 2013) "Financial Instruments" before January 1, 2015. Since the Parent Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the consolidated 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 consolidated financial statements are prepared in accordance with the historical cost basis except for the financial assets at fair value through profit and loss, financial assets-available for sale and immovables which are reflected at fair values.

The preparation of the consolidated financial statements according to TAS requires the Group'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, 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:

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 Group 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 Parent Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Parent Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Parent 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 Parent 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.

II. Explanations on strategy of using financial instruments and foreign currency transactions (continued):

Since the Parent Bank provides full specific provision (except foreign branch) for the Parent 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 Group.

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 Parent Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Parent 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 Parent Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Group.

III. Information on consolidated associates:

a) Consolidation Principles on joint ventures:

Consolidated financial statements are prepared in accordance with the decrees, notes and explanations set forth in Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006, Numbered 26340 and "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10").

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is private pension and insurance and operates according to special legislation with permission and license and is established in Turkey. The related joint venture has been consolidated through equity method. Where necessary, accounting policies of the joint venture have been harmonized to ensure consistency with the policies adopted by the Parent Bank.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the joint venture amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/Türkiye	Private pension and insurance	50,00	50,00

III. Information on consolidated associates (continued):

b) Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements" ("TAS 27") in the consolidated financial statements.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

IV. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Group consist of forward foreign currency agreements. The Group records the spot foreign currency transactions in asset purchase and sale commitments .

The Group's derivative transactions, even though they provide effective economic hedges under the Group'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.

As of the balance sheet date, there are no embedded derivatives and no derivative instruments formed through separation from the host contract.

V. Explanations on profit share income and expenses:

Profit share income

Profit share income is accounted in accordance with TAS 39 "Financial Instruments: Recognition and Measurement" 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", 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 Parent 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.

VI. 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 'Deferred 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 non-cash loans commissions directly as income.

VII. Explanations on financial assets:

The Group categorizes 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 Group 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; This category 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 Parent 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, 2013, the Parent Bank has no financial assets classified as financial assets at fair value through profit or loss except for trading financial assets.

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.

VII. Explanations on financial assets (continued):

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".

Held to maturity financial assets:

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.

VIII. 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.

VIII. Explanations on impairment of financial assets (continued):

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.

IX. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Group 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.

There are no such offset of financial assets and liabilities.

X. 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 Group 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 Group has no securities lending transactions.

XI. 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 Group 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.

A discontinued operation is a part of the Group'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 Group has no discontinued operations.

(Currency - Thousand Turkish Lira)

XII. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The Bank's intangible assets consist of softwares and intangible rights.

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 "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.

XIII. 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 "Tangible Assets" in the financial statements.

As of March 31, 2009, the Parent 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, 2013, the Parent 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:

	%
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 5 years. After January 1, 2010 in cases where leasing period is more than 5 years, the useful life is determined as 5 years.

XIII. Explanations on tangible assets (continued):

If there is an indication for impairment, the Group estimates the recoverable amount of the tangible asset in accordance with TAS 36 'Impairment of Assets' and if the recoverable amount is less than its carrying value, provides for an impairment loss.

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.

XIV. 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 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 Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent 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.

XV. 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: "Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized if; as of the balance sheet date there is a present legal or constructive obligation as a result of past events, it is probable that an outflow resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision is booked for contingent liabilities originated as a result of past events in the period they arise if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

XVI. Explanations on liabilities regarding employee benefits:

i) *Defined benefit plans*:

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The retirement pay provision recognized in the financial statements, is calculated in accordance with TAS 19 "Employee Benefits" by using the "projection method" and based upon factors derived using the Group's experience with respect to completion of service period and eligibility to receive retirement pay and which is discounted by using the current market yield rate of government bonds at the balance sheet date. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised TAS 19 standard.

The Group's employees are not members of any pension fund, foundations, union or other similar entities.

ii) *Defined contribution plans*:

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group 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, vacation pay liabilities are classified as "Short Term Benefits to Employees" and accrued in the period they are earned and are not discounted.

XVII. Explanations on taxation:

Current tax:

The Group is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law no.5520 published in the Official Gazette no.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.

XVII. Explanations on taxation (continued):

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.

Deferred tax:

The Group 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 aforementioned 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.

XVIII. Additional explanations on borrowings:

The Group 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 Group.

The Group has not issued convertible bonds.

XIX. Explanations on issued share certificates:

None.

XX. 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.

XXI. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Group.

XXII. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Group 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 XIII.

XXIII. Explanations on other matters:

None.

XXIV. Additional paragraph for convenience translation:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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.

Section four

Information on financial structure and risk management

I. Explanations on the consolidated 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 no.28337 dated June 28, 2012 starting from July 1, 2012. As of December 31, 2013, the Group's consolidated capital adequacy ratio calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" is 14,82 (Parent Bank % 14,86) (Prior Period-13,03%;Parent Bank).

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", "Regulation on Credit Risk Mitigation Techniques" published in the Official Gazette no.28337 dated June 28, 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.26333 dated November 1, 2006.

In the calculation of capital adequacy ratio the Group 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 that are classified under liabilities 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.

(Currency - Thousand Turkish Lira)

I. Explanations on consolidated capital adequacy standard ratio (continued):

b) Information on capital adequacy standard ratio:

	Parent Bank								
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Value at Credit Risk	**2.798.802**	**-**	**1.668.904**	**4.148.225**	**1.858.384**	**7.521.705**	**19.132**	**19.936**	**42**
Risk Categories									
Conditional and unconditional receivables from central governments or central banks	2.653.721	-	12.446	83.973	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	74.313	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1.032.874	365.919	1.062	147.169	-	-	-
Conditional and unconditional receivables from corporates	-	-	403.229	18.054	-	6.915.988	-	-	-
Conditional and unconditional retail receivables	-	-	113.050	171	1.857.322	29.205	-	-	-
Conditional and unconditional receivables secured by mortgages on property	-	-	3.798	3.665.988	-	-	-	-	-
Past due receivables	-	-	-	14.120	-	10.945	800	-	-
Receivables defined in high risk category by BRSA	-	-	1.380	-	-	-	18.332	19.936	42
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	27.814	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	145.081	-	-	-	-	418.398	-	-	-

On the table, the collateralized credit amounts are included to risk weights based on related risk categories.

(Currency - Thousand Turkish Lira)

I. Explanations on consolidated capital adequacy standard ratio (continued):

	Consolidated								
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Value at Credit Risk	**2.798.802**	**-**	**1.668.904**	**4.148.225**	**1.858.384**	**7.516.205**	**19.132**	**19.936**	**42**
Risk Categories									
Conditional and unconditional receivables from central governments or central banks	2.653.721	-	12.446	83.973	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	74.313	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	-	-	1.032.874	365.919	1.062	147.169	-	-	-
Conditional and unconditional receivables from corporates	-	-	403.229	18.054	-	6.915.988	-	-	-
Conditional and unconditional retail receivables	-	-	113.050	171	1.857.322	29.205	-	-	-
Conditional and unconditional receivables secured by mortgages on property	-	-	3.798	3.665.988	-	-	-	-	-
Past due receivables	-	-	-	14.120	-	10.945	800	-	-
Receivables defined in high risk category by BRSA	-	-	1.380	-	-	-	18.332	19.936	42
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	27.814	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	145.081	-	-	-	-	412.898	-	-	-

c) Summary information related to capital adequacy standard ratio:

		CONSOLIDATED		PARENT BANK	
		Current Period	Prior Period	Current Period	Prior Period
A	Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	910.925	661.316	911.365	661.316
B	Capital Requirement for Market Risk (MRCR)	11.622	5.234	11.622	5.234
C	Capital Requirement for Operational Risk (ORCR)	77.228	66.816	77.228	66.816
	Shareholders' Equity	1.852.624	1.194.026	1.858.124	1.194.026
	Shareholders' Equity/((CRCR+MRCR+ORCR)*12.5*100)	% 14,82	% 13,03	% 14,86	% 13,03

(Currency - Thousand Turkish Lira)

I. Explanations on capital adequacy standard ratio (continued):

d) Details of consolidated shareholders' equity accounts:

	December 31 2013	December 31 2012
CORE CAPITAL		
Paid-in Capital	900.000	900.000
Nominal Capital	900.000	900.000
Capital Commitments (-)	-	-
Inflation Adjustments to Paid-in Capital	-	-
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	262.455	68.892
Inflation Adjustments to Reserves	-	-
Profit	242.407	192.726
Current Period Net Profit	240.973	191.835
Prior Years' Profits	1.434	891
Provision for possible losses up to 25% of the core capital	72	108
Income on Sale of Equity Shares and Real Estate Property	-	-
Primary Subordinated Debts	-	-
Loss in excess of Reserves (-)	-	-
Current Period Net Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements on Operational Leases(-)	38.688	29.409
Intangible Assets (-)	15.929	7.052
Deferred Tax Asset Exceeding 10% of the Core Capital (-)	-	-
Amount in excess as per the 3rd Paragraph of the Article 56 of the Banking Law(-)	-	-
Total Core Capital	**1.350.317**	**1.125.265**
SUPPLEMENTARY CAPITAL		
General Loan Loss Reserves	47.378	44.750
45% of the Revaluation Reserve for Movable Fixed Assets	-	-
45% of the Revaluation Reserve for Properties	43.520	24.985
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	-	-
Primary Subordinated Loans Excluded in the Calculation of The Core Capital	-	-
Secondary Subordinated Loans	424.148	-
45% of Marketable Securities Value Increase Fund	(4.742)	537
Indexation Differences For Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
Total Supplementary Capital	**510.304**	**70.272**
CAPITAL	**1.860.621**	**1.195.537**
DEDUCTIONS FROM THE CAPITAL	**7.997**	**1.511**
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Ten Percent or More of Capital	5.314	50
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Less than Ten Percent of Capital which Exceed the Ten Percent Of Bank's Core and Supplementary Capital	-	-
Secondary Subordinated Loans Granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and Placements that Possess the Nature of their Primary or Secondary Subordinated Debt	-	-
Loans Granted Being Non-Compliant with the Articles 50 and 51 of the Banking Law	-	-
The Net Book Value of Properties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired In Exchange of Loans and Receivables According to the Article 57 of the Banking Law and Have Not Been Disposed Yet After 5 Years After Foreclosure	1.391	802
Securitization Positions to be Deducted from Equity	-	-
Other	1.292	659
TOTAL SHAREHOLDERS' EQUITY	**1.852.624**	**1.194.026**

I. Explanations on capital adequacy standard ratio (continued):

e) 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 Parent 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 Parent 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.

II. Explanations on consolidated credit risk:

(1) Credit risk represents the Parent Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Parent 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 Parent 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 Parent Bank, the Parent 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.) The Bank focuses to distribute the risk in different sectors evenly; accordingly the branches of the Bank are trying to reach companies from various sectors. In principle each branch tries to distribute overall risk in the branch evenly among sectors and development of the entities in critical sectors are observed.

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 Parent Bank's credit limit renewal procedure. The Parent 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.

(Currency - Thousand Turkish Lira)

II. Explanations on consolidated credit risk (continued):

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".

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
Conditional and unconditional receivables from central governments or central banks	2.737.694	2.216.612
Conditional and unconditional receivables from regional or local governments	64.718	5.997
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.530.141	1.270.862
Conditional and unconditional receivables from corporates	7.360.853	6.264.962
Conditional and unconditional retail receivables	2.015.090	1.825.043
Conditional and unconditional receivables secured by mortgages on property	3.669.786	3.370.855
Past due receivables	25.865	37.713
Receivables defined in high risk category by BRSA	39.690	25.090
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	27.814	22.862
Investments similar to collective investment funds	-	-
Other receivables	557.979	481.486

(*) Represents amounts, before risk mitigating factors, after risk conversion factors.

(2) The Bank has control limits over the positions of forwards, options and similar agreements. The credit risk undertaken for such positions 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 Parent 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 Parent 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.

(Currency - Thousand Turkish Lira)

II. Explanations on consolidated credit risk (continued):

(4) The Parent 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 Parent Bank itself and concentration of risk is avoided. The Bank does not carry any serious risk in this respect.

(5) Share of cash receivables of the Parent Bank from its top 100 and top 200 cash loan customers in total cash loans is 41% (Prior period - 38%) and 50% (Prior period - 49%) respectively.

Share of non- cash receivables of the Parent Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 48% (Prior period - 45%) and 60% (Prior period - 58%) respectively.

Share of cash and non-cash receivables of the Parent 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% (Prior period - 33%) and 47% (Prior period - 44%) respectively.

(6) The Parent Bank's general provision amount for its credit risk is TL 113.708 (Prior period - TL 103.100).

(7) **Profile on significant risks in significant regions:**

	Risk Categories (*)										
	1	2	3	4	5	6	7	8	9	10	Total
Current Period											
Domestic	2.750.140	74.313	1.131.441	6.992.850	1.956.742	3.631.656	25.842	39.686	-	-	16.602.670
EU Countries	-	-	121.241	28.075	3.902	9.653	-	-	-	-	162.871
OECD Countries (**)	-	-	6.249	-	-	-	-	-	-	-	6.249
Off-shore banking regions	-	-	3.767	215.991	3.654	12.334	-	-	27.814	-	263.560
USA, Canada	-	-	126.908	926	265	15.146	-	-	-	-	143.245
Other countries	-	-	157.418	99.429	35.185	997	23	4	-	-	293.056
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets/liabilities(***)	-	-	-	-	-	-	-	-	-	557.979	557.979
	2.750.140	74.313	1.547.024	7.337.271	1.999.748	3.669.786	25.865	39.690	27.814	557.979	18.029.630

(*) Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.
(**) OECD countries other than EU countries, USA and Canada.
(***) Assets and liabilities are not allocated on a consistent basis

1- Conditional and unconditional receivables from central governments or central banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from banks and brokerage houses
4- Conditional and unconditional receivables from corporates
5- Conditional and unconditional retail receivables
6- Conditional and unconditional receivables secured by mortgages on property
7- Past due receivables
8- Receivables defined as high risk category by the Regulator
9- Short term receivables from banks and brokerage houses and short term receivables from corporates
10- Other receivables

(Currency - Thousand Turkish Lira)

II. Explanations on consolidated credit risk (continued):

Risk Profile according to sectors and counterparties:

		Risk Categories												
	Sectors / Counterparties	1	2	3	4	5	6	7	8	9	10	TL	FC	Total
1	**Agriculture**	-	-	-	**122.370**	**56.605**	**62.752**	**82**	-	-	-	**158.860**	**82.949**	**241.809**
1.1	Farming and stockbreeding	-	-	-	107.585	49.946	56.274	40	-	-	-	147.139	66.706	213.845
1.2	Forestry	-	-	-	14.692	5.155	6.478	39	-	-	-	10.952	15.412	26.364
1.3	Fishery	-	-	-	93	1.504	-	3	-	-	-	769	831	1.600
2	**Manufacturing**	-	**3.924**	-	**3.461.285**	**789.332**	**1.161.791**	**11.251**	-	-	-	**2.687.562**	**2.740.021**	**5.427.583**
2.1	Mining	-	2.450	-	77.698	13.384	20.409	125	-	-	-	36.942	77.124	114.066
2.2	Production	-	1.474	-	2.659.316	749.586	1.108.821	9.641	-	-	-	2.279.532	2.249.306	4.528.838
2.3	Electricity, gas, water	-	0	-	724.271	26.362	32.561	1.485	-	-	-	371.088	413.591	784.679
3	**Construction**	-	**65.795**	-	**1.933.312**	**286.218**	**946.378**	**8.394**	-	-	-	**1.855.265**	**1.384.832**	**3.240.097**
4	**Services**	**2.750.140**	**1.201**	**1.547.024**	**1.523.835**	**388.413**	**449.575**	**3.888**	-	**27.814**	-	**4.374.845**	**2.317.045**	**6.691.890**
4.1	Wholesale and retail trade	-	1.181	-	653.663	233.146	267.314	3.570	-	-	-	610.649	548.225	1.158.874
4.2	Hotel, food and beverage services	-	-	-	22.258	15.263	10.174	1	-	-	-	29.027	18.669	47.696
4.3	Transportation and telecommunication	-	-	-	95.195	36.940	27.731	257	-	-	-	70.546	89.577	160.123
4.4	Financial institutions	2.750.140	-	1.547.024	493.374	29.824	84.786	-	-	27.814	-	3.450.866	1.482.096	4.932.962
4.5	Real estate and renting services	-	-	-	50.267	19.626	41.442	54	-	-	-	56.847	54.542	111.389
4.6	Self-employment services	-	20	-	131.730	28.070	5.959	6	-	-	-	90.464	75.321	165.785
4.7	Education services	-	-	-	7.916	956	1.530	-	-	-	-	6.906	3.496	10.402
4.8	Health and social services	-	-	-	69.432	24.588	10.639	-	-	-	-	59.540	45.119	104.659
5	**Other**	-	**3.393**	-	**296.469**	**479.180**	**1.049.290**	**2.250**	**39.690**	-	**557.979**	**1.925.732**	**502.519**	**2.428.251**
6	**Total**	**2.750.140**	**74.313**	**1.547.024**	**7.337.271**	**1.999.748**	**3.669.786**	**25.865**	**39.690**	**27.814**	**557.979**	**11.002.264**	**7.027.366**	**18.029.630**

1- Conditional and unconditional receivables from central governments or central banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from banks and brokerage houses
4- Conditional and unconditional receivables from corporates
5- Conditional and unconditional retail receivables
6- Conditional and unconditional receivables secured by mortgages on property
7- Past due receivables
8- Receivables defined in high risk category by BRSA
9- Short term receivables from banks and brokerage houses and short term receivables from corporates
10- Other Receivables

(Currency - Thousand Turkish Lira)

II. Explanations on consolidated credit risk (continued):

Distribution of risks with term structure according to remaining maturities:

Risk Categories	1 month	1–3 months	3–6 months	6–12 months	1 year and over
		Time to Maturity			
Receivables from central governments or central banks	1.789.490	-	-	386.400	574.250
Receivables from regional or local governments	11.483	5.768	8.431	16.942	31.689
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-
Receivables from banks and brokerage houses	1.473.091	24.067	12.621	20.520	16.725
Conditional and unconditional receivables from corporates	1.064.771	889.168	1.207.453	1.607.628	2.568.251
Conditional and unconditional retail receivables	244.335	299.122	341.391	419.147	695.753
Conditional and unconditional receivables secured by mortgages on property	418.460	501.776	632.190	747.312	1.370.048
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	5.033	34.657
Securities collateralized by mortgages	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	27.814	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	-	-	-	-	-
TOTAL	5.029.444	1.719.901	2.202.086	3.202.982	5.291.373

(8) 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	%50	%75	%100	%150	%200	%250	Deductions from Shareholders' Equity
1	Amount before credit risk mitigation	2.798.802	-	1.115.140	502.719	3.478.526	10.095.333	19.132	19.936	42	7.997
2	Amount after credit risk mitigation	2.798.802	-	1.668.904	4.148.225	1.858.384	7.516.205	19.132	19.936	42	7.997

(Currency - Thousand Turkish Lira)

II. Explanations on consolidated 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:

	Sectors / Counterparties	Loans			
		Impaired Loans	Past Due	Value Adjustments	Provisions
1	**Agriculture**	9.279	2.427	52	8.917
1.1	Farming and stockbreeding	4.543	2.082	43	4.450
1.2	Forestry	4.494	345	9	4.228
1.3	Fishery	242	-	-	239
2	**Manufacturing**	119.216	137.551	3.065	107.523
2.1	Mining	3.486	1.033	39	3.356
2.2	Production	110.220	73.881	1.773	100.222
2.3	Electricity, gas, water	5.510	62.637	1.253	3.945
3	**Construction**	87.025	33.765	730	79.817
4	**Services**	39.714	278.250	5.711	34.158
4.1	Wholesale and retail trade	28.603	201.355	4.142	23.870
4.2	Hotel, food and beverage services	237	1.216	24	236
4.3	Transportation and telecommunication	4.316	47.028	945	4.080
4.4	Financial institutions	227	7.262	145	227
4.5	Real estate and renting services	1.214	2.430	67	1.173
4.6	Self-employment services	4.600	15.641	313	4.075
4.7	Education services	10	37	1	10
4.8	Health and social services	507	3.281	74	487
5	**Other**	24.434	66.792	1.390	23.013
6	**Total**	**279.668**	**518.785**	**10.948**	**253.428**

(10) **Information related to value adjustments and credit provisions:**

	Opening Balance	Provision made during the period	Reversal of Provisions	Other Adjustments (*)	Closing Balance
1 Specific Provisions	197.669	155.871(***)	(106.914)(**)	6.802	253.428
2 General Provisions	103.100	10.588	(4.833)	4.853	113.708

(*)Determined according to currency differences.
(**) Related balance includes reversal of provisions regarding write-off's in the amount of TL 13.897
(***) Related balance includes reversal of provisions made within the same period in the amount of TL 9.806

(Currency - Thousand Turkish Lira)

II. Explanations on consolidated 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	2.148.514	1.126.363
Trading financial assets	27	1.583
Due from banks	1.378.708	1.037.112
Available-for-sale financial assets	239.347	151.300
Loans	11.987.580	9.058.404
Held to maturity investments	745.390	365.815
Finance lease receivables	72.321	41.659
Other assets	10.952	2.850
Total balance sheet items subject to credit risk	**16.582.839**	**11.785.086**
Contingent liabilities	6.163.867	5.213.281
Commitments	876.219	1.142.145
Total off-balance sheet items subject to credit risk	**7.040.086**	**6.355.426**
Total credit risk exposure	**23.622.925**	**18.140.512**

Explanations on credit rating system:

The Parent 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 Parent 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	%26,12	%18,59
Average	%67,53	%78,97
Below average	%6,35	%2,44

III. Explanations on consolidated market risk:

1) The Parent 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 (VaR) 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 Parent 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.

(Currency - Thousand Turkish Lira)

III. Explanations on market risk (continued):

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
(I)	Capital requirement to be employed for general market risk - standard method	381
(II)	Capital requirement to be employed for specific risk - standard method	381
	Capital requirement against specific risks of securitisation positions– standard method	-
(III)	Capital requirement to be employed for currency risk - standard method	10.625
(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)	Capital requirement against counterparty credit risks - standard method	235
(VIII)	Capital requirement to be employed for market risks of banks using risk measurement model	-
(IX)	Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII)	11.622
(X)	Amount subject to market risk (12,5 X VIII) or (12,5 x IX)	**145.275**

b) Average Market Risk Table Concerning Market Risk Calculated as of Month Ends During the Period:

	Current period			Prior period(*)		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	-	-	-	23	137	-
Share Certificates Risk	873	1.064	762	640	738	534
Currency Risk	7.430	10.625	4.062	6.086	8.231	4.496
Commodity Risk	-	-	-	-	-	-
Swap Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	40	235	-	-	-	-
Total Value Subject to Risk	**8.343**	**11.924**	**4.824**	**6.749**	**9.106**	**5.030**

(*) Prior period's average is calculated by considering the arithmetic average of the monthly reports prepared between related period and publishment date (June 28, 2012) of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

III. Explanations on market risk (continued):

(2) 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, 2013	December 31, 2012
Interest Rate Contracts	-	-
Foreign Exchange Rate Contracts	2.943	-
Commodity Contracts	-	-
Equity Shares Related Contracts	-	-
Other	-	-
Gross Positive Fair Value	-	-
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collateral Received	-	-
Net Derivative Position	**2.943**	**-**

(*) 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.

(Currency - Thousand Turkish Lira)

IV. Explanations on consolidated 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:

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	418.488	500.700	625.375	514.854	15	77.228
Amount subject to Operational Risk (Total*12,5)						965.350

V. Explanations on consolidated currency risk:

Foreign currency risk arises from the Group's possible exposure to the changes in foreign currencies.

a) The Parent 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 Parent 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 Group 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 Parent 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 Parent Bank are as follows:

Full TL	USD	EUR
As of December 31, 2013 - Balance sheet evaluation rate	2,140	2,950
As of December 30, 2013	2,105	2,907
As of December 27, 2013	2,050	2,850
As of December 26, 2013	2,065	2,850
As of December 25, 2013	2,068	2,830
As of December 24, 2013	2,057	2,810

c) The simple arithmetical average of the major foreign exchange buying rates of the Parent Bank for the thirty days before the balance sheet date is full TL 2,038 for 1 USD (December 2012 – full TL 1,778), full TL 2,796 for 1 EURO (December 2012 – full TL 2,332).

(Currency - Thousand Turkish Lira)

V. Explanations on consolidated currency risk (continued):

Foreign currency sensitivity:

The Group is mainly exposed to EUR and USD currency risks.

The following table details the Group'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 decrease/ increase of USD and EUR against TL.

	% change in foreign currency rate	Effect on profit / loss		Effect on equity	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
USD	10% increase	30.302	21.855	474	(28)
USD	10% decrease	(30.302)	(21.855)	(474)	28
EURO	10% increase	4.123	4.906	-	-
EURO	10% decrease	(4.123)	(4.906)	-	-

(Currency - Thousand Turkish Lira)

V. Explanations on consolidated currency risk (continued):

Information on currency risk of the Group:

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	749.824	980.417	306.026	2.036.267
Banks	106.326	568.334	78.170	752.830
Financial assets at fair value through profit and loss	5	3	14	22
Money market placements	-	-	-	-
Available-for-sale financial assets	51	113.264	-	113.315
Loans and financial lease receivables(**)	1.485.099	3.534.606	-	5.019.705
Subsidiaries, associates and joint ventures	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	1.925	1.925
Intangible assets	-	-	594	594
Other assets (***)	743	841	1.625	3.209
Total assets	**2.342.048**	**5.197.465**	**388.354**	**7.927.867**
Liabilities				
Current account and funds collected from banks via participation accounts	157.833	241.550	2.040	401.423
Other current and profit sharing accounts	1.290.668	2.964.166	351.104	4.605.938
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	833.147	1.635.642	-	2.468.789
Marketable securities issued	-	-	-	-
Miscellaneous payables	4.200	14.678	2.529	21.407
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	14.967	38.406	1.181	54.554
Total liabilities	**2.300.815**	**4.894.442**	**356.854**	**7.552.111**
Net balance sheet position	**41.233**	**303.023**	**31.500**	**375.756**
Net off balance sheet position	**(35.754)**	**(256.730)**	**(2.620)**	**(295.104)**
Derivative financial instruments assets(****)	8.496	21.605	2.338	32.439
Derivative financial instruments liabilities(****)	44.250	278.335	4.958	327.543
Non-cash loans (*****)	852.441	2.343.620	10.953	3.207.014
Prior Period				
Total assets	1.612.829	3.489.126	308.322	5.410.277
Total liabilities	1.563.771	3.270.579	285.889	5.120.239
Net balance sheet position	**49.058**	**218.547**	**22.433**	**290.038**
Net off balance sheet position	**-**	**-**	**-**	**-**
Derivative financial instruments assets	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-
Non-cash loans(*****)	658.975	1.663.526	31.309	2.353.810

(*) TL 305.453 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 37.646 of the balance in Banks in other FC column represent precious metals accounts with banks, TL 340.927 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 3.436.101 (December 31 2012: TL 2.627.537).

(***) Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 801 (December 31 2012: TL 471) is included in other assets.

(****) In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 32.439 (December 31, 2012: None) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL30.543 (December 31, 2012: TL 263.575).

(*****) Does not have any effect on the net off-balance sheet position.

(Currency - Thousand Turkish Lira)

VI. Explanations on consolidated position risk of equity securities in banking book:

The Parent Bank does not have an associate and subsidiary quoted on the Borsa İstanbul.

VII. Explanations on consolidated liquidity risk:

In the banking sector, liquidity risk mainly arises from average maturity of sources being shorter than average maturity of utilizations. The Bank acts in a conservative manner in liquidity management and keeps necessary reserves to meet the liquidity requirements. The Bank utilizes some of its sources in short term foreign investments; receivables from loans are generally collected in monthly installments.

The Parent Bank collects funds through profit/loss sharing accounts for which the profit share rate is not predetermined and repayment of principal is not guaranteed and share of profit/loss on projects funded from these accounts are allocated to such profit/loss sharing accounts. Accordingly, the Parent Bank's assets and liabilities and profit share ratios are compatible.

The Bank covers TL and Foreign Currency (FC) liquidity needs mostly by the funds collected and also utilizes Syndicated Murabaha Loans and wakala borrowings from abroad. Moreover, the Bank takes care to keep the assets in short term liquid assets and prolong average maturity of the liabilities.

The Board of Directors of the Parent 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 utilized in case of a potential liquidity shortage are defined in the contingency plans.

As per the BRSA Communiqué "Measurement and Assessment of the Adequacy of Banks' Liquidity", starting from June 1, 2007 the weekly and monthly liquidity ratios for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. Liquidity ratios for the periods ending December 31, 2013 and December 31, 2012 are as follows:

December 31,2013	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	166,23	183,59	128,09	131,86
Maximum (%)	261,07	286,26	156,72	201,10
Minimum (%)	105,34	105,74	107,43	100,83

December 31,2012	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	239,38	242,35	167,72	180,48
Maximum (%)	345,05	295,33	238,14	213,75
Minimum (%)	117,02	194,66	104,38	155,78

(Currency - Thousand Turkish Lira)

VII. Explanations on consolidated liquidity risk (continued):

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (*)	Total
Current Period								
Assets								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	509.102	1.773.579	-	-	-	-	-	2.282.681
Banks	997.777	8.192	372.739	-	-	-	-	1.378.708
Financial Assets at Fair Value Through Profit and Loss	4.764	27	-	-	-	-	-	4.791
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	1.543	-	29.105	77.270	132.972			240.890
Loans	4.623	1.408.310	1.663.864	4.524.500	4.127.733	304.631	-	12.033.661
Held-To-Maturity Investments	-	-	25.512	305.500	414.378	-	-	745.390
Other Assets	-	472	71	2.043	8.366	-	519.044	529.996
Total Assets	**1.517.809**	**3.190.580**	**2.091.291**	**4.909.313**	**4.683.449**	**304.631**	**519.044**	**17.216.117**
Liabilities								
Current account and funds collected from banks via participation accounts	41.673	209.203	224.233	32.515	-	-	-	507.624
Other current and profit sharing accounts	2.526.390	7.564.516	912.993	921.727	92.962	-	-	12.018.588
Funds provided from other financial institutions	-	565.022	331.407	523.039	616.348	432.973		2.468.789
Money Market Borrowings	-	144.775	-	-	-	-	-	144.775
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	110.081	53.590	14.581	-	-	150.922	329.174
Other liabilities	-	23.319	22.749	-	-	-	1.701.099	1.747.167
Total Liabilities	**2.568.063**	**8.616.916**	**1.544.972**	**1.491.862**	**709.310**	**432.973**	**1.852.021**	**17.216.117**
Net Liquidity Gap	**(1.050.254)**	**(5.426.336)**	**546.319**	**3.417.451**	**3.974.139**	**(128.342)**	**(1.332.977)**	**-**
Prior period								
Total Assets	1.439.485	2.020.674	1.258.819	3.468.429	3.541.639	211.319	387.289	12.327.654
Total Liabilities	1.758.769	2.627.054	926.927	5.134.497	376.401	-	1.504.006	12.327.654
Net Liquidity Gap	**(319.284)**	**(606.380)**	**331.892**	**(1.666.068)**	**3.165.238**	**211.319**	**(1.116.717)**	**-**

(*) 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 as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, are included here. The unallocated other liabilities row consists of equity, provisions and tax liabilities.

(Currency - Thousand Turkish Lira)

VII. Explanations on consolidated 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 Group 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	2.568.063	7.773.719	1.137.226	954.242	92.962	-	12.526.212
Funds Borrowed from Other Financial Institutions	-	578.823	322.760	526.652	632.395	444.585	2.505.215
Borrowings from Money Markets	-	144.475	-	-	-	-	144.475
Total	**2.568.063**	**8.497.017**	**1.459.986**	**1.480.894**	**725.357**	**444.585**	**15.175.902**
Prior period							
Funds Collected	1.758.769	2.016.266	773.995	4.299.587	376.401	-	9.225.018
Funds Borrowed from Other Financial Institutions	-	438.472	123.889	843.800	-	-	1.406.161
Borrowings from Money Markets	-	-	-	-	-	-	-
Total	**1.758.769**	**2.454.738**	**897.884**	**5.143.387**	**376.401**	**-**	**10.631.179**

Breakdown of commitment and contingencies according to their remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
Current Period								
Letters of guarantee (*)	2.574.442	295.641	317.747	1.226.349	782.376	35.343	-	5.231.898
Bank acceptances	23.524	-	-	-	-	-	-	23.524
Letters of credit	447.522	27.559	2.645	4.285	-	-	-	482.011
Other commitments and contingencies	-	426.434	-	-	-	-	-	426.434
Total	**3.045.488**	**749.634**	**320.392**	**1.230.634**	**782.376**	**35.343**	**-**	**6.163.867**
Prior Period								
Letters of guarantee (*)	2.096.771	199.543	294.033	1.176.899	730.658	36.895	-	4.534.799
Bank acceptances	15.490	-	-	-	-	-	-	15.490
Letters of credit	473.669	1.308	1.524	1.332	-	-	-	477.833
Other commitments and contingencies	-	185.159	-	-	-	-	-	185.159
Total	**2.585.930**	**386.010**	**295.557**	**1.178.231**	**730.658**	**36.895**	**-**	**5.213.281**

(*) 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.

VIII. Consolidated securitisation positions:

None.

IX. Consolidated 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 June 28, 2012 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 Parent Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

The appraisal of the mortgages for loans exceeding TL 3.000 or 5% of Bank's shareholders' equity are being made by the firms authorized by BRSA or Capital Market Board.

The Parent 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 Parent Bank and the market fluctuations are considered in credit activities.

(Currency - Thousand Turkish Lira)

IX. Consolidated Credit risk mitigation techniques (continued):

Collaterals in terms of Risk Categories:

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.

Risk Categories	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	2.750.140	-	-	-
Conditional and unconditional receivables from regional or local governments	74.313	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.547.024	4.216	-	-
Conditional and unconditional receivables from corporates	7.337.271	421.283	-	23.582
Conditional and unconditional retail receivables	1.999.748	113.221	-	15.342
Conditional and unconditional receivables secured by mortgages on property	3.669.786	-	-	-
Past due receivables	25.865	-	-	-
Receivables defined in high risk category by BRSA	39.690	1.380	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	27.814	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	557.979	-	-	-

X. Explanations on Consolidated Risk Management Objectives and Policies:

The aim of the Parent 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 Parent 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 Parent 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 Parent 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.

X. Explanations on Consolidated Risk Management Objectives and Policies (continued):

Within the framework of market risk, the Parent 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 Parent 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 Parent Bank continuously monitors the compliance of market risk with the limits determined by legal regulations. The Parent Bank's strategy for the currency risk is keeping it at a balance and not having any short or long position.

Liquidity Risk

The liquidity risk is defined as inability to keep sufficient level of cash to meet cash outflow needs arising from participation accounts that are due and other obligations as a result of cash flow imbalances.

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.

Regarding liquidity risk, in order to meet liquidity needs arising from unpredictable movements in the markets, the Parent 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 Parent 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 Parent 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.

X. Explanations on Consolidated 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 Parent 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 Parent 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 Parent Bank takes necessary measures in order to keep operational risk at an acceptable level.

Other risks

Other risks the Parent Bank is exposed to are strategic risk, reputation risk, counterparty risk, compliance risk, residual risk, country risk, and concentration risk. The Parent 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 Parent 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 Parent Bank that would cause to lose confidence in the Bank and damage its image.

The Parent 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 Parent 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. It establishes necessary communication channels in order to publish relevant policy and strategies to relevant Parent Bank personnel and inform them about their responsibilities.

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.

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 Parent Bank's operations and the attitudes and acts of the Parent 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.

X. Explanations on Consolidated Risk Management Objectives and Policies (continued):

Country risk is the probability of loss that the Parent Bank may be exposed to in case borrowers in one country fail or shirk to fulfill their foreign obligations due to uncertainties in economic, social and political conditions. The Parent 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 Parent 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.

XI. 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.

(Currency - Thousand Turkish Lira)

XI. Explanations on presentation of financial assets and liabilities at fair value (continued):

	Carrying value		Fair value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Money market placements	-	-	-	-
Banks	1.378.708	1.037.112	1.378.708	1.037.112
Financial assets at fair value through profit and loss	4.791	6.192	4.791	6.192
Financial assets available for sale	240.890	152.569	240.890	152.569
Held to maturity investments	745.390	365.815	731.303	372.497
Loans and financial lease receivables	12.059.901	9.100.063	12.069.915	9.321.770
Financial Liabilities				
Funds collected from banks via current accounts and profit sharing accounts	507.624	319.199	507.624	319.199
Other current and profit sharing accounts	12.018.588	8.905.819	12.018.588	8.905.819
Funds provided from other financial institutions	2.035.816	1.393.830	2.021.228	1.392.704
Marketable securities issued	-	-	-	-
Miscellaneous payables	329.174	316.398	329.174	316.398

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 Parent 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	4.764	27	-	4.791
Public sector debt securities	-	-	-	-
Equity securities	4.764	-	-	4.764
Derivative financial assets held for trading	-	-	-	-
Other	-	27	-	27
Financial assets- available for sale	-	239.347	-	239.347
Equity securities (*)	-	-	-	-
Public sector debt securities	-	201.523	-	201.523
Other marketable securities	-	37.824	-	37.824
Financial liabilities				
Derivative financial liabilities held for trading	-	2.804	-	2.804
Derivative financial liabilities for hedging purposes	-	-	-	-

(Currency - Thousand Turkish Lira)

XI. Explanations on presentation of financial assets and liabilities at fair value (continued):

Prior period	Level I	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	4.609	1.583	-	6.192
Public sector debt securities	-	-	-	-
Equity securities	4.609	-	-	4.609
Derivative financial assets held for trading	-	-	-	-
Other	-	1.583	-	1.583
Financial assets- available for sale	-	151.300	-	151.300
Equity securities (*)	-	-	-	-
Public sector debt securities	-	151.300	-	151.300
Other marketable securities	-	-	-	-
Financial liabilities				
Derivative financial liabilities held for trading	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-

(*) The balances in the balance sheet include unquoted equity securities carried at cost which are not included in the above table since they are not carried at fair value.

XII. Explanations regarding the activities carried out on behalf and account of other persons:

The Parent Bank does not perform purchases, sales and custody services on behalf of its customers. The Parent Bank has no fiduciary transactions.

XIII. Explanations on consolidated business segments:

The Parent Bank operates in retail, commercial and corporate banking segments via profit/loss sharing method in accordance with its mission.

December 31, 2013	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	1.383.561	10.482.611	1.496.617	3.853.328	17.216.117
Total Liabilities	8.358.926	6.880.760	217.852	1.758.579	17.216.117
Net profit share income/(expense)(*)(**)	(196.040)	757.393	63.823	-	625.176
Net fees and commissions income/(expense)	1.455	104.026	(4.030)	11.746	113.197
Other operating income /(expense)	(167)	(72.620)	1.879	(368.358)	(439.266)
Profit/(loss) before tax	(194.752)	788.799	61.672	(356.612)	299.107
Provision for tax	-	-	-	(58.134)	(58.134)
Net profit for the period	(194.752)	788.799	61.672	(414.746)	240.973

December 31, 2012	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	1.037.855	8.059.144	830.393	2.400.262	12.327.654
Total Liabilities	6.128.377	3.933.215	305.105	1.960.957	12.327.654
Net profit share income/(expense)(*)(**)	(225.759)	662.749	48.353	555	485.898
Net fees and commissions income/(expense)	2.507	104.494	(4.993)	11.345	113.353
Other operating income /(expense)	119	(63.203)	1.301	(296.243)	(358.026)
Profit/(loss) before tax	(223.133)	704.040	44.661	(284.343)	241.225
Provision for tax	-	-	-	(49.390)	(49.390)
Net profit for the period	(223.133)	704.040	44.661	(333.733)	191.835

(*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Parent Bank.

(**) Since the management uses net profit share income/ (expense) as a performance measurement criteria, profit share income and expense is presented net.

(Currency - Thousand Turkish Lira)

Section five

Explanations and notes on the consolidated 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 Period	
	TL	FC	TL	FC
Cash/foreign currency	65.105	63.244	56.903	52.220
CBRT	181.309	1.967.205	65.840	1.060.523
Other (*)	-	5.818	-	65.157
Total	**246.414**	**2.036.267**	**122.743**	**1.177.900**

(*) Includes precious metals amounting to TL 5.818 as of December 31, 2013 (December 31, 2012: TL 65.157).

b) Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	181.309	193.626	65.840	150.069
Unrestricted time deposit	-	-	-	-
Restricted time deposit (*)	-	1.773.579	-	910.454
Total	**181.309**	**1.967.205**	**65.840**	**1.060.523**

In accordance with the "Communiqué Regarding the Reserve Requirements no. 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.

The reserve rates for TL liabilities vary between 5% and 11,5% for TL deposits and other liabilities according to their maturities as of December 31,2013 (December 31,2012: for all TL liabilities between 5% and 11%). The reserve rates for foreign currency liabilities vary between 6% and 13% for deposit and other foreign currency liabilities according to their maturities as of December 31,2013 (December 31,2012: for all foreign currency liabilities between 6% and 11,5%).

(*) As of December 31, 2013, the reserve requirement held in standard gold is TL 299.635 (December 31, 2012: TL 136.030).

(Currency - Thousand Turkish Lira)

2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

There are no financial assets at fair value through profit and loss subject to repurchase transaction, given as collateral or blocked.

b) Table of positive differences related to derivative financial assets held for trading:

None. (31 December 2012 : None)

3. a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	625.878	425.117	643.330	147.538
Abroad	-	279.352	-	214.966
Foreign head offices and branches	-	48.361	-	31.278
Total	**625.878**	**752.830**	**643.330**	**393.782**

b) Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	143.319	-	156.246	-
USA and Canada	120.831	-	45.590	-
OECD Countries (*)	8.068	-	3.103	-
Off-shore banking regions	2.941	-	411	-
Other	4.193	-	9.616	-
Total	**279.352**	**-**	**214.966**	**-**

(*) 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:

None.

b) Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	243.121	151.300
Quoted on a stock exchange(*)	243.121	151.300
Unquoted	-	-
Share certificates	1.543	1.269
Quoted on a stock exchange	-	-
Unquoted (**)	1.543	1.269
Impairment provision (-)	3.774	-
Total	**240.890**	**152.569**

(*) Includes debt securities quoted on a stock exchange which are not traded at the related period ends.
(**) Indicates unquoted equity securities.

(Currency - Thousand Turkish Lira)

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 Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	45.889	31.349	24.660	77.314
Corporate shareholders	45.682	31.349	23.175	77.314
Real person shareholders	207	-	1.485	-
Indirect loans granted to shareholders	1.476	15.514	34.094	10.305
Loans granted to employees	6.179	-	5.275	-
Total	**53.544**	**46.863**	**64.029**	**87.619**

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 under close monitoring		
Cash loans	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	11.448.852	-	-	512.488	233.728	15.337
Export loans	189.514	-	-	3.142	154	-
Import loans	1.383.609	-	-	64.531	5.816	980
Business loans	6.056.693		-	366.591	196.663	13.401
Consumer loans	1.308.293	-	-	23.257	11.359	904
Credit cards	190.129	-	-	1.656	-	-
Loans given to financial sector	-	-	-	-	-	-
Other (*)	2.320.614	-	-	53.311	19.736	52
Other receivables	-	-	-	-	-	-
Total	11.448.852	-	-	512.488	233.728	15.337

(*) Details of other loans are provided below:

Commercial loans with installments	987.644
Other investment credits	416.145
Loans given to abroad	411.570
Profit and loss sharing investments (**)	130.501
Loans for purchase of marketable securities for customer	422.138
Other	5.927
Total	2.373.925

(**) As December 31, 2013, 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 Parent 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 Parent Bank. In the current period the Parent Bank recognized TL 63.175 (December 31, 2012: TL 17.632) income in the accompanying financial statements in relation to such loans.

(Currency - Thousand Turkish Lira)

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	-	233.728
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	-	9.705
6 - 12 months	-	11.595
1 - 2 years	-	36.422
2 - 5 years	-	148.056
5 years and over	-	27.950

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 real persons and legal entities resident in Libya and real persons and legal entities having operations in or for Libya:

As of December 31, 2013, the Parent Bank does not have any loan receivables arising from rescheduled loans within the scope of related Communiqué.

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, 2013, the Parent Bank has loan receivables amounting to TL 2.874 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	**4.674.986**	-	**102.540**	**32.730**
Loans	4.674.986	-	102.540	32.730
Other receivables	-	-	-	-
Medium and long-term loans and other receivables(*)	**6.773.866**	-	**160.883**	**216.335**
Loans	6.773.866	-	160.883	216.335
Other receivables	-	-	-	-
Total	**11.448.852**	-	**263.423**	**249.065**

(*) Loans with original maturities longer than a year are classified as "Medium and Long Term Loans".

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

ç) 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	**8.996**	**1.319.407**	**1.328.403**
Housing loans	1.870	1.149.604	1.151.474
Vehicle loans	2.643	74.321	76.964
Consumer loans	2.920	1.468	4.388
Other	1.563	94.014	95.577
Consumer loans-FC indexed	**-**	**242**	**242**
Housing loans	-	242	242
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	**-**	**-**	**-**
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	**55.172**	**7.805**	**62.977**
With installment	26.820	7.192	34.012
Without installment	28.352	613	28.965
Retail credit cards-FC	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	**1.571**	**1.334**	**2.905**
Housing loans	-	183	183
Vehicle loans	11	979	990
Consumer loans	1.560	172	1.732
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	**2.880**	394	**3.274**
With installment	1.493	374	1.867
Without installment	1.387	20	1.407
Personnel credit cards-FC	**-**	**-**	**-**
With installment	-	-	-
Without-installment	-	-	-
Overdraft account-TL(real person)	**-**	**-**	**-**
Overdraft account-FC(real person)	**-**	**-**	**-**
Total	68.619	1.329.182	1.397.801

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

d) Information on commercial loans with installments and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TL	**617.855**	**144.410**	**762.265**
Business loans	152.935	12.573	165.508
Vehicle loans	170.753	5.809	176.562
Consumer loans	46	-	46
Other	294.121	126.028	420.149
Commercial installment loans-FC indexed	**214.041**	**11.338**	**225.379**
Business loans	71.633	4.955	76.588
Vehicle loans	22.357	470	22.827
Consumer loans	44	-	44
Other	120.007	5.913	125.920
Commercial installment Loans-FC	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	**112.771**	**12.763**	**125.534**
With installment	18.659	11.375	30.034
Without installment	94.112	1.388	95.500
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (legal entity)	-	-	-
Overdraft account-FC(legal entity)	-	-	-
Total	**944.667**	**168.511**	**1.113.178**

e) Allocation of loans by customers:

	Current Period	Prior Period
Public	88.391	648
Private	11.872.949	9.032.876
Total	**11.961.340**	**9.033.524**

f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	11.549.770	8.827.001
Foreign loans	411.570	206.523
Total	**11.961.340**	**9.033.524**

g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

ğ) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	25.660	8.101
Loans and receivables with doubtful collectibility	64.539	55.894
Uncollectible loans and receivables	154.798	127.444
Total	**244.997**	**191.439**

In addition to specific provision for loans amounting TL 244.997 (December 31, 2012: TL 191.439), provision amounting to TL 8.431 (December 31, 2012: TL 6.230) have been provided for fees and commissions and other receivables with doubtful collectibility which sums up to total TL 253.428 (December 31, 2012: TL 197.669). Specific provision for loans amounting to TL 161.892 (December 31, 2012: TL 149.959) 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)	-	-	19.311
Restructured loans and other receivables	-	-	19.311
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before special provisions)	-	-	10.565
Restructured loans and other receivables	-	-	10.565
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	10.899	68.143	137.277
Additions in the current period (+)	163.564	2.624	4.562
Transfers from other categories of non-performing loans (+)	-	124.833	59.753
Transfers to other categories of non-performing loans (-)	124.833	59.753	-
Collections in the current period (-)	18.553	62.749	20.633
Write offs (-)	41	11	13.845
Corporate and commercial loans	16	-	13.122
Retail loans	25	11	558
Credit cards	-	-	165
Other	-	-	-
Closing balance of the current period	31.036	73.087	167.114
Specific provisions (-)	25.660	64.539	154.798
Net balance at the balance sheet	**5.376**	**8.548**	**12.316**

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

Non-performing loans and receivables in the amount of TL 271.237 (December 31, 2012: TL 216.319) comprise TL 160.586 (December 31, 2012: TL 150.335) 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 collectibility amounting to TL 8.431 (December 31, 2012: TL 6.230). In the current period, collections from fees, commissions and other receivables with doubtful collectibility amounted to TL 6.305.

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 collectibility	Uncollectible loans and receivables
Current period:			
Period end balance	-	-	700
Specific provision (-)	-	-	677
Net balance on balance sheet	-	-	23
Prior period:	-	-	-
Period end balance	-	-	1.145
Specific provision (-)	-	-	1.145
Net balance on balance sheet	-	-	-

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 collectibility	Uncollectible loans and receivables
Current period (net)	**5.376**	**8.548**	**12.316**
Loans to individuals and corporates (gross)	31.036	73.087	167.114
Specific provision (-)	25.660	64.539	154.798
Loans to individuals and corporates (net)	**5.376**	**8.548**	**12.316**
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	**2.798**	**12.249**	**9.833**
Loans to individuals and corporates (gross)	10.899	68.143	137.277
Specific provision (-)	8.101	55.894	127.444
Loans to individuals and corporates (net)	2.798	12.249	9.833
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-

(Currency - Thousand Turkish Lira)

5. **Information on loans and receivables (continued):**

ı) **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 Parent 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 Parent 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 No. 26333 dated November 01, 2006, have been written-off per the decision of the Parent Bank management. In 2013, non-performing loans amounting to TL 13.897 were written-off (2012 – TL 20.401).

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	More than 91 days	Total
Loans and Receivables					
Corporate Loans	494.682	69.757	189.749	-	754.188
Consumer Loans	62.662	9.771	6.715	-	79.148
Credit Cards	5.662	903	451	-	7.016
Total	563.006	80.431	196.915	-	840.352

Prior Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	260.652	64.418	51.354	-	376.424
Consumer Loans	70.696	6.320	4.851	-	81.867
Credit Cards	4.156	942	341	-	5.439
Total	335.504	71.680	56.546	-	463.730

(Currency - Thousand Turkish Lira)

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, 2013, held to maturity investments given as a guarantee or blocked amount to TL 18.228 (December 31, 2012: None). Held to maturity investments subject to repurchase agreements amount to TL 146.794 (December 31, 2012: None).

6.2) Information related to government securities held to maturity :

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities (*)	730.267	365.815
Total	**730.267**	**365.815**

(*) 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	745.390	365.815
Quoted on a stock exchange(*)	745.390	356.879
Unquoted	-	8.936
Impairment provision(-)	-	-
Total	**745.390**	**365.815**

(*) 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	365.815	430.862
Foreign currency differences on monetary assets	-	(500)
Purchases during period	429.378	300.000
Disposals through sales and redemptions	(91.427)	(383.221)
Impairment provision (-)	-	-
Income accruals	41.624	18.674
Closing balance	**745.390**	**365.815**

(Currency - Thousand Turkish Lira)

7. Associates (net):

a) Information on unconsolidated associates:

Since the Parent 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	1,67	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the unaudited financial statements as of December 31, 2013.

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
277.124	276.430	2.824	-	-	11.980	11.213	-

b) Information on consolidated associates:

As of balance sheet date, the Group does not have consolidated associates.

8. Information on subsidiaries (net):

a) Information on unconsolidated subsidiaries:

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Bereket Varlık Kiralama A.Ş	İstanbul / Türkiye	99,99	99,99

The Group did not consolidate financial statements of its subsidiary Bereket Varlık Kiralama A.Ş., considering the materiality principle.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from the unaudited financial statements as of September 31,2013.

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	Additional Shareholders' Equity Required
203	203	5	-	-	(31)	(16)	-	-

b) Information on consolidated subsidiaries:

The Group does not have consolidated subsidiaries as of the balance sheet date.

(Currency - Thousand Turkish Lira)

9. Information on investments in joint- ventures:

a) Information on unconsolidated investments in joint- ventures:

The Group does not have unconsolidated investments in joint- ventures as of the balance sheet date.

b) Information on consolidated investments in joint- ventures:

The Parent Bank has founded Katılım Emeklilik ve Hayat A.Ş ("Company") – a private pension 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. Katılım Emeklilik ve Hayat A.Ş has been consolidated with the parent Bank as of December 31, 2013.

Joint-Ventures	The Parent Bank's shareholding percentage (%)	Groups shareholding percentage (%)	Current Assets	Non-Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	10.975	968	-	-	1.090

In the unconsolidated financial statements, joint venture is carried at cost.

The financial information above is as of December 31, 2013.

10. Information on lease receivables (net):

a) Presentation of remaining maturities of funds lent under finance lease method:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	30.318	23.558	24.271	18.722
1 to 4 years	51.197	45.648	26.395	22.155
More than 4 years	4.378	3.115	828	782
Total	**85.893**	**72.321**	**51.494**	**41.659**

b) Information on net investments through finance lease:

	Current Period	Prior Period
Gross finance lease receivables	85.893	51.494
Unearned finance lease receivable (-)	13.572	9.835
Net receivable from finance leases	**72.321**	**41.659**

(Currency - Thousand Turkish Lira)

10. Information on lease receivables (net) (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.

	Standard loans and Other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Restructured or rescheduled		Loans and other receivables	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Finance lease receivables Net)	68.335	-	-	3.986	-	-

11. Information on derivative financial assets for hedging purposes:

The Group does not have any derivative financial assets for hedging purposes.

12. Information on tangible assets:

Current period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
Cost						
Opening balance:January 1,2013	**206.735**	-	**2.094**	**125.017**	**36.855**	**370.701**
Additions	4.645	-	91	34.674	35.023	74.433
Revaluation differences	53.551	-	-	-	-	53.551
Disposals	(2.445)	-	(108)	(4.113)	(23.386)	(30.052)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	(313)	(313)
Transfers	-		-	-	8.045	8.045
Ending balance: December 31,2013	**262.486**	-	**2.077**	**155.578**	**56.224**	**476.365**
Accumulated depreciation(-)						
Opening balance:January 1,2013	**17.819**	-	**1.197**	**56.336**	**1.012**	**76.364**
Depreciation expense	4.565	-	334	18.275	669	23.843
Reversal of depreciation of the disposed assets	(547)	-	(108)	(3.528)	(273)	(4.456)
Transfers	-	-	-	-	-	-
Ending balance: December 31,2013	**21.837**	-	**1.423**	**71.083**	**1.408**	**95.751**
Total cost at the end of the year	**262.486**	-	**2.077**	**155.578**	**56.224**	**476.365**
Total accumulated depreciation at the end of the year	**(21.837)**	-	**(1.423)**	**(71.083)**	**(1.408)**	**(95.751)**
Closing net book value	**240.649**	-	**654**	**84.495**	**54.816**	**380.614**

(Currency - Thousand Turkish Lira)

12. Information on tangible assets (continued)

Prior period	Immovables	Leased tangible assets	Vehicles	Other	Assets Held for sale	Total
Cost						
Opening balance:January 1, 2013	176.433	-	2.502	96.018	18.585	293.538
Additions	6.478	-	579	33.180	252	40.489
Revaluation differences	24.090	-	-	-	-	24.090
Disposals	-	-	(987)	(4.181)	(3.138)	(8.306)
Impairment losses(-)/Reversal of impairment losses	(266)	-	-	-	3	(263)
Transfers	-		-	-	21.153	21.153
Ending balance: December 31, 2012	206.735	-	2.094	125.017	36.855	370.701
Accumulated depreciation(-)						
Opening balance:January 1, 2012	13.990	-	1.721	46.201	477	62.389
Depreciation expense	3.861	-	363	14.098	630	18.952
Reversal of depreciation of the disposed assets	(32)	-	(887)	(3.963)	(95)	(4.977)
Transfers	-	-	-	-	-	-
Ending balance: December 31, 2012	17.819	-	1.197	56.336	1.012	76.364
Total cost at the end of the year	206.735	-	2.094	125.017	36.855	370.701
Total accumulated depreciation at the end of the year	17.819	-	1.197	56.336	1.012	76.364
Closing net book value	188.916	-	897	68.681	35.843	294.337

As of December 31, 2013, the Parent Bank has revalued its immovables and revaluation fund of TL 96.712 (Prior period- TL 55.522) net of deferred tax and depreciation, has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 107.289 (Prior period- TL 119.781) 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	29.865	15.872
Accumulated depreciation(-)	13.936	8.820
Total (net)	**15.929**	**7.052**

b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
Opening balance	7.052	4.798
Additions	13.973	5.286
Disposals (-), net	-	-
Depreciation expense (-)	5.096	3.032
Closing net book value	**15.929**	**7.052**

14. Information on investment property:

The Parent Bank does not have investment property.

(Currency - Thousand Turkish Lira)

15. Information related to deferred tax asset:

As of December 31, 2013, the Group calculated deferred tax asset of TL 33.314 (December 31, 2012: TL 22.910) and deferred tax liability of TL 24.958 (December 31, 2012: TL 14.992) 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.

	Current Period	Prior Period
Discount on profit share and deferred commission income	23.346	18.364
Provisions for retirement and vacation pay liabilities	7.977	3.849
Marketable securities valuation reserve	1.185	-
Difference between carrying value and tax base of tangible assets	454	452
Provision for impairment	382	175
General reserves for possible losses	14	22
Other	40	48
Deferred tax asset	**33.398**	**22.910**
Revaluation reserve of immovables	24.178	13.880
Marketable securities valuation reserve	212	340
Discount on profit share	88	6
Trading securities valuation reserve	-	298
Other	564	468
Deferred tax liability	**25.042**	**14.992**
Deferred tax asset (net)	**8.356**	**7.918**

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 consolidated 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	10.714	25.372
Additions	42.628	15.097
Disposals	(16.374)	(8.526)
Transfers (*)	(8.045)	(21.153)
Impairment Provision(-)/Reversal of Impairment Provision	(516)	(76)
Net closing balance	**28.407**	**10.714**

(*) The balance is transferred to assets to be disposed included in tangible assets.

The Group has no discontinued operations and assets of discontinued operations.

17. Information on other assets:

As of the balance sheet date, the Group's other assets balance is TL 58.367 (December 31, 2012: TL 38.496) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

(Currency - Thousand Turkish Lira)

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 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	**520.107**	-	-	-	-	-	-	-	**520.107**
II. Real Persons Participation Accounts Non-Trade TL	-	**3.366.875**	**809.658**	**86.932**	-	**28.740**	**420.175**	-	**4.712.380**
III. Current Account other-TL	**922.112**	-	-	-	-	-	-	-	**922.112**
Public Sector	18.029	-	-	-	-	-	-	-	18.029
Commercial Institutions	873.573	-	-	-	-	-	-	-	873.573
Other Institutions	27.147	-	-	-	-	-	-	-	27.147
Commercial and Other Institutions	2.434	-	-	-	-	-	-	-	2.434
Banks and Participation Banks	929	-	-	-	-	-	-	-	929
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	274	-	-	-	-	-	-	-	274
Participation Banks	655	-	-	-	-	-	-	-	655
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	**671.069**	**345.486**	**109.846**	-	**101.743**	**136.108**	-	**1.364.252**
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	629.331	196.949	108.418	-	101.734	122.917	-	1.159.349
Other Institutions	-	39.124	45.944	1.428	-	9	9.389	-	95.894
Commercial and Other Institutions	-	2.614	1.123	-	-	-	-	-	3.737
Banks and Participation Banks	-	-	101.470	-	-		3.802	-	105.272
V. Real Persons Current Accounts Non-Trade FC	**464.824**	-	-	-	-	-	-	-	**464.824**
VI. Real Persons Participation Accounts Non-Trade FC	-	**1.459.461**	**438.269**	**95.481**	-	**16.377**	**352.111**	-	**2.361.699**
VII. Other Current Accounts FC	**472.670**	-	-	-	-	-	-	-	**472.670**
Residents in Turkey-Corporate	406.538	-	-	-	-	-	-	-	406.538
Residents Abroad-Corporate	25.388	-	-	-	-	-	-	-	25.388
Banks and Participation Banks	40.744	-	-	-	-	-	-	-	40.744
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	36.072	-	-	-	-	-	-	-	36.072
Participation Banks	4.672	-	-	-	-	-	-	-	4.672
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other- FC	-	**534.021**	**676.219**	**69.386**	-	**25.317**	**62.298**	-	**1.367.241**
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	395.237	401.721	10.206	-	-	42.916	-	850.080
Other institutions	-	29.930	2.255	7	-	-	-	-	32.192
Commercial and Other Institutions	-	49.307	64.945	5.851	-	1.102	3.085	-	124.290
Banks and Participation Banks	-	59.547	207.298	53.322	-	24.215	16.297	-	360.679
IX. Precious Metals Deposits	**188.350**	-	**149.530**	**1.589**	-	**712**	**746**	-	**340.927**
X. Participation Accounts 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+X+XI)	2.568.063	6.031.426	2.419.162	363.234	-	172.889	971.438	-	12.526.212

(Currency - Thousand Turkish Lira)

1. Information on 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 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	297.366	-	-	-	-	-	-	-	297.366
II. Real Persons Participation Accounts Non-Trade TL	-	644.324	167.469	27.565	-	1.979	2.672.571	-	3.513.908
III. Current Account other-TL	480.588	-	-	-	-	-	-	-	480.588
Public Sector	20.029	-	-	-	-	-	-	-	20.029
Commercial Institutions	444.522	-	-	-	-	-	-	-	444.522
Other Institutions	14.779	-	-	-	-	-	-	-	14.779
Commercial and Other Institutions	94	-	-	-	-	-	-	-	94
Banks and Participation Banks	1.164	-	-	-	-	-	-	-	1.164
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	167	-	-	-	-	-	-	-	167
Participation Banks	997	-	-	-	-	-	-	-	997
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	94.543	189.076	124.733	-	70.901	764.457	-	1.243.710
Public Sector	-	10	-	-	-	-	1	-	11
Commercial Institutions	-	89.667	168.640	122.391	-	70.900	613.103	-	1.064.701
Other Institutions	-	4.866	19.398	2.342	-	1	147.804	-	174.411
Commercial and Other Institutions	-	-	1.038	-	-	-	-	-	1.038
Banks and Participation Banks	-	-	-	-	-	-	3.549	-	3.549
V. Real Persons Current Accounts Non- Trade FC	230.163	-	-	-	-	-	-	-	230.163
VI. Real Persons Participation Accounts Non-Trade FC	-	294.512	138.365	23.133	-	3.671	1.306.992	-	1.766.673
VII. Other Current Accounts FC	537.895	-	-	-	-	-	-	-	537.895
Residents in Turkey-Corporate	441.060	-	-	-	-	-	-	-	441.060
Residents abroad-Corporate	24.863	-	-	-	-	-	-	-	24.863
Banks and Participation Banks	71.972	-	-	-	-	-	-	-	71.972
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	70.668	-	-	-	-	-	-	-	70.668
Participation Banks	1.304	-	-	-	-	-	-	-	1.304
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other- FC	-	73.073	214.095	48.170	-	55.232	482.137	-	872.707
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	15.609	115.773	796	-	-	401.512	-	533.690
Other Institutions	-	354	28.589	3	-	-	26.731	-	55.677
Commercial and Other Institutions	-	56	50	-	-	-	40.720	-	40.826
Banks and Participation Banks	-	57.054	69.683	47.371	-	55.232	13.174	-	242.514
IX. Precious Metals Deposits	212.757	-	68.744	225	-	-	282	-	282.008
X. Participation Accounts 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+X+XI)	1.758.769	1.106.452	777.749	223.826	-	131.783	5.226.439	-	9.225.018

1. Information on funds collected (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	2.588.347	1.704.459	2.644.139	2.102.987
Foreign currency accounts	990.673	629.491	2.146.456	1.638.371
Foreign branches' deposits subject to foreign 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) Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance:

The head office of the Bank is in Turkey.

b.3) 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	9.774	6.265
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	5.640	4.701
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	-	-

(Currency - Thousand Turkish Lira)

2. **Information on derivative financial liabilities held for trading:**

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	2.804	-	-	-
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	**2.804**	**-**	**-**	**-**

3. **Information on borrowings:**

The Parent Bank has obtained a Syndicated Murabaha Loan from international markets amounting to USD 61.000.000 and EUR 64.500.000 with maturity of one year and amounting to USD 135.000.000 and EUR 98.000.000 with maturity of two years, totaling to USD 196.000.000 and EUR 175.500.000. The Loan agreement has been signed on September 12, 2013.

As of December 31, 2013, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from international and domestic banks in the amounts of USD 343.292.089 and EUR 104.772.443, USD 1.730.000 and EUR 1.800.000 respectively.

a) **Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	-	47.392	-	-
Loans from foreign banks, institutions and funds	-	1.988.424	-	1.393.830
Total	**-**	**2.035.816**	**-**	**1.393.830**

b) **Maturity analysis of funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	1.414.563	-	1.393.830
Medium and Long-Term	-	621.253	-	-
Total	**-**	**2.035.816**	**-**	**1.393.830**

c) **Additional disclosures on concentration areas of Bank's liabilities:**

The Parent 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:**

As of balance sheet date, other liabilities do not exceed 10% of the balance sheet total.

5. **Lease payables:**

a) **Information on finance lease transactions:**

a.1) Information on financial lease agreements:

The Group 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.

b) **Explanations on operational leases:**

The Parent Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Parent Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Parent Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	23.451	18.825
1 to 4 years	66.677	54.320
Over 4 years	62.254	49.550
Total	**152.382**	**122.695**

6. **Information on hedging derivative financial liabilities:**

The Group does not have hedging derivative financial liabilities.

(Currency - Thousand Turkish Lira)

7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General provision for	**113.708**	**103.100**
I. Group loans and receivables (Total)	**86.549**	**85.480**
Participation Accounts' Share	55.687	55.007
Bank's Share	30.862	30.473
Others	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group I	**-**	***869***
Participation Accounts' Share	-	*739*
Bank's Share	-	*130*
Others	-	-
II. Group loans and receivables (Total)	**15.598**	**5.552**
Participation Accounts' Share	10.643	3.343
Bank's Share	4.955	2.209
Others	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group II	***6.685***	***1.469***
Participation Accounts' Share	*4.493*	*562*
Bank's Share	*2.192*	*907*
Others	-	-
Non-cash loans	**11.561**	**12.068**
Others	**-**	**-**

b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2013, provision for foreign exchange losses on foreign currency indexed loans amounting to TL 129 (December 31, 2012: TL 20.540) has been offset against the loans included in the assets of the balance sheet.

c) Information on specific provisions for non-cash loans that are not indemnified and converted into cash:

As of December 31, 2013, the Parent Bank has provided specific provisions amounting to TL 12.629 (December 31, 2012: TL 10.053) for non-cash loans that are not indemnified and converted into cash.

ç) Other provisions:

ç.1) Information on general reserves for possible losses:

	Current Period	Prior Period
General Reserves for Possible Losses (*)	72	108
Total	**72**	**108**

(*) The balance represents provision for the lawsuits against the Bank with high probability of realization and cash outflows.

(Currency - Thousand Turkish Lira)

7. **Information on provisions (continued):**

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(*)	33.033	963
Provision for unindemnified non-cash loans	12.629	10.053
Payment commitments for cheques	2.256	2.225
Provision for promotions related with credit cards and promotion of banking services	230	124
General reserves for possible losses	72	108
Financial assets at fair value through profit and loss	70	-
Total	**48.290**	**13.473**

(*) 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 16.526 (December 31, 2012: TL 14.850), vacation pay liability amounting to TL 5.939 (December 31, 2012: TL 4.395) and provision for performance premium amounting to TL 17.000 (December 31, 2012: None) totaling to TL 39.465 (December 31, 2012: TL 19.245). The Group 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 (%)	10,34	8,6
Estimated increase rate of salary ceiling (%)	6,00	5,0
Rate used in relation to possibility of retirement (*) (%)	73,01	71,8

(*) 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	14.850	10.602
Provisions made in the period	3.958	9.204
Actuarial gain/(loss)	(420)	(2.899)
Paid during the period	(1.862)	(2.057)
Balance at the end of the period	**16.526**	**14.850**

(Currency - Thousand Turkish Lira)

8. Information on taxes payable:

a) Explanations on current tax liability:

a.1) As of December 31, 2013, the Group's corporate tax payable is TL 22.749 (December 31, 2012: TL 13.969) after offsetting prepaid corporate tax.

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	22.749	13.969
Banking insurance transaction tax	7.444	4.818
Taxation on securities income	6.777	6.393
Value added tax payable	654	527
Taxation on real estate income	440	305
Foreign exchange transaction tax	-	-
Other	4.107	7.463
Total	**42.171**	**33.475**

a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	1.705	2.163
Social security premiums-employer	1.832	2.161
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	120	153
Unemployment insurance-employer	240	305
Other	-	-
Total	**3.897**	**4.782**

b) Information on deferred tax liability:

The Group does not have net deferred tax liability as of the balance sheet date.

9. Liabilities for assets held for sale and discontinued operations:

None.

(Currency - Thousand Turkish Lira)

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	-	-	-	-
Loans from other Institutions	-	-	-	-
Loans from Foreign Banks	-	-	-	-
Loans from other Foreign Institutions	-	432.973	-	-
Total	**-**	**432.973**	**-**	**-**

The Parent Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey amounting to USD 200 million with 10 years maturity with a grace period of five years. The profit rate was determined as 7,75 %.

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 Parent Bank has taken a resolution on transition to registered capital system. The Parent '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.

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.

11. Information on shareholders' equity (continued):

e) Estimated effects on the shareholders equity of the Parent 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 Parent Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through capital increase or transfer to reserves. Moreover, the Parent 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 (*)	(211)	(4.531)	1.266	(73)
Foreign exchange difference	-	-	-	-
Total	**(211)**	**(4.531)**	**1.266**	**(73)**

(*) The amount represents the net balance after deferred tax liability.

(Currency - Thousand Turkish Lira)

III. Explanations and notes related to off-balance sheet commitments:

1. Explanations on off balance sheet commitments:

a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	458.540	306.032
Payment commitments for cheques	297.235	263.656
Asset purchase and sale commitments	65.383	528.733
Loan granting commitments	45.428	39.577
Share capital commitment to associates and subsidiaries	5.000	-
Tax and funds liabilities arising from export commitments	1.445	1.043
Commitments for promotions related with credit cards and banking activities	369	323
Other irrevocable commitments	2.819	2.781
Total	**876.219**	**1.142.145**

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	5.231.898	4.534.799
Letters of credit	482.011	477.833
Other guaranties and sureties	426.434	185.159
Acceptances	23.524	15.490
Total	**6.163.867**	**5.213.281**

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	5.231.898	4.534.799
Long standing letters of guarantees	3.262.242	2.854.776
Temporary letters of guarantees	475.388	496.096
Advance letters of guarantees	269.201	275.550
Letters of guarantees given to customs	219.985	173.679
Letters of guarantees given for obtaining cash loans	1.005.082	734.698
Sureties and similar transactions	426.434	185.159
Total	**5.658.332**	**4.719.958**

(Currency - Thousand Turkish Lira)

III. Explanations and notes related to off-balance sheet commitments (continued):

c) Within the Non-cash Loans

c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Guarantees given for obtaining cash loans	1.005.082	734.698
With original maturity of 1 year or less	426.048	410.984
With original maturity of more than 1 year	579.034	323.714
Other non-cash loans	5.158.785	4.478.583
Total	**6.163.867**	**5.213.281**

c.2) Sectoral risk concentration of non-cash loans:

	Current period				Prior period			
	TP	(%)	FC	(%)	TP	(%)	FC	(%)
Agricultural	**76.864**	**2,60**	**18.382**	**0,58**	**123.945**	**4,34**	**10.567**	**0,45**
Farming and stockbreeding	59.391	2,01	9.779	0,30	61.924	2,17	10.233	0,43
Forestry	17.171	0,58	7.425	0,24	62.019	2,17	200	0,01
Fishery	302	0,01	1.178	0,04	2	-	134	0,01
Manufacturing	**907.448**	**30,69**	**1.510.004**	**47,08**	**817.564**	**28,59**	**924.033**	**39,26**
Mining	39.757	1,34	47.502	1,48	24.956	0,87	6.001	0,25
Production	605.447	20,48	867.028	27,03	533.485	18,66	643.662	27,35
Electricity, gas and water	262.244	8,87	595.474	18,57	259.123	9,06	274.370	11,66
Construction	**1.103.995**	**37,34**	**552.914**	**17,24**	**1.135.882**	**39,72**	**554.037**	**23,54**
Services	**757.413**	**25,62**	**850.419**	**26,52**	**446.690**	**15,62**	**541.914**	**23,03**
Wholesale and retail trade	169.243	5,72	114.228	3,56	125.907	4,40	111.703	4,75
Hotel, food and beverage services	6.174	0,21	49.552	1,55	5.843	0,20	40.611	1,73
Transportation and telecommunication	38.593	1,31	33.646	1,05	39.603	1,38	47.122	2,00
Financial Institutions	62.333	2,11	370.994	11,57	60.543	2,12	199.754	8,49
Real estate and renting services	72.623	2,46	34.811	1,09	98.867	3,46	35.007	1,49
Self-employment services	13.372	0,45	109.507	3,40	11.918	0,42	90.738	3,85
Education services	20.010	0,68	133	0,01	14.072	0,49	82	0,00
Health and social services	375.065	12,68	137.548	4,29	89.937	3,15	16.897	0,72
Other	**111.133**	**3,75**	**275.295**	**8,58**	**335.390**	**11,73**	**323.259**	**13,72**
Total	2.956.853	100,00	3.207.014	100,00	2.859.471	100,00	2.353.810	100,00

c.3) Information on the non-cash loans classified in Group I and Group II:

	I st Group		II nd Group	
	TL	FC	TL	FC
Non-cash loans	2.908.939	3.181.615	47.914	25.399
Letters of guarantee	2.899.662	2.259.882	47.672	24.682
Bank acceptances	-	23.524	-	-
Letters of credit	-	482.011	-	
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	9.277	416.198	242	717

(Currency - Thousand Turkish Lira)

2. Explanations on derivative transactions:

	Derivative transactions according to purpose	
	December 31, 2013	December 31, 2012
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	591.316	-
Currency Forwards-Purchases, sales	591.316	-
Currency Swaps-Purchases, sales	-	-
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 (I + II + III)	591.316	-
Hedging Derivatives	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	-	-
Total Derivatives Transactions (A+B)	591.316	-

3. Explanations on contingent assets and liabilities:

The Parent Bank has made a provision amounting to TL 72 (December 31, 2012: TL 108) as presented under "Other Provisions" note in Section Five Note II.7.ç ,for the lawsuits opened by various real persons and legal entities against the Parent Bank with high probability of realization and cash outflows and. Although there are other ongoing lawsuits against the Parent Bank, the Parent 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 Group has no operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions

(Currency - Thousand Turkish Lira)

IV. Explanations and notes related to the statement of income:

I. 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 (*)	**979.383**	**115.719**	**903.594**	**62.810**
Short Term Loans	382.732	17.882	395.017	8.091
Medium and Long Term Loans	586.784	95.919	502.727	54.342
Loans Under Follow up	9.867	1.918	5.850	377
Premiums Received from Resource Utilization Support Fund	-	-	-	-

(*) Includes fees and commission income on cash loans.

b) Information on profit share income received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	-	-	-	-
Domestic Banks	-	-	1.199	-
Foreign Banks	-	1.680	-	513
Head Offices and Branches Abroad	-	-	-	-
Total	-	**1.680**	**1.199**	**513**

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	-	-	-	-
From financial assets available-for-sale	8.525	1.836	5.782	344
From held-to-maturity investments	41.596	28	18.503	172
Total	**50.121**	**1.864**	**24.285**	**516**

ç) Information on profit share income received from associates and subsidiaries:

The Parent Bank has not received profit share income from associates and subsidiaries.

(Currency - Thousand Turkish Lira)

2. Explanations on profit share expenses:

a) Information on profit share expense paid to funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	38.262	-	30.549
CBRT	-	-	-	-
Domestic banks	-	246	-	218
Foreign banks	-	38.016	-	30.331
Head offices and branches abroad	-	-	-	-
Other institutions	-	20.904	-	-
Total	**-**	**59.166**	**-**	**30.549**

b) Profit share expense paid to associates and subsidiaries:

There is no profit share expense paid to associates and subsidiaries of the Bank.

c) Profit share expenses paid to marketable securities issued:

There is no profit share expense paid to marketable securities of the Bank.

ç) Distribution of profit share expense on funds collected based on maturity of funds collected:

	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	Total
TL								
Funds collected from banks through current and profit sharing accounts	-	1.870	-	-	7.896	301	-	**10.067**
Real persons' non-trading profit sharing accounts	139.907	34.990	4.499	-	1.439	80.440	-	**261.275**
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	26.427	16.214	15.166	-	2.150	21.074	-	**81.031**
Other institutions profit sharing accounts	2.840	2.687	116	-	201	3.085	-	**8.929**
Total	**169.174**	**55.761**	**19.781**	**-**	**11.686**	**104.900**	**-**	**361.302**
FC								
Banks	2.343	5.622	1.420	-	1.762	554	-	**11.701**
Real persons' non-trading profit sharing accounts	28.455	7.787	1.960	-	338	22.057	-	**60.597**
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	8.181	9.549	317	-	20	4.883	-	**22.950**
Other institutions profit sharing accounts	2.490	1.721	49	-	1.192	1.327	-	**6.779**
Precious metals deposits	-	1.065	7	-	-	2	-	**1.074**
Total	**41.469**	**25.744**	**3.753**	**-**	**3.312**	**28.823**	**-**	**103.101**
Grand total	**210.643**	**81.505**	**23.534**	**-**	**14.998**	**133.723**	**-**	**464.403**

(Currency - Thousand Turkish Lira)

3. Information on dividend income:

	Current Period		Prior Period	
	TP	YP	TP	YP
From trading financial assets	459	-	788	-
From financial assets at fair value through profit and loss	-	-	-	-
From available for sale financial assets	-	-	-	-
Other	-	-	-	-
Total	**459**	**-**	**788**	**-**

4. Explanations on trading income/loss (net):

	Current Period	Prior Period
Income	**2.888.474**	**2.090.743**
Income from capital market transactions	18	-
Income from derivative financial instruments	-	-
Foreign exchange income	2.888.456	2.090.743
Loss (-)	**2.851.293**	**2.070.346**
Loss on capital market transactions	-	175
Loss on derivative financial instruments	2.804	-
Foreign exchange losses	2.848.489	2.070.171
Trading income/loss (net)	**37.181**	**20.397**

5. Explanations related to other operating income:

	Current Period	Prior Period
Reversal of prior year provisions	96.005	73.779
Income from sale of assets	15.562	5.935
Reimbursement for communication expenses	2.738	1.976
Reimbursement for bank statement expenses	1.332	1.348
Cheque book charges	725	659
Other income	2.452	1.425
Total	**118.814**	**85.122**

(Currency - Thousand Turkish Lira)

6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	**146.065**	**84.385**
Loans and receivables in III. Group	103.128	33.715
Loans and receivables in IV. Group	27.433	40.712
Loans and receivables in V. Group	11.604	6.834
Doubtful commission, fee and other receivables	3.900	3.124
General provision expenses	**10.588**	**30.689**
Provision expenses for possible losses	**28**	**1**
Impairment losses on marketable securities	**205**	**-**
Financial assets at fair value through profit and loss	205	-
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(*)	**33.997**	**7.337**
Total	**190.883**	**122.412**

TL 90.811 (December 31, 2012: TL 63.675) of the total specific provisions provided for loan and other receivables amounting to TL 146.065 (December 31, 2012: TL 84.385) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 6.044 (December 31, 2012: TL 20.035) of the total general loan loss provisions provided for loan and other receivables amounting to TL 10.588 (December 31, 2012: TL 30.689) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

(*) Related amount includes 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", amounting to TL 28.370 (September 30,2012:TL 2.386).

(Currency - Thousand Turkish Lira)

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	227.302	201.416
Provision for retirement pay liability	2.096	4.248
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	266
Depreciation expenses of tangible assets	23.094	18.153
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	5.096	3.077
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	1.058	100
Depreciation expenses of assets to be disposed	669	630
Impairment expenses of assets held for sale and assets of discontinued operations	960	101
Other operating expenses	76.467	66.552
Operating lease expenses	30.432	26.323
Maintenance expenses	4.207	3.600
Advertisement expenses	5.143	7.145
Other expenses	36.685	29.484
Loss on sale of assets	524	189
Other(*)	67.135	47.189
Total	**404.401**	**341.921**

(*) Details of other balance are provided below:

	Current Period	Prior Period
Saving Deposit Insurance Fund	17.321	11.614
Taxes, Duties, Charges and Funds	15.923	12.963
Provision expenses for short term employee rights	18.544	690
Audit and Consultancy Fees	5.942	9.237
Other	9.405	12.685
Total	**67.135**	**47.189**

8. Explanations on income/loss from continued operations before taxes:

As the Group does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Group's income before tax increased is realized as TL 299.107. Income before tax comprises net profit share income in the amount of TL 625.176 and fees and commission income in the amount of TL 113.197. Total other operating expenses amount to TL 404.401.

(Currency - Thousand Turkish Lira)

9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	299.543	241.225
Tax calculated with tax rate of 20%	59.909	48.245
Other additions and disallowable expenses	3.838	4.882
Deductions	(5.613)	(3.737)
Tax calculated	58.134	49.390

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 Group has no discontinued operations. After deducting TL 436 (loss on equity method) from Parent Bank's income from continued operations (TL 299.543, Prior Period – TL 241.225) the Group's income from continued operations amount to TL 299.107. Net income for the related period is TL 240.973 after deducting tax provision expenses for the period amounting to TL 58.134.

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.

(Currency - Thousand Turkish Lira)

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	24.012	30.274
Commissions on money orders	7.760	7.037
Clearing room	6.938	5.610
Appraisal fees	5.332	3.412
Insurance and brokerage commissions	4.314	3.606
Other	10.585	7.800
Total	**58.941**	**57.739**

Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed	7.051	7.429
Credit cards commissions and fees	6.180	4.330
Member firm-POS	5.694	6.123
Other	8.655	3.927
Total	**27.580**	**21.809**

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 7.419 decrease has occurred after the revaluation of available-for-sale securities (December 31, 2012: TL 3.289 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 Parent 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 Parent Bank are accounted in other capital reserves (December 31, 2013: TL 502, December 31, 2012: TL 354).

(Currency - Thousand Turkish Lira)

VI. Explanations and notes 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	**325.032**	**458.519**
Cash in TL/foreign currency	109.123	107.332
Cash in transit	-	-
CBRT	215.909	351.187
Cash equivalents	**1.037.112**	**1.307.472**
Domestic banks	790.868	1.072.606
Foreign banks	246.244	234.866
Total cash and cash equivalents	**1.362.144**	**1.765.991**

(ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**503.284**	**325.032**
Cash in TL/foreign currency	128.349	109.123
Cash in transit	-	-
CBRT	374.935	215.909
Cash equivalents	**1.378.708**	**1.037.112**
Domestic banks	1.050.995	790.868
Foreign banks	327.713	246.244
Total cash and cash equivalents	**1.881.992**	**1.362.144**

2. Cash and cash equivalent items which are restricted for the usage of the Group by legal or other limitations:

Restricted time deposits held at the Central Bank of Turkey are not considered as cash and cash equivalent items.

(Currency - Thousand Turkish Lira)

VI. Explanations and notes related to the statement of cash flows (continued:

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 259.771 (Prior period- TL (-) 14.864) mainly comprises other operating expenses excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL (30.699) (Prior period - TL 31.939) 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 100.043 as of December 31, 2013 (Prior period - TL 2.065).

VII. Explanations related to the risk group of the Parent Bank:

1. Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

a) Current period:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		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 the period	-	-	9	-	34.253	10.305
Balance at the end of the period	-	-	28	-	1.476	15.514
Profit share and commission income received	-	-	-	-	3.000	27

b) Prior period:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		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	-	-	8	-	179	38.037
Balance at end of period	-	-	9	-	34.253	10.305
Profit share and commission income received	-	-	-	-	235	191

(Currency - Thousand Turkish Lira)

c.1) Information on current and profit sharing accounts of the Parent Bank's risk group:

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect Shareholders of the Parent Bank		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	33	41	1.647	1.360	229.835	350.647
Balance at the end of period	5.703	33	3.224	1.647	185.192	229.835
Profit share expense	-	-	300	214	7.242	10.290

(*) As of December 31, 2013 wakala borrowings obtained from risk group of the Parent Bank through investment purpose wakala contracts amount to USD 214.182.338 and EURO 96.424.370 (December 31,2012: USD 148.629.432 and EURO 76.113.509). The profit share expense relating to such borrowings for the period between January 1, 2013 – December 31, 2013 is TL 11.582 (December 31, 2012: 10.944 TL).

c.2) Information on forward and option agreements and other similar agreements with related parties:

The Group does not have forward and option agreements with the risk group of the Bank.

As of December 31, 2013; the Group has paid TL 9.357 (December 31, 2012: TL 8.320) 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 Parent Bank:

	Number	Number of Personnel	Country	Total Assets (thousand TL)	Statutory Share Capital
Domestic Branches	166	3.044			
Foreign Representation Office	-	-	-		
Foreign Branches	1	13	Iraq	84.194	USD 7.000.000
Off-Shore Branches	-	-	-	-	-

2. Information on the Parent Bank's branch or representative office openings, closings, significant changes in the organizational structure:

In 2013, the Parent Bank has opened 30 domestic branches.

IX. Explanations related to subsequent events:

1) According to the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey dated December 25, 2013 and numbered 28862, reserve deposit calculation principles and calculation method has changed however reserve deposit rates did not change . New method and calculation will be applicable as of the January 17, 2014.

2) In the Board of Directors' meeting dated February 20, 2014 it was decided to propose to the Shareholders' General Assembly for distribution of d TL 31.500 from net income for the year 2013.

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 Auditors' report

I. Explanations on independent auditors' report:

The Group's consolidated financial statements as of and for the year ended December 31, 2013 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 20, 2014 is presented at the beginning of the consolidated financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.

(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

Unconsolidated financial statements including independent auditors' report and notes to the financial statements as of December 31, 2012

(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
Independent auditors' report
for the year ended December 31, 2012

To the Board of Directors of Albaraka Türk Katılım Bankası Anonim Şirketi:

We have audited the accompanying unconsolidated balance sheet of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") as of December 31, 2012 and the unconsolidated statement of income, unconsolidated statement of income and expense items accounted under equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Disclosure for the responsibility of the Bank's Board of Directors:

The Bank's Board of Directors is responsible for the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, establishing and maintaining effective internal controls and for selecting and applying appropriate accounting principles to comply with the Regulation on Accounting Applications on Banks and Safeguarding of Documents published on the Official Gazette No. 26333 dated November 1st 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, interpretations and circulars published or declared by Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Disclosure for the responsibility of the authorized audit firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been conducted in accordance with the Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks published on the Official Gazette No: 26333 on November 1st, 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. During the audit, we have used audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; which we selected in accordance with our professional judgement by taking into account the effectiveness of the controls over financial reporting process and assessed the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our independent audit opinion stated below.

Independent Auditors' Opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Albaraka Türk Katılım Bankası A.Ş. as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles and standards set out as per Article 37 of the Banking Act No: 5411 and other regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Additional Paragraph for Convenience Translation:

As explained in detail in Note XXIII of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No: 5411 and 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 the accompanying financial statements. Accordingly, the accompanying 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 Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları, SMMM
Engagement Partner

February 28, 2013
Istanbul, Turkey

UNCONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

Address of the Bank's headquarter	: 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 address for contact	: albarakaturk@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.

28.02.2013

Adnan Ahmed Yusuf ABDULMALEK
Chairman of the Board of Directors

Fahrettin YAHŞİ
General Manager

Turgut SİMİTCİOĞLU
Assistant General Manager

Ahmet OCAK
Budget and Financial Reporting Senior Manager

Hamad Abdulla A. EQAB
Chairman of the Audit Committee

Mitat AKTAŞ
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	: Oya AKDOĞAN / Budget and Financial Reporting Vice Manager
Telephone	: 00 90 216 666 02 35
Facsimile	: 00 90 216 666 16 11

Table of contents

Section five

Explanations and notes on the unconsolidated financial statements

Section six

Other explanations

Section seven

Independent Auditors’ report

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 permit 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 Undersecretariat 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 136 (Prior period- 122) local branches and 1 (Prior period- 1) foreign branch and with 2.758 (Prior period- 2.601) staff as of December 31, 2012.

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management of the Bank and the disclosures on related changes in the current year, if any:

As of December 31, 2012, 54,06% of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 22,97% of the shares are publicly traded and quoted on the Istanbul Stock Exchange.

In the Extraordinary General Meeting dated June 19, 2012, it was decided to increase the paid-in capital from 539.000 TL to 900.000 TL and the share capital increase was registered by the Trade Registry Office on June 27,2012 and announced on July 2,2012. There has been no change in the shareholding structure after the share capital increase.

(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	Vice Chairman of BOD	Master	0,0006
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	(*) 0,0000
	Osman AKYÜZ	Member of BOD	Bachelor	-
	Prof.Dr. Ekrem PAKDEMİRLİ	Member of BOD	Doctorate	(*) 0,0000
	Mitat AKTAŞ	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 BOD	Master	(*) 0,0000
	Khalifa Taha HAMOOD	Member of BOD	Bachelor	(*) 0,0000
General Manager	Fahrettin YAHŞİ	Member of BOD /General Manager	Master	-
Assistant General Managers	Mehmet Ali VERÇİN	Corporate Marketing, Commercial Marketing and Project Management	Bachelor	-
	Nihat BOZ	Legal Affairs	Bachelor	-
	Temel HAZIROĞLU	Human Resources, Training and Organization Department, Performance and Career Management.	Bachelor	0,0048
	Bülent TABAN	Corporate Loans, Commercial Loans and Retail Loans, Credit Management & Monitoring Department	Master	0,0342
	Turgut SİMİTCİOĞLU	Risk Follow up, Administrative Affairs, Financial Affairs and Budget & Financial Reporting	Bachelor	-
	Melikşah UTKU	Software Development, IT Support, Project Management, Governance and Strategy of Information Technologies	Master	-
	Mahmut Esfa EMEK	Credit Operation, Foreign Affairs Operation, Banking Services and Payment System Operation	Bachelor	-
	Ayhan KESER	Financial Institutions, Fund Management,Retail Marketing	Bachelor	-
				-
Audit Committee	Hamad Abdulla 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
Auditors	Seyfettin YENİDÜNYA	Auditor	Bachelor	-
	Prof. Dr. Arif Ateş VURAN	Auditor	Doctorate	-
	Osman KARA	Auditor	Bachelor	-

(*) 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 0,0396% of the Bank's share capital (Prior period- 0,0396%).

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	-

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, semi annual 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 three months, 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, Aviva Sigorta, Neova Sigorta, Zurich Sigorta, Ankara Sigorta, Avivasa Emeklilik ve Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik and Avivasa 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:

In the accompanying financial statements, the Bank did not consolidate the financial statements of its subsidiary Bereket Varlık Kiralama A.Ş. and its associate Kredi Garanti Fonu A.Ş. considering the materiality principle and its insignificant influence over the associate, respectively.

VII. The Existing or Potential, Actual or Legal Obstacles on Immediate Transfer of Equity or Reimbursement of Liabilities Between the Bank and Its Subsidiaries:

Immediate transfer of equity between the Bank and its subsidiaries is not an issue.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charges or pays cost of the services according to the service agreements 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 commitments

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

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

ALBARAKA TÜRK KATILIM BANKASI A.Ş. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

			THOUSAND TURKISH LIRA					
			CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
ASSETS		Notes (Section Five-I)	TL	FC	Total	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**(1)**	**122.743**	**1.177.900**	**1.300.643**	**292.927**	**758.273**	**1.051.200**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)**	**(2)**	**6.192**	**-**	**6.192**	**4.802**	**-**	**4.802**
2.1	Trading Financial Assets		6.192	-	6.192	4.802	-	4.802
2.1.1	Public Sector Debt Securities		-	-	-	-	-	-
2.1.2	Equity Securities		4.609	-	4.609	4.802	-	4.802
2.1.3	Derivative Financial Assets Held for Trading		-	-	-	-	-	-
2.1.4	Other Marketable Securities		1.583	-	1.583	-	-	-
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Public Sector Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	**BANKS**	**(3)**	**643.330**	**393.782**	**1.037.112**	**409.667**	**897.805**	**1.307.472**
IV.	**MONEY MARKET PLACEMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
V.	**FINANCIAL ASSETS-AVAILABLE FOR SALE (net)**	**(4)**	**104.749**	**47.820**	**152.569**	**84.540**	**1.340**	**85.880**
5.1	Equity Securities		-	1.269	1.269	-	1.340	1.340
5.2	Public Sector Debt Securities		104.749	46.551	151.300	84.540	-	84.540
5.3	Other Marketable Securities		-	-	-	-	-	-
VI.	**LOANS AND RECEIVABLES**	**(5)**	**7.907.609**	**1.150.795**	**9.058.404**	**6.567.141**	**697.669**	**7.264.810**
6.1	Loans and Receivables		7.882.729	1.150.795	9.033.524	6.554.087	697.669	7.251.756
6.1.1	Loans to Risk Group of The Bank		34.262	-	34.262	187	-	187
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		7.848.467	1.150.795	8.999.262	6.553.900	697.669	7.251.569
6.2	Non performing loans		221.404	1.145	222.549	169.477	2.459	171.936
6.3	Specific Provisions (-)		196.524	1.145	197.669	156.423	2.459	158.882
VII.	**INVESTMENTS HELD TO MATURITY (net)**	**(6)**	**356.879**	**8.936**	**365.815**	**411.785**	**19.077**	**430.862**
VIII.	**INVESTMENTS IN ASSOCIATES (net)**	**(7)**	**4.211**	**-**	**4.211**	**3.000**	**-**	**3.000**
8.1	Accounted for under Equity Method		-	-	-	-	-	-
8.2	Unconsolidated Associates		4.211	-	4.211	3.000	-	3.000
8.2.1	Financial Associates		4.211	-	4.211	3.000	-	3.000
8.2.2	Non-Financial Associates		-	-	-	-	-	-
IX.	**SUBSIDIARIES (net)**	**(8)**	**50**	**-**	**50**	**50**	**-**	**50**
9.1	Unconsolidated Financial Subsidiaries		50	-	50	50	-	50
9.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
X.	**JOINT VENTURES (net)**	**(9)**	-	-	-	-	-	-
10.1	Accounted for under Equity Method		-	-	-	-	-	-
10.2	Unconsolidated		-	-	-	-	-	-
10.2.1	Financial Joint Ventures		-	-	-	-	-	-
10.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XI.	**LEASE RECEIVABLES (net)**	**(10)**	**41.659**	**-**	**41.659**	**22.150**	**-**	**22.150**
11.1	Finance Lease Receivables		51.494	-	51.494	27.298	-	27.298
11.2	Operational Lease Receivables		-	-	-	-	-	-
11.3	Other		-	-	-	-	-	-
11.4	Unearned Income (-)		9.835	-	9.835	5.148	-	5.148
XII.	**DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES**	**(11)**	**-**	**-**	**-**	**-**	**-**	**-**
12.1	Fair Value Hedge		-	-	-	-	-	-
12.2	Cash Flow Hedge		-	-	-	-	-	-
12.3	Hedge of Net Investment Risks in Foreign Operations		-	-	-	-	-	-
XIII.	**TANGIBLE ASSETS (net)**	**(12)**	**292.493**	**1.844**	**294.337**	**229.071**	**2.078**	**231.149**
XIV.	**INTANGIBLE ASSETS (net)**	**(13)**	**6.497**	**555**	**7.052**	**4.798**	**549**	**5.347**
14.1	Goodwill		-	-	-	-	-	-
14.2	Other		6.497	555	7.052	4.798	549	5.347
XV.	**INVESTMENT PROPERTY (net)**	**(14)**	-	-	-	**-**	**-**	**-**
XVI.	**TAX ASSET**	**(15)**	**10.400**	**-**	**10.400**	**9.865**	**-**	**9.865**
16.1	Current Tax Asset		2.482	-	2.482	1.262	-	1.262
16.2	Deferred Tax Asset		7.918	-	7.918	8.603	-	8.603
XVII.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)**	**(16)**	**10.714**	**-**	**10.714**	**25.372**	**-**	**25.372**
17.1	Assets Held for Sale		10.714	-	10.714	25.372	-	25.372
17.2	Assets of Discontinued Operations		-	-	-	-	-	-
XVIII.	**OTHER ASSETS**	**(17)**	**37.859**	**637**	**38.496**	**18.276**	**650**	**18.926**
	TOTAL ASSETS		**9.545.385**	**2.782.269**	**12.327.654**	**8.083.444**	**2.377.441**	**10.460.885**

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES		Notes (Section Five-II)	THOUSAND TURKISH LIRA CURRENT PERIOD (31/12/2012) TL	FC	Total	PRIOR PERIOD (31/12/2011) TL	FC	Total
I.	**FUNDS COLLECTED**	**(1)**	**5.535.572**	**3.689.446**	**9.225.018**	**4.797.751**	**3.246.996**	**8.044.747**
1.1	Funds from Risk Group of The Bank		65.574	165.908	231.482	242.951	109.056	352.007
1.2	Other		5.469.998	3.523.538	8.993.536	4.554.800	3.137.940	7.692.740
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**(2)**	-	-	-	-	-	-
III.	**FUNDS BORROWED**	**(3)**	-	**1.393.830**	**1.393.830**	-	**1.053.290**	**1.053.290**
IV.	**BORROWINGS FROM MONEY MARKETS**		-	-	-	-	-	-
V.	**SECURITIES ISSUED (net)**		-	-	-	-	-	-
VI.	**MISCELLANEOUS PAYABLES**		**304.153**	**12.245**	**316.398**	**169.276**	**7.726**	**177.002**
VII.	**OTHER LIABILITIES**	**(4)**	-	-	-	-	-	-
VIII.	**LEASE PAYABLES (net)**	**(5)**	-	-	-	-	-	-
8.1	Finance Lease Payables		-	-	-	-	-	-
8.2	Operational Lease Payables		-	-	-	-	-	-
8.3	Other		-	-	-	-	-	-
8.4	Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
IX.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	**(6)**	-	-	-	-	-	-
9.1	Fair Value Hedge		-	-	-	-	-	-
9.2	Cash Flow Hedge		-	-	-	-	-	-
9.3	Net Foreign Investment Hedge		-	-	-	-	-	-
X.	**PROVISIONS**	**(7)**	**111.101**	**24.717**	**135.818**	**104.193**	**42.000**	**146.193**
10.1	General Provisions		81.488	21.612	103.100	61.164	11.774	72.938
10.2	Restructuring Reserves		-	-	-	-	-	-
10.3	Reserve for Employee Benefits		19.245	-	19.245	14.307	-	14.307
10.4	Insurance Technical Reserves (net)		-	-	-	-	-	-
10.5	Other Provisions		10.368	3.105	13.473	28.722	30.226	58.948
XI.	**TAX LIABILITY**	**(8)**	**38.256**	**1**	**38.257**	**35.401**	**1**	**35.402**
11.1	Current Tax Liability		38.256	1	38.257	35.401	1	35.402
11.2	Deferred Tax Liability		-	-	-	-	-	-
XII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)**	**(9)**	-	-	-	-	-	-
12.1	Assets Held for Sale		-	-	-	-	-	-
12.2	Assets of Discontinued Operations		-	-	-	-	-	-
XIII.	**SUBORDINATED LOANS**	**(10)**	-	-	-	-	-	-
XIV.	**SHAREHOLDERS' EQUITY**	**(11)**	**1.218.406**	**(73)**	**1.218.333**	**1.004.251**	**-**	**1.004.251**
14.1	Paid-In Capital		900.000	-	900.000	539.000	-	539.000
14.2	Capital Reserves		56.760	(73)	56.687	35.330	-	35.330
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Marketable Securities Valuation Reserve		1.266	(73)	1.193	(1.438)	-	(1.438)
14.2.4	Revaluation Reserve on Tangible Assets		55.522	-	55.522	36.874	-	36.874
14.2.5	Revaluation Reserve on Intangible Assets		-	-	-	(42)	-	(42)
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		-	-	-	-	-	-
14.2.10	Other Capital Reserves		(28)	-	(28)	(64)	-	(64)
14.3	Profit Reserves		68.920	-	68.920	269.051	-	269.051
14.3.1	Legal Reserves		49.966	-	49.966	39.160	-	39.160
14.3.2	Status Reserves		-	-	-	-	-	-
14.3.3	Extraordinary Reserves		18.954	-	18.954	229.891	-	229.891
14.3.4	Other Profit Reserves		-	-	-	-	-	-
14.4	Profit or Loss		192.726	-	192.726	160.870	-	160.870
14.4.1	Prior Years Profit / (Loss)		891	-	891	715	-	715
14.4.2	Current Year Profit / (Loss)		191.835	-	191.835	160.155	-	160.155
14.5	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES		**7.207.488**	**5.120.166**	**12.327.654**	**6.110.872**	**4.350.013**	**10.460.885**

The accompanying explanations and notes are an integral part of these financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

STATEMENT OF OFF-BALANCE SHEET COMMITMENTS

		Notes (Section Five-III)	THOUSAND TURKISH LIRA					
			CURRENT PERIOD (31/12/2012)			PRIOR PERIOD (31/12/2011)		
			TL	FC	Total	TL	FC	Total
A.	**OFF BALANCE SHEET COMMITMENTS (I+II+III)**	**(1),(3)**	**3.737.941**	**2.617.485**	**6.355.426**	**3.071.946**	**2.513.747**	**5.585.693**
I.	**GUARANTEES AND SURETIES**		**2.859.471**	**2.353.810**	**5.213.281**	**2.685.935**	**2.512.179**	**5.198.114**
1.1.	Letters of Guarantees		2.852.364	1.682.435	4.534.799	2.676.710	1.857.501	4.534.211
1.1.1.	Guarantees Subject to State Tender Law		149.051	15.888	164.939	150.781	60.412	211.193
1.1.2.	Guarantees Given for Foreign Trade Operations		20	795.286	795.306	-	847.504	847.504
1.1.3.	Other Letters of Guarantee		2.703.293	871.261	3.574.554	2.525.929	949.585	3.475.514
1.2.	Bank Loans		-	15.490	15.490	-	43.986	43.986
1.2.1.	Import Letter of Acceptances		-	15.490	15.490	-	43.986	43.986
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letter of Credits		6.296	471.537	477.833	-	506.178	506.178
1.3.1.	Documentary Letter of Credits		-	-	-	-	-	-
1.3.2.	Other Letter of Credits		6.296	471.537	477.833	-	506.178	506.178
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		-	168.039	168.039	225	83.488	83.713
1.7.	Other Collaterals		811	16.309	17.120	9.000	21.026	30.026
II.	**COMMITMENTS**	**(1),(3)**	**878.470**	**263.675**	**1.142.145**	**386.011**	**1.568**	**387.579**
2.1.	Irrevocable Commitments		878.470	263.675	1.142.145	386.011	1.568	387.579
2.1.1.	Forward Asset Purchase Commitments		265.158	263.575	528.733	-	-	-
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-	1.000	-	1.000
2.1.3.	Loan Granting Commitments		39.577	-	39.577	18.278	-	18.278
2.1.4.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6.	Payment Commitment for Checks		263.656	-	263.656	190.160	-	190.160
2.1.7.	Tax And Fund Liabilities from Export Commitments		1.043	-	1.043	576	-	576
2.1.8.	Commitments for Credit Card Expenditure Limits		306.032	-	306.032	173.723	-	173.723
2.1.9.	Commitments for Promotions Related with Credit Cards and Banking Activities		323	-	323	45	-	45
2.1.10.	Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11.	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments		2.681	100	2.781	2.229	1.568	3.797
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(2)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1.	Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1.	Fair Value Hedge		-	-	-	-	-	-
3.1.2.	Cash Flow Hedge		-	-	-	-	-	-
3.1.3.	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2.	Held for Trading Transactions		-	-	-	-	-	-
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2.	Other Forward Buy/Sell Transactions		-	-	-	-	-	-
3.3.	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**18.914.892**	**2.365.084**	**21.279.976**	**14.444.231**	**1.853.449**	**16.297.680**
IV.	**ITEMS HELD IN CUSTODY**		**1.313.127**	**662.365**	**1.975.492**	**1.130.822**	**659.393**	**1.790.215**
4.1.	Assets Under Management		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		72	-	72	-	-	-
4.3.	Checks Received for Collection		626.896	51.715	678.611	397.679	42.873	440.552
4.4.	Commercial Notes Received for Collection		230.109	19.014	249.123	245.203	9.456	254.659
4.5.	Other Assets Received for Collection		105	-	105	105	-	105
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	253.338	253.338	72	262.032	262.104
4.8.	Custodians		455.945	338.298	794.243	487.763	345.032	832.795
V.	**PLEDGED ITEMS**		**17.601.765**	**1.702.719**	**19.304.484**	**13.313.409**	**1.194.056**	**14.507.465**
5.1.	Marketable Securities		444.122	193.889	638.011	231.595	35.609	267.204
5.2.	Guarantee Notes		1.225.294	163.687	1.388.981	976.112	156.319	1.132.431
5.3.	Commodity		485.124	242.477	727.601	427.087	251.412	678.499
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		14.424.663	706.303	15.130.966	11.244.768	502.327	11.747.095
5.6.	Other Pledged Items		995.139	376.727	1.371.866	413.604	221.105	634.709
5.7.	Pledged Items-Depository		27.423	19.636	47.059	20.243	27.284	47.527
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**-**	**-**	**-**	-	-	-
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**22.652.833**	**4.982.569**	**27.635.402**	**17.516.177**	**4.367.196**	**21.883.373**

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. STATEMENT OF INCOME

INCOME AND EXPENSE ITEMS		Notes (Section Five-IV)	THOUSAND TURKISH LIRA CURRENT PERIOD (01/01/2012-31/12/2012)	PRIOR PERIOD (01/01/2011-31/12/2011)
I.	**PROFIT SHARE INCOME**	**(1)**	**996.828**	**769.727**
1.1	Profit Share on Loans		966.404	718.310
1.2	Income Received from Reserve Deposits		-	-
1.3	Income Received from Banks		1.712	593
1.4	Income Received from Money Market Placements		-	-
1.5	Income Received from Marketable Securities Portfolio		24.801	48.545
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		6.126	7.207
1.5.4	Investments Held to Maturity		18.675	41.338
1.6	Finance Lease Income		3.896	2.265
1.7	Other Profit Share Income		15	14
II.	**PROFIT SHARE EXPENSE**	**(2)**	**510.930**	**384.079**
2.1	Expense on Profit Sharing Accounts		479.892	359.921
2.2	Profit Share Expense on Funds Borrowed		30.549	18.370
2.3	Profit Share Expense on Money Market Borrowings		489	5.788
2.4	Profit Share Expense on Securities Issued		-	-
2.5	Other Profit Share Expense		-	-
III.	**NET PROFIT SHARE INCOME (I – II)**		**485.898**	**385.648**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**113.353**	**90.332**
4.1	Fees and Commissions Received		135.585	110.625
4.1.1	Non-Cash Loans		77.846	59.740
4.1.2	Other	**(12)**	57.739	50.885
4.2	Fees and Commissions Paid		22.232	20.293
4.2.1	Non-Cash Loans		423	424
4.2.2	Other	**(12)**	21.809	19.869
V.	**DIVIDEND INCOME**	**(3)**	788	**-**
VI.	**TRADING INCOME/LOSS(net)**	**(4)**	**20.397**	**21.224**
6.1	Capital Market Transaction Income / (Loss)		(175)	346
6.2.	Income / (Loss) from Derivative Financial Instruments		-	-
6.3	Foreign Exchange Income / (Loss)		20.572	20.878
VII.	**OTHER OPERATING INCOME**	**(5)**	**85.122**	**55.460**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**705.558**	**552.664**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**(6)**	**122.412**	**106.341**
X.	**OTHER OPERATING EXPENSES (-)**	**(7)**	**341.921**	**244.160**
XI.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X)**		**241.225**	**202.163**
XII.	**EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER**		-	**-**
XIII.	**INCOME / (LOSS) ON EQUITY METHOD**		-	**-**
XIV.	**INCOME / (LOSS) ON NET MONETARY POSITION**		-	**-**
XV.	**INCOME / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+…+XIV)**	**(8)**	**241.225**	**202.163**
XVI.	**TAX PROVISION FOR CONTINUED OPERATIONS (±)**	**(9)**	**(49.390)**	**(42.008)**
16.1	Provision for Current Taxes		(54.181)	(44.263)
16.2	Provision for Deferred Taxes		4.791	2.255
XVII.	**NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)**	**(10)**	**191.835**	**160.155**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
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 (-)**		**-**	**-**
19.1	Loss from Assets Held for Sale		**-**	**-**
19.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		**-**	**-**
19.3	Loss from Other Discontinued Operations		**-**	**-**
XX.	**INCOME / (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 INCOME / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**		**-**	**-**
XXIII.	**NET INCOME / LOSS (XVII+XXII)**	**(11)**	**191.835**	**160.155**
23.1	Group's Income/Loss		191.835	160.155
23.2	Minority Interest		-	-
	Earnings Per Share (Full TL)		0,213	0,178

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		THOUSAND TURKISH LIRA CURRENT PERIOD (01/01/2012-31/12/2012)	THOUSAND TURKISH LIRA PRIOR PERIOD (01/01/2011-31/12/2011)
I.	**ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS**	**3.289**	**(4.753)**
II.	**TANGIBLE ASSETS REVALUATION DIFFERENCES**	**24.090**	**11.400**
III.	**INTANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**	**-**
IV.	**FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS**	**354**	**(382)**
V.	**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**	**(10)**	**-**
VIII.	**OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS**	**-**	**-**
IX.	**DEFERRED TAX ON VALUATION DIFFERENCES**	**(5.476)**	**(1.329)**
X.	**TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+…+IX)**	**22.247**	**4.936**
XI.	**PROFIT/LOSS**	**191.835**	**160.155**
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	191.835	160.155
XII.	**TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)**	**214.082**	**165.091**

The accompanying explanations and notes are an integral part of these financial statements.

(Convenience translation of a 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' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Years Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
	PRIOR PERIOD (01/01/2011 - 31/12/2011)																	
I.	**Beginning balance**	**(V)**	**539.000**	**-**	**-**	**-**	**32.441**	**-**	**115.706**	**-**	**134.044**	**335**	**2.364**	**28.745**	**-**	**-**	**-**	**852.635**
	Changes In Period																	
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable SecuritiesValuation Differences		-	-	-	-	-	-	-	-	-	-	(4.753)	-	-	-	-	(4.753)
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	11.400	-	-	-	11.400
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	(382)	-	-	-	-	-	-	-	(382)
IX.	Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	715	951	(2.995)	-	-	-	(1.329)
XVII.	Period Net Income/(Loss)		-	-	-	-	-	-	-	-	160.155	-	-	-	-	-	-	160.155
XVIII.	Profit Distribution		-	-	-	-	6.719	-	114.185	-	(134.044)	(335)	-	-	-	-	-	(13.475)
18.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	(13.475)	-	-	-	-	-	(13.475)
18.2	Transfers To Reserves		-	-	-	-	6.719	-	114.185	-	-	(120.904)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(134.044)	134.044	-	-	-	-	-	-
	Closing Balance (I+II+III+…+XVI+XVII+XVIII)		**539.000**	**-**	**-**	**-**	**39.160**	**-**	**229.891**	**(382)**	**160.155**	**715**	**(1.438)**	**37.150**	**-**	**-**	**-**	**1.004.251**

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

	CHANGES IN SHAREHOLDERS' EQUITY	Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Years Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
	CURRENT PERIOD (01/01/2012 - 31/12/2012)																	
I.	**Beginning balance**	**(V)**	**539.000**	**-**	**-**	**-**	**39.160**	**-**	**229.891**	**(382)**	**160.155**	**715**	**(1.438)**	**37.150**	**-**	**-**	**-**	**1.004.251**
	Changes In Period																	
II.	Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	3.289	-	-	-	-	3.289
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	24.090	-	-	-	24.090
VI.	Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	354	-	-	-	-	-	-	-	354
IX.	Changes Related to the Disposal Of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes Related to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The Effect of Change in Associate's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		361.000	-	-	-	(61)	-	(360.939)	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Sources		361.000	-	-	-	(61)	-	(360.939)	-	-	-	-	-	-	-	-	-
XIII.	Share Issue Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation Adjustment to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	2.824	-	(2.824)	-	-	890	(658)	(5.718)	-	-	-	(5.486)
XVII.	Period Net Income/(Loss)		-	-	-	-	-	-	-	-	191.835	-	-	-	-	-	-	191.835
XVIII.	Profit Distribution		-	-	-	-	8.043	-	152.826	-	(160.155)	(714)	-	-	-	-	-	-
18.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers To Reserves		-	-	-	-	8.043	-	152.826	-	-	(160.869)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(160.155)	160.155	-	-	-	-	-	-
	Closing Balance (I+II+III+…+XVI+XVII+XVIII)		**900.000**	**-**	**-**	**-**	**49.966**	**-**	**18.954**	**(28)**	**191.835**	**891**	**1.193**	**55.522**	**-**	**-**	**-**	**1.218.333**

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKA TÜRK KATILIM BANKASI A.Ş. STATEMENT OF CASH FLOWS

			THOUSAND TURKISH LIRA	
	STATEMENT OF CASH FLOWS	**Notes**	**CURRENT PERIOD (01/01/2012-31/12/2012)**	**PRIOR PERIOD (01/01/2011-31/12/2011)**
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes In Operating Assets And Liabilities**		**479.835**	**326.132**
1.1.1	Profit Share Income Received		944.634	705.931
1.1.2	Profit Share Expense Paid		(508.708)	(368.685)
1.1.3	Dividend Received		788	-
1.1.4	Fees and Commissions Received		224.593	138.702
1.1.5	Other Income		76.196	43.395
1.1.6	Collections from Previously Written Off Loans	**(V-I-5,h2)**	27.639	30.960
1.1.7	Payments to Personnel and Service Suppliers		(200.912)	(141.882)
1.1.8	Taxes Paid		(69.531)	(19.042)
1.1.9	Others	**(V-VI-3)**	(14.864)	(63.247)
1.2	**Changes in operating assets and liabilities**		**(1.189.835)**	**(313.501)**
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets		(1.390)	(240)
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		(447.756)	(221.744)
1.2.4	Net (Increase) Decrease in Loans		(1.981.802)	(876.994)
1.2.5	Net (Increase) Decrease in Other Assets		44.036	(65.124)
1.2.6	Net Increase (Decrease) in Funds Collected From Banks		-	-
1.2.7	Net Increase (Decrease) in Other Funds Collected		1.165.138	860.521
1.2.8	Net Increase (Decrease) in Funds Borrowed		-	-
1.2.9	Net Increase (Decrease) in Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	**(V-VI-3)**	31.939	(9.920)
I.	**Net Cash Flow From Banking Operations**		**(710.000)**	**12.631**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash flow from investing activities**		**(29.805)**	**(95.260)**
2.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries		(1.211)	(1.000)
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3	Fixed Assets Purchases	**(V-I12,13,16)**	(60.872)	(72.138)
2.4	Fixed Assets Sales		12.356	17.698
2.5	Cash Paid for Purchase of Financial Assets Available for Sale		(113.299)	(30.000)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale		50.000	-
2.7	Cash Paid for Purchase of Investment Securities	**(V-I-6.4)**	(300.000)	(50.000)
2.8	Cash Obtained from Sale of Investment Securities	**(V-I-6.4)**	383.221	40.180
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flow from financing activities**		**333.893**	**653.315**
3.1	Cash Obtained from Funds Borrowed and Securities Issued		936.239	1.038.612
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(602.346)	(371.822)
3.3	Capital Increase		-	-
3.4	Dividends Paid		-	(13.475)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**	**(V-VI-3)**	**2.065**	**52.392**
V.	**Net (Decrease) / Increase in Cash and Cash Equivalents**		**(403.847)**	**623.078**
VI.	**Cash and Cash Equivalents at the Beginning of the Period**	**(V-VI-i)**	**1.765.991**	**1.142.913**
VII.	**Cash and Cash Equivalents at the End of the Period**	**(V-VI-ii)**	**1.362.144**	**1.765.991**

The accompanying explanations and notes are an integral part of these financial statements.

ALBARAKATURK KATILIM BANKASI A.Ş. STATEMENT OF PROFIT APPROPRIATION

	THOUSAND TURKISH LIRA	
STATEMENT OF PROFIT APPROPRIATION	**CURRENT PERIOD (*) (31/12/2012)**	**PRIOR PERIOD (31/12/2011)**
I. Distribution of current year income		
1.1. Current year income (****)	242.116	202.878
1.2. Taxes and duties payable (-)	49.390	42.008
1.2.1. Corporate tax (Income tax)	54.181	44.263
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities (**)	(4.791)	(2.255)
A. Net income for the year (1.1-1.2)	**192.726**	**160.870**
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	8.043
1.5. Other statutory reserves (-)	-	-
B. Distributable net period income [(A-(1.3+1.4+1.5)] (*)	**192.726**	**152.827**
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of preferred shares	-	-
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	-	-
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	-	152.827
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 /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
III. Earnings per share		
3.1. To owners of ordinary shares (***) (Full TL)	0,214	0,298
3.2. To owners of ordinary shares (%)	21,4	29,8
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)	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of preferred shares	-	-
4.3. To owners of preferred shares (%)	-	-

(*) 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

(**) 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 years profit and current year profit.

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 Bank prepares its unconsolidated financial statements and the related explanations and notes in accordance with the Communiqué "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulatory and Supervisory Agency (BRSA) per Article 37 of "Accounting and Reporting Rules" of the Turkish Banking Law No 5411, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances thereon, other communiqués, pronouncements and explanations about accounting and financial reporting issued by BRSA.

b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

Accounting policies and valuation methods used in the preparation of financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA. The accounting policies adopted in the preparation of the current year-endfinancial statements are consistent with those adopted in the preparation of the financial statements as of December 31, 2011. TAS/TFRS changes (IAS 12 "Income Taxes: Recovery of Underlying Assets (Amendment)", IFRS 7 "Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amendment)") do not have an effect on the Bank's accounting policies, financial position or performance. The accounting policies and valuation principles used in the preparation of unconsolidated financial statements are explained in Notes II and XXII below.

"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 "Financial Instruments" before January 1,2013. 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 amendments of TAS and TFRS, which have been issued as of the reporting date, are not expected to have a material impact on the accounting policies, financial condition and performance of the Bank ,except for TFRS 9 "Financial Instruments". The Bank assesses the impact of TFRS 9 "Financial Instruments" .

The unconsolidated financial statements are prepared in accordance with the historical cost basis except for the trading financial assets, securities available for sale and immovables which are reflected at fair values.

I. Explanations on basis of presentation (continued):

The preparation of the unconsolidated financial statements according to TAS 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, 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:

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.

Since the Bank provides full specific provision 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.

II. Explanations on strategy of using financial instruments and foreign currency transactions (continued):

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 fair values of forward foreign currency purchase-sale transactions are calculated by using discounted cash flow model. Unrealized gains or losses are reflected in 'Gains (Losses) from Derivative Financial Instruments' account in the income statement.

The Bank has no forward and option contracts.

The Bank does not have any derivative financial instruments.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TAS 39 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and are accounted according to the standard applied to the host contract.

IV. Explanations on profit share income and expenses:

Profit share income

Profit share income is accounted in accordance with TAS 39 ''Financial Instruments: Recognition and Measurement'' 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", 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 paid to profit sharing accounts 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 and 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 'Deferred 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 objectionto 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.

VI. Explanations on financial assets:

The Bank categorizes 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; This category 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, 2012, the Bank has no financial assets classified as financial assets at fair value through profit or loss except for trading financial assets.

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.

VI. Explanations on financial assets (continued):

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''.

Held to maturity financial assets:

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.

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.

VII. Explanations on impairment of financial assets (continued):

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.

There are no such offset of financial assets and liabilities.

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.

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.

(Currency - Thousand Turkish Lira)

XI. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "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 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 "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 "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 independent real estate appraiser firm to the financial statements. As of December 31, 2012 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:

	%
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 5 years. After January 1, 2010 in cases where leasing period is more than 5 years, the useful life is determined as 5 years.

XII. Explanations on tangible assets (continued):

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with with TAS 36 'Impairment of Assets' and if the recoverable amount is less than its carrying value, provides for an impairment loss.

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 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.

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: ''Provisions, Contingent Liabilities and Contingent Assets''.

Provisions are recognized if; as of the balance sheet date there is a present legal or constructive obligation as a result of past events , it is probable that an outflow resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision is booked for contingent liabilities originated as a result of past events in the period they arise if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

XV. Explanations on liabilities regarding employee benefits:

i) *Defined benefit plans*:

In accordance with existing social legislation, the Bank is required to make severance pay to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The retirement pay provision recognized in the financial statements, is calculated in accordance with TAS 19 "Employee Benefits" by using the "projection method" and based upon factors derived using the Bank's experience with respect to completion of service period and eligibility to receive retirement pay and which is discounted by using the current market yield rate of government bonds at the balance sheet date.

The Bank's employees are not members of any pension fund, foundations, union or other similar entities.

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, vacation pay liabilities are classified as "Short Term Benefits to Employees" and accrued in the period they are earned and are not discounted.

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 no.5520 published in the Official Gazette no.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.

XVI. Explanations on taxation (continued):

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 tax exempt 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.

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 aforementioned 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. Derivative instruments are accounted with their fair values.

There are no debt securities issued by the Bank.

The Bank has not issued convertible bonds.

XVIII. Explanations on issued share certificates:

With the decision of Extraordinary General Meeting dated June 19 2012, the Bank increased the paid-in capital from 539.000 TL to 900.000 TL through internal resources (without cash consideration).

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 XIII.

XXII. Explanations on other matters:

None.

XXIII. Additional paragraph for convenience translation:

The effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No: 5411 and 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 the accompanying financial statements. Accordingly, the accompanying 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.

Section four

Information on financial structure and risk management

I. 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 no.28337 dated June 28, 2012 starting from July 1, 2012. As of December 31, 2012, the Bank's unconsolidated capital adequacy ratio calculated in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" is 13,03 %. In accordance with "Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in Official Gazette No.28337 dated June 28, 2012 the Bank has not re-calculated capital adequacy ratio of the previous period.

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", "Regulation on Credit Risk Mitigation Techniques" published in the Official Gazette no.28337 dated June 28, 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.26333 dated November 1, 2006.

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 that are classified under liabilities 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.

(Currency - Thousand Turkish Lira)

I. Explanations on capital adequacy standard ratio (continued):

b) Information on capital adequacy standard ratio: Thousand TL, %

	Bank Only							
	%0	**%10**	**%20**	**%50**	**%75**	**%100**	**%150**	**%200**
Value at Credit Risk	**2.037.522**	**-**	**901.068**	**3.431.015**	**1.593.765**	**5.158.844**	**9.697**	**1.010**
Risk Categories								
Conditional and unconditional receivables from central governments or central banks	1.428.573	-	-	55.487	-	1.270	-	-
Conditional and unconditional receivables from regional or local governments	-	-	10.364	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.165	-	890.251	245.929	848	54.103	-	-
Conditional and unconditional receivables from corporates	333.901	-	-	-	-	4.796.615	-	-
Conditional and unconditional retail receivables	83.833	-	-	-	1.592.917	-	-	-
Conditional and unconditional receivables secured by mortgages on property	-	-	453	3.119.129	-	-	-	-
Past due receivables	-	-	-	10.470	-	12.992	697	-
Receivables defined in high risk category by BRSA	489	-	-	-	-	-	9.000	1.010
Securities collateralized by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Other receivables	189.561	-	-	-	-	293.864	-	-

On the table,the collateralized credit amounts are included to risk weights based on related risk categories.

c) Summary information related to capital adequacy standard ratio:

		Current Period
A	Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	661.316
B	Capital Requirement for Market Risk (MRCR)	5.234
C	Capital Requirement for Operational Risk (ORCR)	66.816
	Shareholders’ Equity	1.194.026
	Shareholders’ Equity/((CRCR+MRCR+ORCR)*12.5)*100	% 13,03

(Currency - Thousand Turkish Lira)

I. Explanations on capital adequacy standard ratio (continued):

d) Details of shareholders' equity accounts:

	Current Period	Prior Period
CORE CAPITAL		
Paid-in Capital	900.000	539.000
Nominal Capital	900.000	539.000
Capital Commitments (-)	-	-
Inflation Adjustments to Paid-in Capital	-	-
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	68.892	268.987
Inflation Adjustments to Reserves	-	-
Profit	192.726	160.870
Current Period Net Profit	191.835	160.155
Prior Years' Profits	891	715
Provision for possible losses up to 25% of the core capital	108	2.976
Income on Sale of Equity Shares and Real Estate Property	-	-
Primary Subordinated Debts	-	-
Loss in excess of Reserves (-)	-	-
Current Period Net Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements on Operational Leases(-)	29.409	17.516
Intangible Assets (-)	7.052	5.388
Deferred Tax Asset Exceeding 10% of the Core Capital (-)	-	-
Amount in excess as per the 3rd Paragraph of the Article 56 of the Banking Law(-)	-	-
Total Core Capital	**1.125.265**	**948.929**

(Currency - Thousand Turkish Lira)

I. Explanations on capital adequacy standard ratio (continued):

	Current Period	Prior Period
SUPPLEMENTARY CAPITAL		
General Loan Loss Reserves	44.750	34.096
45% of the Revaluation Reserve for Movable Fixed Assets	-	(10)
45% of the Revaluation Reserve for Properties	24.985	16.718
Bonus Shares of Investment in Associates, Subsidiaries and Joint Ventures	-	-
Primary Subordinated Loans Excluded in the Calculation of The Core Capital	-	-
Secondary Subordinated Loans	-	-
45% of Marketable Securities Value Increase Fund	537	(1.438)
Indexation Differences For Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
Total Supplementary Capital	**70.272**	**49.366**
CAPITAL	**1.195.537**	**998.295**
DEDUCTIONS FROM THE CAPITAL	**1.511**	**513**
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Ten Percent or More of Capital	50	-
Shareholdings in Unconsolidated Banks and Financial Institutions (Domestic, Foreign) in which the Bank Owns Less than Ten Percent of Capital which Exceed the Ten Percent Of Bank's Core and Supplementary Capital	-	-
Secondary Subordinated Loans Granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and Placements that Possess the Nature of their Primary or Secondary Subordinated Debt	-	-
Loans Granted Being Non-Compliant with the Articles 50 and 51 of the Banking Law	-	-
The Net Book Value ofProperties Exceeding Fifty Percent of Equity and Properties Held for Sale and Properties and Commodity to be Disposed, Acquired In Exchange of Loans and Receivables According to the Article 57 of the Banking Law and Have Not Been Disposed Yet After 5 Years After Foreclosure	802	224
Securitization Positions to be Deducted from Equity	-	-
Other	659	289
TOTAL SHAREHOLDERS' EQUITY	**1.194.026**	**997.782**

e) 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.

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.) The Bank focuses to distribute the risk in different sectors evenly; accordingly the branches of the Bank are trying to reach companies from various sectors. In principle each branch tries to distribute overall risk in the branch evenly among sectors and development of the entities in critical sectors are observed.

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"**.**

(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 (**)
Conditional and unconditional receivables from central governments or central banks	1.485.330	1.206.023
Conditional and unconditional receivables from regional or local governments	10.364	6.329
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.192.296	1.246.635
Conditional and unconditional receivables from corporates	5.130.516	4.861.021
Conditional and unconditional retail receivables	1.676.750	1.478.025
Conditional and unconditional receivables secured by mortgages on property	3.119.582	3.299.414
Past due receivables	24.159	29.562
Receivables defined in high risk category by BRSA	10.499	4.726
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	483.425	411.409

(*) Represents amounts, before risk mitigating factors, after risk conversion factors.
(**) The average risk amount determined by arithmetical average of the values from monthly reports prepared from June 28 2012 (date of publishment of "Regulation on Measurement and Assesment of Capital Adequacy of Banks") to end of period.

(2) The Bank does not have derivative financial instruments like options, forwards etc.

II. Explanations on credit risk (continued):

(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.

(5) Share of cash receivables of the Bank from its top 100 and top 200 cash loan customers in total cash loans is 38% (Prior period - 37%) and 49% 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 45% (Prior period - 46%) and 58% respectively.

Share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan customers in total of balance sheet and non-cash loans is 33% (Prior period - 33%) and 44% respectively.

(6) The Bank's general provision amount for its credit risk is TL 103.100 (Prior period - TL 72.938).

(Currency - Thousand Turkish Lira)

II. Explanations on credit risk (continued):

(7) Profile on significant risks in significant regions:

	Risk Categories (*)							
	1	2	3	4	5	6	7	**Total**
Current Period								
Domestic	1.476.394	10.364	886.799	5.075.648	1.673.138	3.098.803	10.499	**12.231.645**
EU Countries	-	-	156.653	839	862	5.893	-	**164.247**
OECD countries (**)	-	-	2.905	-	-	-	-	**2.905**
Off-shore banking regions	-	-	944	994	-	2.627	-	**4.565**
USA, Canada	-	-	60.337	-	2	9.460	-	**69.799**
Other countries	8.936	-	84.658	53.035	2.748	2.799	-	**152.176**
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	**-**
Unallocated assets/liabilities	-	-	-	-	-	-	-	**-**
	1.485.330	**10.364**	**1.192.296**	**5.130.516**	**1.676.750**	**3.119.582**	**10.499**	**12.625.337**

(*) Risk classifications in the "Regulation on Measurement and Assesment of Capital Adequacy of Banks" will be used.
(**) OECD countries other than EU countries, USA and Canada.

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from banks and brokerage houses
4-Conditional and unconditional receivables from corporates
5-Conditional and unconditional retail receivables
6-Conditional and unconditional receivables secured by mortgages on property
7-Receivables defined in high risk category by BRSA

(Currency - Thousand Turkish Lira)

II. Explanations on credit risk (continued):

Risk Profile according to sectors and counterparties:

		Risk Categories											
	Sectors / Counterparties	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**TL**	**FC**	**Total**
1	**Agriculture**	**-**	**-**	**-**	**113.629**	**35.592**	**65.634**	**49**	**-**	**-**	**193.627**	**21.277**	**214.904**
1.1	Farming and stockbreeding	-	-	-	82.830	28.913	55.373	2	-	-	146.708	20.410	167.118
1.2	Forestry	-	-	-	30.740	6.446	10.091	47	-	-	46.555	769	47.324
1.3	Fishery	-	-	-	59	233	170	-	-	-	364	98	462
2	**Manufacturing**	**-**	**-**	**-**	**2.349.204**	**614.503**	**1.516.139**	**10.699**	**-**	**-**	**3.346.155**	**1.144.390**	**4.490.545**
2.1	Mining	-	-	-	41.236	7.129	22.380	12	-	-	64.809	5.948	70.757
2.2	Production	-	-	-	2.010.556	570.884	1.410.305	9.167	-	-	3.045.280	955.632	4.000.912
2.3	Electricity, gas, water	-	-	-	297.412	36.490	83.454	1.520	-	-	236.066	182.810	418.876
3	**Construction**	**-**	**-**	**-**	**1.457.462**	**250.748**	**591.316**	**10.262**	**-**	**-**	**1.681.197**	**628.591**	**2.309.788**
4	**Services**	**-**	**10.364**	**1.192.296**	**863.270**	**344.257**	**540.931**	**1.131**	**-**	**-**	**1.898.820**	**1.053.429**	**2.952.249**
4.1	Wholesale and retail trade	-	6.939	-	369.364	128.807	249.184	1.054	-	-	638.394	116.954	755.348
4.2	Hotel, food and beverage services	-	-	-	14.759	16.470	13.468	52	-	-	13.511	31.238	44.749
4.3	Transportation and telecommunication	-	-	-	78.026	31.171	41.606	5	-	-	79.073	71.735	150.808
4.4	Financial institutions	-	-	1.192.296	190.717	18.683	80.050	-	-	-	725.352	756.394	1.481.746
4.5	Real estate and renting services	-	-	-	71.354	87.207	82.483	-	-	-	195.217	45.827	241.044
4.6	Self-employment services	-	3.425	-	91.983	29.558	38.897	20	-	-	145.621	18.262	163.883
4.7	Education services	-	-	-	6.829	4.218	5.142	-	-	-	16.126	63	16.189
4.8	Health and social services	-	-	-	40.238	28.143	30.101	-	-	-	85.526	12.956	98.482
5	**Other**	**1.485.330**	**-**	**-**	**346.951**	**431.650**	**405.562**	**2.018**	**10.499**	**483.425**	**2.368.744**	**796.691**	**3.165.435**
6	**Total**	**1.485.330**	**10.364**	**1.192.296**	**5.130.516**	**1.676.750**	**3.119.582**	**24.159**	**10.499**	**483.425**	**9.488.543**	**3.644.378**	**13.132.921**

1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from banks and brokerage houses
4-Conditional and unconditional receivables from corporates
5-Conditional and unconditional retail receivables
6-Conditional and unconditional receivables secured by mortgages on property
7-Past due receivables
8-Receivables defined in high risk category by BRSA
9-Other Receivables

(Currency - Thousand Turkish Lira)

II. Explanations on credit risk (continued):

Distribution of risks with term structure according to remaining maturities:

		Time to Maturity				
	Risk Categories	**1 month**	**1–3 months**	**3–6 months**	**6–12 months**	**1 year and over**
1	Conditional and unconditional receivables from central governments or central banks	961.448	61.944	-	35.908	426.030
2	Conditional and unconditional receivables from regional or local governments	727	1.258	1.925	4.083	2.371
3	Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
4	Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
5	Conditional and unconditional receivables from international organizations	-	-	-	-	-
6	Conditional and unconditional receivables from banks and brokerage houses	332.508	425.536	352.956	28.424	52.872
7	Conditional and unconditional receivables from corporates	739.149	602.535	864.421	1.190.164	1.734.247
8	Conditional and unconditional retail receivables	270.551	290.303	334.410	370.289	411.197
9	Conditional and unconditional receivables secured by mortgages on property	312.904	313.649	423.821	670.010	1.399.198
10	Past due receivables	-	-	-	-	-
11	Receivables defined in high risk category by BRSA	-	-	-	-	10.499
12	Securities collateralized by mortgages	-	-	-	-	-
13	Securitization positions	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-
16	Other receivables	-	-	-	-	-
	GENERAL TOTAL	**2.617.287**	**1.695.225**	**1.977.533**	**2.298.878**	**4.036.414**

(Currency - Thousand Turkish Lira)

II. Explanations on credit risk (continued):

(8) 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	%50	%75	%100	%150	%200	%250	Deductions from Shareholders' Equity
1	Amount before credit risk mitigation	1.618.134	-	901.068	3.431.936	1.677.598	5.492.989	10.137	1.059	-	1.511
2	Amount after credit risk mitigation	2.037.522	-	901.068	3.431.015	1.593.765	5.158.844	9.697	1.010	-	1.511

(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:

	Sectors / Counterparties	Loans			
		Impaired Loans	Past Due	Value Adjustments	Provisions
1	**Agriculture**	**6.451**	**2.242**	**36**	**6.319**
1.1	Farming and stockbreeding	2.677	1.706	26	2.571
1.2	Forestry	3.517	536	10	3.495
1.3	Fishery	257	-	-	253
2	**Manufacturing**	**68.958**	**91.567**	**1.481**	**57.695**
2.1	Mining	2.080	960	12	2.072
2.2	Production	63.226	90.545	1.468	53.455
2.3	Electricity, gas, water	3.652	62	1	2.168
3	**Construction**	**100.348**	19.386	359	**91.181**
4	**Services**	**30.120**	**32.819**	**564**	**26.239**
4.1	Wholesale and retail trade	14.486	13.889	219	11.679
4.2	Hotel, food and beverage services	97	645	10	81
4.3	Transportation and telecommunication	3.890	3.763	60	3.662
4.4	Financial institutions	227	263	5	227
4.5	Real estate and renting services	4.504	11.780	225	4.492
4.6	Self-employment services	6.466	992	16	5.648
4.7	Education services	7	238	4	7
4.8	Health and social services	443	1.249	25	443
5	**Other**	**16.672**	**121.417**	**2.131**	**16.235**
6	**Total**	**222.549**	**267.431**	**4.571**	**197.669**

(Currency - Thousand Turkish Lira)

II. Explanations on credit risk (continued):

10) Information related to value adjustments and credit provisions:

	Opening Balance	Provision made during the period	Reversal of Provisions	Other Adjustments (*)	Closing Balance
1 Specific Provisions	158.882	92.774 (***)	(49.390) (**)	(4.597)	197.669
2 General Provisions	72.938	30.689	(8)	(519)	103.100

(*)Determined according to currency differences.
(**) Related balance includes reversal of provisions regarding write-off's in the amount of TL 20.401.
(***) Related balance includes reversal of provisions made within the same period in the amount of TL 8.389 .

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	1.126.363	813.885
Trading financial assets	1.583	-
Due from banks	1.037.112	1.307.472
Available-for-sale financial assets	151.300	84.540
Loans	9.058.404	7.264.810
Held to maturity investments	365.815	430.862
Finance lease receivables	41.659	22.150
Other assets	2.850	4.321
Total balance sheet items subject to credit risk	**11.785.086**	**9.928.040**
Contingent liabilities	5.213.281	5.198.114
Commitments	1.142.145	387.579
Total off-balance sheet items subject to credit risk	**6.355.426**	**5.585.693**
Total credit risk exposure	**18.140.512**	**15.513.733**

II. Explanations on credit risk (continued):

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 such 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	18,59 %	18,47 %
Average	78,97 %	77,25 %
Below average	2,44 %	4,28 %

(Currency - Thousand Turkish Lira)

III. Explanations on market risk:

(1) The Bank measures its market risk exposures within the framework of "Regulation on Measurement and Assesment 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 using internal model methods (VaR) 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 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 capital is stated below.

a) Information related to market risk:

		Amount
(I)	Capital requirement to be employed for general market risk - standard method	369
(II)	Capital requirement to be employed for specific risk - standard method	369
	Capital requirement against specific risks of securitisation positions– standard method	-
(III)	Capital requirement to be employed for currency risk - standard method	4.496
(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)	Capital requirement against counterparty credit risks - standard method	-
(VIII)	Capital requirement to be employed for market risks of banks using risk measurement model	-
(IX)	Total capital requirement to be employed for market risk (I+II+III+IV+V+VI+VII)	5.234
(X)	Amount subject to market risk (12,5 X VIII) or (12,5 x IX)	**65.425**

b) Average Market Risk Table Concerning Market Risk Calculated as of Month Ends During the Period:

	Current period			Prior period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	23	137	-	1.847	3.613	-
Share Certificates Risk	640	738	534	6.812	8.713	5.938
Currency Risk	6.086	8.231	4.496	50.064	76.375	35.300
Commodity Risk	-	-	-	-	-	-
Swap Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	-	-	-	-	-	-
Total Value Subject to Risk	**6.749**	**9.106**	**5.030**	**58.723**	**88.701**	**41.238**

III. Explanations on market risk (continued):

(2) Information on counterparty credit risk:

There are no transactions that require calculation of counterparty credit risk.

(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 Assesment 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:

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	500.700	418.488	417.124	445.437	15	66.816
Amount subject to Operational Risk (Total*12,5)						835.195

(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.

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:

Full TL	**USD**	**EUR**
As of December 31, 2012 - Balance sheet evaluation rate	1,780	2,355
As of December 28, 2012	1,782	2,358
As of December 27, 2012	1,785	2,362
As of December 26, 2012	1,788	2,369
As of December 25, 2012	1,789	2,360
As of December 24, 2012	1,791	2,366

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 full TL 1,778 for 1 USD (December 2011 – full TL 1,858), full TL 2,332 for 1 EURO (December 2011 – full TL 2,447) and full TL 2,121 for 100 JPY (December 2011 – full TL 2,430).

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 decrease/ increase of USD and EUR against TL.

	% change in foreign currency rate	**Effect on profit / loss**		**Effect on equity**	
		Current Period	**Prior Period**	**Current Period**	**Prior Period**
USD	10% increase	21.855	2.783	(28)	(382)
USD	10% decrease	(21.855)	(2.783)	28	382
EURO	10% increase	4.906	199	-	-
EURO	10% decrease	(4.906)	(199)	-	-

(Currency - Thousand Turkish Lira)

V. 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	410.423	566.233	201.244	1.177.900
Banks	99.689	189.414	104.679	393.782
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets	41	47.779	-	47.820
Loans and financial lease receivables(**)	1.102.193	2.676.139	-	3.778.332
Subsidiaries, associates and joint ventures	-	-	-	-
Held-to-maturity investments	-	8.936	-	8.936
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	1.844	1.844
Intangible assets	-	-	555	555
Other assets (***)	483	625	-	1.108
Total assets	**1.612.829**	**3.489.126**	**308.322**	**5.410.277**
Liabilities				
Current account and funds collected from banks via participation accounts	73.503	250.959	385	324.847
Other current and profit sharing accounts	935.738	2.143.901	284.960	3.364.599
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	547.404	846.426	-	1.393.830
Marketable securities issued	-	-	-	-
Miscellaneous payables	1.989	9.820	436	12.245
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	5.137	19.473	108	24.718
Total liabilities	**1.563.771**	**3.270.579**	**285.889**	**5.120.239**
Net balance sheet position	**49.058**	**218.547**	**22.433**	**290.038**
Net off balance sheet position	**658.975**	**1.663.526**	**31.309**	**2.353.810**
Derivative financial instruments assets				
Derivative financial instruments liabilities				
Non-cash loans (****)	658.975	1.663.526	31.309	2.353.810
Prior Period				
Total assets	1.407.285	2.645.611	335.590	4.388.486
Total liabilities	1.405.296	2.617.780	326.937	4.350.012
Net balance sheet position	**1.989**	**27.831**	**8.653**	**38.474**
Net off balance sheet position	**703.997**	**1.799.721**	**8.461**	**2.512.179**
Derivative financial instruments assets	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-
Non-cash loans	703.997	1.799.721	8.461	2.512.179

(*) TL 201.187 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 80.701 of the balance in Banks in other FC column represent precious metals accounts with banks, TL 282.007 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 2.627.537 (Prior period- TL 2.008.849).

(***) Foreign currency indexed receivables from credit sale of assets (Current period- none, prior period- TL 2.068) and foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 471 (Prior period- TL 128) is included in other assets.

(****) Does not have any effect on the net off-balance sheet position.

VI. Explanations on position risk of equity securities in banking book:

The Bank does not have an associate and subsidiary quoted on Istanbul Stock Exchange.

Realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:

			Revaluation Surpluses		Unrealized Gains and Losses		
	Portfolio	Gains/Losses in Current Period	Total	Amount included in Supplementary Capital	Total	Amount included In Core Capital	Amount included in Supplementary Capital
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	-	-	-
3	Other Shares	-	-	-	-	-	-
4	Total	-	-	-	-	-	-

(Currency - Thousand Turkish Lira)

VII. Explanations on liquidity risk:

In the banking sector, liquidity risk mainly arises from average maturity of sources being shorter than average maturity of utilizations. The Bank acts in a conservative manner in liquidity management and keeps necessary reserves to meet the liquidity requirements. The Bank utilizes some of its sources in short term foreign investments; receivables from loans are generally collected in monthly installments.

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 and share of profit/loss on projects funded from these accounts are allocated to such profit/loss sharing accounts. Accordingly, the Bank's assets and liabilities and profit share ratios are compatible.

The Bank covers TL and Foreign Currency (FC) liquidity needs mostly by the funds collected and also utilizes Syndicated Murabaha Loans and wakala borrowings from abroad. Moreover, the Bank takes care to keep the assets in short term liquid assets and prolong average maturity of the 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 utilized in case of a potential liquidity shortage are defined in the contingency plans.

As per the BRSA Communiqué "Measurement and Assessment of the Adequacy of Banks' Liquidity", starting from June 1, 2007 the weekly and monthly liquidity ratios for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. Liquidity ratios for the periods ending December 31, 2012 and December 31, 2011 are as follows:

Current Period	**First Maturity Bracket (Weekly)**		**Second Maturity Bracket (Monthly)**	
	FC	**FC + TL**	**FC**	**FC + TL**
Average (%)	239,38	242,35	167,72	180,48
Maximum (%)	345,05	295,33	238,14	213,75
Minimum (%)	117,02	194,66	104,38	155,78

Prior Period	**First Maturity Bracket (Weekly)**		**Second Maturity Bracket (Monthly)**	
	FC	**FC + TL**	**FC**	**FC + TL**
Average (%)	215,68	260,13	128,63	168,02
Maximum (%)	366,84	351,32	212,63	215,69
Minimum (%)	144,68	203,36	80,50	131,33

(Currency - Thousand Turkish Lira)

VII. Explanations on liquidity risk (continued):

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (*)	Total
Current Period								
Assets								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	390.189	910.454	-	-	-	-	-	1.300.643
Banks	1.037.112	-	-	-	-	-	-	1.037.112
Financial Assets at Fair Value Through Profit and Loss	6.192	-	-	-	-	-	-	6.192
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	1.269	-	1.230	36.771	67.019	46.280	-	152.569
Loans	4.723	1.110.022	1.196.996	3.425.424	3.172.979	165.039	-	9.075.183
Held-To-Maturity Investments	-	-	60.376	5.439	300.000	-	-	365.815
Other Assets	-	198	217	795	1.641	-	387.289	390.140
Total Assets	**1.439.485**	**2.020.674**	**1.258.819**	**3.468.429**	**3.541.639**	**211.319**	**387.289**	**12.327.654**
Liabilities								
Current account and funds collected from banks via participation accounts	73.137	117.711	77.323	51.028	-	-	-	319.199
Other current and profit sharing accounts	1.685.632	1.898.555	696.672	4.248.559	376.401	-	-	8.905.819
Funds provided from other financial institutions	-	430.744	128.176	834.910	-	-	-	1.393.830
Money Market Borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	155.753	10.787	-	-	-	149.858	316.398
Other liabilities	-	24.291	13.969	-	-	-	1.354.148	1.392.408
Total Liabilities	**1.758.769**	**2.627.054**	**926.927**	**5.134.497**	**376.401**	**-**	**1.504.006**	**12.327.654**
Net Liquidity Gap	**(319.284)**	**(606.380)**	**331.892**	**(1.666.068)**	**3.165.238**	**211.319**	**(1.116.717)**	**-**
Prior period								
Total Assets	1.871.497	1.278.022	1.324.605	2.861.438	2.697.715	125.166	302.442	10.460.885
Total Liabilities	1.852.343	2.323.464	913.271	3.774.717	344.287	-	1.252.803	10.460.885
Net Liquidity Gap	**19.154**	**(1.045.442)**	**411.334**	**(913.279)**	**2.353.428**	**125.166**	**(950.361)**	**-**

(*) 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 as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, are included here. The unallocated other liabilities row consists of equity , provisions and tax liabilities.

(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	1.758.769	2.016.266	773.995	4.299.587	376.401	-	9.225.018
Funds Borrowed from Other Financial Institutions	-	438.472	123.889	843.800	-	-	1.406.161
Borrowings from Money Markets	-	-	-	-	-	-	-
Total	**1.758.769**	**2.454.738**	**897.884**	**5.143.387**	**376.401**	**-**	**10.631.179**
Prior period							
Funds Collected	1.852.343	2.017.722	788.669	3.041.726	344.287	-	8.044.747
Funds Borrowed from Other Financial Institutions	-	288.901	668.102	102.734	-	-	1.059.737
Borrowings from Money Markets	-	-	-	-	-	-	-
Total	**1.852.343**	**2.306.623**	**1.456.771**	**3.144.460**	**344.287**	-	**9.104.484**

Breakdown of commitment and contingencies according to their remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
Current Period								
Letters of guarantee (*)	2.096.771	199.543	294.033	1.176.899	730.658	36.895	-	4.534.799
Bank acceptances	15.490	-	-	-	-	-	-	15.490
Letters of credit	473.669	1.308	1.524	1.332	-	-	-	477.833
Other commitments and contingencies	-	185.159	-	-	-	-	-	185.159
Total	**2.585.930**	**386.010**	**295.557**	**1.178.231**	**730.658**	**36.895**	**-**	**5.213.281**
Prior Period								
Letters of guarantee (*)	2.166.745	293.894	257.191	1.084.813	671.525	60.043	-	4.534.211
Bank acceptances	43.986	-	-	-	-	-	-	43.986
Letters of credit	470.506	30.820	-	3.772	1.080	-	-	506.178
Other commitments and contingencies	-	113.739	-	-	-	-	-	113.739
Total	**2.681.237**	**438.453**	**257.191**	**1.088.585**	**672.605**	**60.043**	**-**	**5.198.114**

(*) 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.

VIII. Securitisation Positions:

None.

IX. 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 June 28, 2012 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.

The appraisal of the mortgages for loans exceeding TL 3.000 or 5% of Bank’s shareholders’ equity are being made by the firms authorized by BRSA or Capital Market Board.

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.

(Currency - Thousand Turkish Lira)

IX. Credit risk mitigation techniques (continued):

Collaterals in terms of Risk Categories:

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.

Risk Categories	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	1.485.330	-	-	-
Conditional and unconditional receivables from regional or local governments	10.364	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.192.296	1.165	-	-
Conditional and unconditional receivables from corporates	5.130.516	333.901	-	53.609
Conditional and unconditional retail receivables	1.676.750	83.833	-	5.757
Conditional and unconditional receivables secured by mortgages on property	3.119.582	-	-	-
Past due receivables	24.159	-	-	-
Receivables defined in high risk category by BRSA	10.499	489	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	483.425	-	-	-

X. 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 reflects the possibility of loss due to fluctuations in the price of marketable securities regarding the position of the marketable securities included in the trading books of the Bank and the possibility of loss due to fluctuations in foreign exchange rates due to foreign exchange assets and liabilities included in balance sheet and off balance sheet.

Exchange rate risk or foreign currency risk included in market risk emerges when there are unexpected exchange rate movements in the foreign currency positions of the Bank included in its balance sheets. 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 legal authorities. 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. The Bank's strategy for the currency risk is keeping it at a balance and not having any short or long position.

X. Explanations on Risk Management Objectives and Policies (continued):

Liquidity Risk

The liquidity risk is defined as inability to keep sufficient level of cash to meet cash outflow needs arising from participation accounts that are due and other obligations as a result of cash flow imbalances.

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.

Regarding liquidity risk, 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 throughunits 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.

X. 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 misjudgments 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 takes necessary measures in order to keep operational risk at an acceptable level.

Other risks

Other risks the Bank is exposed to are strategic risk and reputation risk. The Bank's risk management system ,in order to prevent and/or control strategic risks, is prepared against changes in economical, 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.

XI. 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.

Carrying value of funds collected from financial institutions is assumed to approximate fair value as they are short term.

(Currency - Thousand Turkish Lira)

XI. Explanations on presentation of financial assets and liabilities at fair value (continued):

	Carrying value		Fair value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Money market placements	-	-	-	-
Banks	1.037.112	1.307.472	1.037.112	1.307.472
Financial assets at fair value through profit and loss	6.192	4.802	6.192	4.802
Financial assets available for sale	152.569	85.880	152.569	85.880
Held to maturity investments	365.815	430.862	372.497	430.270
Loans and financial lease receivables	9.100.063	7.286.960	9.321.770	7.141.219
Financial Liabilities				
Funds collected from banks via current accounts and profit sharing accounts	319.199	242.914	319.199	242.914
Other current and profit sharing accounts	8.905.819	7.801.833	8.905.819	7.801.833
Funds provided from other financial institutions	1.393.830	1.053.290	1.393.830	1.053.290
Marketable securities issued	-	-	-	-
Miscellaneous payables	316.398	177.002	316.398	177.002

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	Level I	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	4.609	1.583	-	6.192
Public sector debt securities	-	-	-	-
Equity securities	4.609	-	-	4.609
Derivative financial assets held for trading	-	-	-	-
Other	-	1.583	-	1.583
Financial assets- available for sale	-	151.300	-	151.300
Equity securities	-	-	-	-
Public sector debt securities	-	151.300	-	151.300
Other marketable securities	-	-	-	-
Financial liabilities				
Derivative financial liabilities held for trading	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-

XI. Explanations on presentation of financial assets and liabilities at fair value (continued):

Prior period	Level I	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	4.802	-	-	4.802
Public sector debt securities	-	-	-	-
Equity securities	4.802	-	-	4.802
Derivative financial assets held for trading	-	-	-	-
Other	-	-	-	-
Financial assets- available for sale	-	84.540	-	84.540
Equity securities	-	-	-	-
Public sector debt securities	-	84.540	-	84.540
Other marketable securities	-	-	-	-
Financial liabilities				
Derivative financial liabilities held for trading	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-

XII. 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.

(Currency - Thousand Turkish Lira)

XIII. 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	1.037.855	8.059.144	830.393	2.400.262	12.327.654
Total Liabilities	6.128.377	3.933.215	305.105	1.960.957	12.327.654
Net profit share income/(expense)(*)(**)	(225.759)	662.749	48.353	555	485.898
Net fees and commissions income/(expense)	2.507	104.494	(4.993)	11.345	113.353
Other operating income /(expense)	119	(63.203)	1.301	(296.243)	(358.026)
Profit before tax	(223.133)	704.040	44.661	(284.343)	241.225
Provision for tax	-	-	-	(49.390)	(49.390)
Net profit for the period	**(223.133)**	**704.040**	**44.661**	**(333.733)**	**191.835**

Prior Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	947.662	6.303.834	928.485	2.280.904	10.460.885
Total Liabilities	5.201.944	3.475.683	189.649	1.593.609	10.460.885
Net profit share income/(expense)(*)(**)	(182.777)	504.482	63.943	-	385.648
Net fees and commissions income/(expense)	931	85.435	(2.394)	6.360	90.332
Other operating income /(expense)	(3.190)	(39.051)	609	(232.185)	(273.817)
Profit before tax	(185.036)	550.866	62.158	(225.825)	202.163
Provision for tax	-	-	-	(42.008)	(42.008)
Net profit for the period	**(185.036)**	**550.866**	**62.158**	**(267.833)**	**160.155**

(*) 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.

(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 Period	
	TL	FC	TL	FC
Cash/foreign currency	56.903	52.220	49.197	58.135
CBRT	65.840	1.060.523	243.730	570.155
Other (*)	-	65.157	-	129.983
Total	**122.743**	**1.177.900**	**292.927**	**758.273**

(*) Includes precious metals amounting to TL 65.157 as of December 31, 2012 (Prior period- TL 129.983).

b) Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	65.840	150.069	243.730	107.457
Unrestricted time deposit	-	-	-	-
Restricted time deposit (*)	-	910.454	-	462.698
Total	**65.840**	**1.060.523**	**243.730**	**570.155**

In accordance with the “Communiqué Regarding the Reserve Requirements no. 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.

The reserve rates for TL liabilities vary between 5% and 11% for TL deposits and other liabilities according to their maturities as of 31 December 2012 (31 December 2011: for all TL liabilities between 5% and 11%). The reserve rates for foreign currency liabilities vary between 6% and 11,5% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2012 (31 December 2011: for all foreign currency liabilities between 6% and 11%).

(*) As of December 31, 2012, the reserve requirement held in standard gold is TL 136.030 (December 31, 2011: TL 96.627).

(Currency - Thousand Turkish Lira)

2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

There are no financial assets at fair value through profit and loss subject to repurchase transaction, given as collateral or blocked.

b) Positive differences on trading derivative instruments table:

The Bank does not have trading derivative instruments.

3. a) Information on banks:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	643.330	147.538	409.667	662.939
Abroad	-	246.244	-	234.866
Foreign head offices and branches	-	-	-	-
Total	**643.330**	**393.782**	**409.667**	**897.805**

b) Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted amount	**Restricted amount**	**Unrestricted amount**	**Restricted amount**
European Union Countries	156.246	-	98.373	-
USA and Canada	45.590	-	71.705	-
OECD Countries (*)	3.103	-	4.511	-
Off-shore banking regions	411	-	5.463	-
Other	40.894	-	54.814	-
Total	**246.244**	**-**	**234.866**	**-**

(*) 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:

None (Prior period- None).

b) Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	151.300	85.226
Quoted on a stock exchange(*)	151.300	85.226
Unquoted	-	-
Share certificates	1.269	1.340
Quoted on a stock exchange	-	-
Unquoted	1.269	1.340
Impairment provision (-)	-	686
Total	**152.569**	**85.880**

(*) Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

(Currency - Thousand Turkish Lira)

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 Period	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Direct loans granted to shareholders	24.660	77.314	13.341	41.215
Corporate shareholders	23.175	77.314	11.914	41.215
Real person shareholders	1.485	-	1.427	-
Indirect loans granted to shareholders	34.094	10.305	118	38.037
Loans granted to employees	5.275	-	3.743	-
Total	**64.029**	**87.619**	**17.202**	**79.252**

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 under close monitoring		
Cash loans	Loans and other receivables	Restructured or rescheduled		Loans and other receivables	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	**8.759.628**	**28.868**	**-**	**273.896**	**86.353**	**14.650**
Export loans	157.116	-	-	159	159	-
Import loans	1.145.688	-	-	20.378	4.577	131
Business loans	4.941.934	28.868	-	200.283	61.923	13.126
Consumer loans	987.501	-	-	14.797	1.970	779
Credit cards	140.948	-	-	1.116	-	-
Loans given to financial sector	17.735	-	-	-	-	-
Other (*)	1.368.706	-	-	37.163	17.724	614
Other receivables	**-**	**-**	**-**	**-**	**-**	**-**
Total	**8.759.628**	**28.868**	**-**	**273.896**	**86.353**	**14.650**

(*) Details of other loans are provided below:

Commercial loans with installments	610.413
Other investment credits	283.129
Loans given to abroad	206.523
Profit and loss sharing investments (**)	119.835
Loans for purchase of marketable securities for customer	180.027
Other	5.942
Total	**1.405.869**

(**)The related balance represents 10 profit and loss sharing investment 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 17.632 (Prior Period - TL 6.996) income in the accompanying financial statements in relation to such loans.

(Currency - Thousand Turkish Lira)

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	28.868	86.353
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	28.868	7.261
6 - 12 months	-	22.197
1 - 2 years	-	23.805
2 - 5 year	-	33.090
5 years and over	-	-

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 real persons and legal entities resident in Libya and real persons and legal entities having operations in or for Libya:

As of December 31, 2012, the Bank does not have any loan receivables 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	**3.422.185**	**-**	**84.391**	**34.030**
Loans	3.422.185	-	84.391	34.030
Other receivables	-	-	-	-
Medium and long-term loans and other receivables(*)	**5.308.575**	**28.868**	**88.502**	**66.973**
Loans	5.308.575	28.868	88.502	66.973
Other receivables	-	-	-	-
Total	**8.730.760**	**28.868**	**172.893**	**101.003**

(*) Loans with original maturities longer than a year are classified as "Medium and Long Term Loans".

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

ç) 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	**9.357**	**989.731**	**999.088**
Housing loans	2.045	873.364	875.409
Vehicle loans	2.247	40.652	42.899
Consumer loans	2.071	1.826	3.897
Other	2.994	73.889	76.883
Consumer loans-FC indexed	**-**	**872**	**872**
Housing loans	-	675	675
Vehicle loans	-	5	5
Consumer loans	-	-	-
Other	-	192	192
Consumer loans-FC	**-**	**-**	**-**
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	**37.790**	**4.999**	**42.789**
With installment	15.289	4.731	20.020
Without installment	22.501	268	22.769
Retail credit cards-FC	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	**1.515**	**823**	**2.338**
Housing loans	-	332	332
Vehicle loans	36	444	480
Consumer loans	1.479	42	1.521
Other	-	5	5
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	**2.657**	**280**	**2.937**
With installment	1.095	253	1.348
Without installment	1.562	27	1.589
Personnel credit cards-FC	**-**	**-**	**-**
With installment	-	-	-
Without-installment	-	-	-
Overdraft account-TL(real person)	**-**	**-**	**-**
Overdraft account-FC(real person)	**-**	**-**	**-**
Total	**51.319**	**996.705**	**1.048.024**

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

d) Information on commercial loans with installments and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TL	**353.290**	**101.007**	**454.297**
Business loans	76.133	14.853	90.986
Vehicle loans	82.586	14.869	97.455
Consumer loans	296	-	296
Other	194.275	71.285	265.560
Commercial installment loans-FC indexed	**143.230**	**12.886**	**156.116**
Business loans	38.035	7.466	45.501
Vehicle loans	17.667	737	18.404
Consumer loans	47	-	47
Other	87.481	4.683	92.164
Commercial installment Loans-FC	**-**	**-**	**-**
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	**89.123**	**7.215**	**96.338**
With installment	31.058	6.870	37.928
Without installment	58.065	345	58.410
Corporate credit cards-FC	**-**	**-**	**-**
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (legal entity)	**-**	**-**	**-**
Overdraft account-FC(legal entity)	**-**	**-**	**-**
Total	**585.643**	**121.108**	**706.751**

e) Allocation of loans by customers:

	Current Period	Prior Period
Public	648	1.209
Private	9.032.876	7.250.547
Total	**9.033.524**	**7.251.756**

f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	8.827.001	6.997.519
Foreign loans	206.523	254.237
Total	**9.033.524**	**7.251.756**

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

ğ) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	8.101	15.253
Loans and receivables with doubtful collectibility	55.894	16.133
Uncollectible loans and receivables	127.444	122.722
Total	**191.439**	**154.108**

In addition to specific provision for loans amounting TL 191.439 (Prior period – TL 154.108), provision amounting to TL 6.230 (Prior period – TL 4.774) have been provided for fees and commissions and other receivables with doubtful collectibility which sums up to total TL 197.669 (Prior period- TL 158.882). Specific provision for loans amounting to TL 149.959 (Prior period- TL 121.865) 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)	-	-	10.565
Restructured loans and other receivables	-	-	10.565
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before special provisions)	-	-	252
Restructured loans and other receivables	-	-	252
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	16.753	21.532	128.877
Additions in the current period (+)	51.858	39.307	3.273
Transfers from other categories of non-performing loans (+)	-	52.386	44.555
Transfers to other categories of non-performing loans (-)	52.386	44.555	-
Collections in the current period (-)	5.319	472	19.089
Write offs (-)	7	55	20.339
Corporate and commercial loans	2	21	19.068
Retail loans	5	34	1.151
Credit cards	-	-	120
Other	-	-	-
Closing balance of the current period	10.899	68.143	137.277
Specific provisions (-)	8.101	55.894	127.444
Net balance at the balance sheet	**2.798**	**12.249**	**9.833**

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

Non-performing loans and receivables in the amount of TL 216.319 (Prior period- TL 167.162) comprise TL 150.335 (Prior period- TL 123.621) 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 collectibility amounting to TL 6.230 (Prior period- TL 4.774). In the current period, collections from fees, commissions and other receivables with doubtful collectibility amounted to TL 2.759.

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 collectibility	Uncollectible loans and receivables
Current period(net):			
Period end balance	-	-	1.145
Specific provision (-)	-	-	1.145
Net balance on balance sheet	-	-	-
Prior period:			
Period end balance	-	-	2.459
Specific provision (-)	-	-	2.459
Net balance on balance sheet	-	-	-

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 collectibility	Uncollectible loans and receivables
Current period (net)	**2.798**	**12.249**	**9.833**
Loans to individuals and corporates (gross)	10.899	68.143	137.277
Specific provision (-)	8.101	55.894	127.444
Loans to individuals and corporates (net)	2.798	12.249	9.833
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	**1.499**	**5.400**	**6.155**
Loans to individuals and corporates (gross)	16.753	21.532	128.877
Specific provision (-)	15.254	16.132	122.722
Loans to individuals and corporates (net)	1.499	5.400	6.155
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-

(Currency - Thousand Turkish Lira)

5. Information on loans and receivables (continued):

ı. 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 No. 26333 dated November 01, 2006, have been written-off per the decision of the Bank management. In 2012, non-performing loans amounting to TL 20.401 were written-off (2011 – TL 37.245).

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**	**More than 91 days**	**Total**
Loans and Receivables					
Corporate Loans	260.652	64.418	51.354	-	376.424
Consumer Loans	70.696	6.320	4.851	-	81.867
Credit Cards	4.156	942	341	-	5.439
Total	**335.504**	**71.680**	**56.546**	**-**	**463.730**

Prior Period	**Less than 30 days**	**31-60 days**	**61-90 days**	**More than 91 days**	**Total**
Loans and Receivables					
Corporate Loans	92.247	123.179	64.873	-	280.299
Consumer Loans	41.117	7.272	12.562	-	60.951
Credit Cards	1.424	323	-	-	1.747
Total	**134.788**	**130.774**	**77.435**	**-**	**342.997**

(Currency - Thousand Turkish Lira)

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:

None (Prior period- None)

6.2) Information related to government securities held to maturity :

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities (*)	365.815	430.862
Total	**365.815**	**430.862**

(*) Consists of Sukook certificates issued by the Central Bank of Bahrain amounting to TL 8.937 (Prior period- TL 9.435), income indexed bonds issued by the Undersecretariat of Treasury of Turkey amounting to TL 51.439 (Prior period- TL 421.427) and sukuk certificates issued by the Undersecretariat of Treasury of Turkey amounting to TL 305.439 (Prior Period - None).

6.3) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	**365.815**	**430.862**
Quoted on a stock exchange(*)	356.879	421.427
Unquoted	8.936	9.435
Impairment provision(-)	-	-
Total	**365.815**	**430.862**

(*) 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	430.862	376.204
Foreign currency differences on monetary assets	(500)	3.500
Purchases during period	300.000	50.000
Disposals through sales and redemptions	(383.221)	(40.180)
Impairment provision (-)	-	-
Income accruals	18.674	41.338
Closing balance	**365.815**	**430.862**

(Currency - Thousand Turkish Lira)

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	1,67	-

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, 2012.

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
247.800	242.307	3.113	8.322	1	6.695	8.579	-

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:

The Bank has founded Bereket Varlık Kiralama A.Ş on 14.10.2011, the purpose of which is to obtain rental income by taking over the assets of the source institution and leasing them back to the source institution, issue rent certificates based on said rental income and pass on the related assets to source institution by the end of the rental period. Bereket Varlık Kiralama A.Ş has been founded to operate according to rulings of Turkish Trade Law about foundations of incorporations and complying with Communiqué on “Principles Related to Rent Certificates and Asset Leasing Companies “dated 01.04.2010 and numbered 27539 serial : 3 no: 43 published in Official Gazette by Capital Market Board of Turkey and other related regulations, upon BRSA's opinion dated 22.09.2011, numbered B.02,1.BDK.0.13.00.0-91.11-20564 and permission of Capital Market Board of Turkey dated 06.10.2011 numbered 32/923. The capital of the Company is TL 50 comprising 50.000 (full TL) shares with the nominal value of TL 1 (full TL).

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Bereket Varlık Kiralama A.Ş	İstanbul / Türkiye	99,99	99,99

The Bank did not consolidate financial statements of its subsidiary Bereket Varlık Kiralama A.Ş., considering the materiality principle.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from the unaudited financial statements as of December 31, 2012.

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	Additional Shareholders' Equity Required
34	34	-	-	-	(16)	-	-	-

(Currency - Thousand Turkish Lira)

8. Information on subsidiaries (net) (continued):

b) Information on consolidated subsidiaries:

The Bank does not have consolidated subsidiaries as of the balance sheet date.

9. Information on investments in joint- ventures:

The Bank does not have investments in joint- ventures as of the balance sheet date.

10. Information on lease receivables (net):

a) Presentation of remaining maturities of funds lent under finance lease method:

	Current Period		Prior Period	
	Gross	**Net**	**Gross**	**Net**
Less than a year	24.271	18.722	18.260	15.256
1 to 4 years	26.395	22.155	8.921	6.793
More than 4 years	828	782	117	101
Total	**51.494**	**41.659**	**27.298**	**22.150**

b) Information on net investments through finance lease:

	Current Period	**Prior Period**
Gross finance lease receivables	51.494	27.298
Unearned finance lease receivable (-)	9.835	5.148
Net receivable from finance leases	**41.659**	**22.150**

c) General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease Act numbered 3226. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

	Standard loans and Other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Restructured or rescheduled		Loans and other receivables	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Finance lease receivables Net)	34.367	-	-	1.480	-	5.812

11. Information on derivative financial assets for hedging purposes:

The Bank does not have any derivative financial assets for hedging purposes.

(Currency - Thousand Turkish Lira)

12. Information on tangible assets:

Current period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
Cost						
Opening balance:January 1,2012	**176.433**	**-**	**2.502**	**96.018**	**18.585**	**293.538**
Additions	6.478	-	579	33.180	252	40.489
Revaluation differences	24.090	-	-	-	-	24.090
Disposals	-	-	(987)	(4.181)	(3.138)	(8.306)
Impairment losses(-)/Reversal of impairment losses	(266)	-	-	-	3	(263)
Transfers	-		-	-	21.153	21.153
Ending balance: December 31,2012	**206.735**	**-**	**2.094**	**125.017**	**36.855**	**370.701**
Accumulated depreciation(-)						
Opening balance:January 1,2012	**13.990**	**-**	**1.721**	**46.201**	**477**	**62.389**
Depreciation expense	3.861	-	363	14.098	630	18.952
Reversal of depreciation of the disposed assets	(32)	-	(887)	(3.963)	(95)	(4.977)
Transfers	-	-	-	-	-	-
Ending balance: December 31,2012	**17.819**	-	**1.197**	**56.336**	**1.012**	**76.364**
Total cost at the end of the year	**206.735**	**-**	**2.094**	**125.017**	**36.855**	**370.701**
Total accumulated depreciation at the end of the year	**17.819**	**-**	**1.197**	**56.336**	**1.012**	**76.364**
Closing net book value	**188.916**	-	**897**	**68.681**	**35.843**	**294.337**

Prior period	Immovables	Leased tangible assets	Vehicles	Other	Assets Held for sale	Total
Cost						
Opening balance:January 1, 2011	**158.839**	**988**	**3.153**	**70.248**	**10.984**	**244.212**
Additions	6.169	-	244	27.694	192	34.299
Revaluation differences	11.400	-	-	-	-	11.400
Disposals	-	-	(895)	(2.912)	(7.758)	(11.565)
Impairment losses(-)/Reversal of impairment losses	25	-	-	-	(154)	(129)
Transfers	-	(988)	-	988	15.321	15.321
Ending balance: December 31, 2011	**176.433**	**-**	**2.502**	**96.018**	**18.585**	**293.538**
Accumulated depreciation(-)						
Opening balance:January 1, 2011	**10.522**	**510**	**2.018**	**38.502**	**336**	**51.888**
Depreciation expense	3.468	-	467	9.489	278	13.702
Reversal of depreciation of the disposed assets	-	-	(764)	(2.300)	(137)	(3.201)
Transfers	-	(510)	-	510	-	-
Ending balance: December 31, 2011	**13.990**	**-**	**1.721**	**46.201**	**477**	**62.389**
Total cost at the end of the year	**176.433**	**-**	**2.502**	**96.018**	**18.585**	**293.538**
Total accumulated depreciation at the end of the year	**13.990**	**-**	**1.721**	**46.201**	**477**	**62.389**
Closing net book value	**162.443**	**-**	**781**	**49.817**	**18.108**	**231.149**

As of December 31, 2012, the Bank has revalued its immovables and revaluation fund of TL 55.522 (Prior period- TL 37.150) net of deferred tax and depreciation, has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 119.781 (Prior period- TL 116.006) if revaluation method had not been adopted.

(Currency - Thousand Turkish Lira)

13. Information on intangible assets:

a) Opening and ending book values and accumulated depreciation balances:

	Current Period	Prior Period
Cost	15.872	11.123
Accumulated depreciation(-)	8.820	5.776
Total (net)	**7.052**	**5.347**

b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
Opening balance	4.798	2.173
Additions	5.286	4.859
Disposals (-), net	-	-
Depreciation expense (-)	3.032	1.685
Closing net book value	**7.052**	**5.347**

14. Information on investment property:

The Bank does not have investment property.

15. Information related to deferred tax asset:

As of December 31, 2012, the Bank calculated deferred tax asset of TL 22.910 (Prior period- TL 18.573) and deferred tax liability of TL 14.992 (Prior period- TL 9.970) 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.

	Current Period	Prior Period
Difference between carrying value and tax base of tangible assets	452	369
Provisions for impairment	175	144
Provisions for retirement and vacation pay liabilities	3.849	2.861
Discount on profit share and deferred commission income	18.364	14.062
Marketable securities valuation reserve	-	360
General reserves for possible losses	22	595
Other	48	182
Deferred tax asset	**22.910**	**18.573**
Revaluation reserve of immovables	13.880	9.287
Marketable securities valuation reserve	298	-
Discount on profit share	6	325
Other	808	358
Deferred tax liability	**14.992**	**9.970**
Deferred tax asset (net)	**7.918**	**8.603**

(Currency - Thousand Turkish Lira)

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	25.372	18.070
Additions	15.097	31.731
Disposals	(8.526)	(9.334)
Transfers (*)	(21.153)	(15.321)
Impairment Provision(-)/Reversal of Impairment Provision	(76)	226
Net closing balance	**10.714**	**25.372**

(*) The balance is transferred to assets to be disposed included in tangible assets.

The Bank has no discontinued operations and assets of discontinued operations.

17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 38.496 (Prior period- TL 18.926) and does not exceed 10% of balance sheet total.

(Currency - Thousand Turkish Lira)

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 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	**297.366**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**297.366**
II. Real Persons Participation Accounts Non-Trade TL	**-**	**644.324**	**167.469**	**27.565**	**-**	**1.979**	**2.672.571**	**-**	**3.513.908**
III. Current Account other-TL	**480.588**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**480.588**
Public Sector	20.029	-	-	-	-	-	-	-	20.029
Commercial Institutions	444.522	-	-	-	-	-	-	-	444.522
Other Institutions	14.779	-	-	-	-	-	-	-	14.779
Commercial and Other Institutions	94	-	-	-	-	-	-	-	94
Banks and Participation Banks	1.164	-	-	-	-	-	-	-	1.164
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	167	-	-	-	-	-	-	-	167
Participation Banks	997	-	-	-	-	-	-	-	997
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	**-**	**94.543**	**189.076**	**124.733**	**-**	**70.901**	**764.457**	**-**	**1.243.710**
Public Sector	-	10	-	-	-	-	1	-	11
Commercial Institutions	-	89.667	168.640	122.391	-	70.900	613.103	-	1.064.701
Other Institutions	-	4.866	19.398	2.342	-	1	147.804	-	174.411
Commercial and Other Institutions	-	-	1.038	-	-	-	-	-	1.038
Banks and Participation Banks	-	-	-	-	-	-	3.549	-	3.549
V. Real Persons Current Accounts Non- Trade FC	**230.163**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**230.163**
VI. Real Persons Participation Accounts Non-Trade FC	**-**	**294.512**	**138.365**	**23.133**	**-**	**3.671**	**1.306.992**	**-**	**1.766.673**
VII. Other Current Accounts FC	**537.895**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**537.895**
Residents in Turkey-Corporate	441.060	-	-	-	-	-	-	-	441.060
Residents Abroad-Corporate	24.863	-	-	-	-	-	-	-	24.863
Banks and Participation Banks	71.972	-	-	-	-	-	-	-	71.972
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	70.668	-	-	-	-	-	-	-	70.668
Participation Banks	1.304	-	-	-	-	-	-	-	1.304
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other-FC	**-**	**73.073**	**214.095**	**48.170**	**-**	**55.232**	**482.137**	**-**	**872.707**
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	15.609	115.773	796	-	-	401.512	-	533.690
Other institutions	-	354	28.589	3	-	-	26.731	-	55.677
Commercial and Other Institutions	-	56	50	-	-	-	40.720	-	40.826
Banks and Participation Banks	-	57.054	69.683	47.371	-	55.232	13.174	-	242.514
IX. Precious Metals Deposits	**212.757**	**-**	**68.744**	**225**	**-**	**-**	**282**	**-**	**282.008**
X. Participation Accounts 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+X+XI)	**1.758.769**	**1.106.452**	**777.749**	**223.826**	**-**	**131.783**	**5.226.439**	**-**	**9.225.018**

(Currency - Thousand Turkish Lira)

1. Information on 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 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	**256.870**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**256.870**
II. Real Persons Participation Accounts Non-Trade TL	**-**	**959.512**	**186.448**	**48.152**	**-**	**1.493**	**1.810.383**	**-**	**3.005.988**
III. Current Account other-TL	**617.669**	-	-	-	-	-	-	-	**617.669**
Public Sector	6.342	-	-	-	-	-	-	-	6.342
Commercial Institutions	572.780	-	-	-	-	-	-	-	572.780
Other Institutions	8.028	-	-	-	-	-	-	-	8.028
Commercial and Other Institutions	33	-	-	-	-	-	-	-	33
Banks and Participation Banks	30.486	-	-	-	-	-	-	-	30.486
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	288	-	-	-	-	-	-	-	288
Participation Banks	30.198	-	-	-	-	-	-	-	30.198
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	**-**	**81.447**	**110.046**	**108.186**	**-**	**15.413**	**602.132**	**-**	**917.224**
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	71.337	100.187	108.125	-	15.411	570.964	-	866.024
Other Institutions	-	10.110	8.782	61	-	2	27.885	-	46.840
Commercial and Other Institutions	-	-	-	-	-	-	40	-	40
Banks and Participation Banks	-	-	1.077	-	-	-	3.243	-	4.320
V. Real Persons Current Accounts Non- Trade FC	**150.611**	-	-	-	-	-	-	-	**150.611**
VI. Real Persons Participation Accounts Non-Trade FC	**-**	**398.158**	**159.273**	**34.591**	**-**	**3.807**	**854.517**	**-**	**1.450.346**
VII. Other Current Accounts FC	**502.352**	-	-	-	-	-	-	-	**502.352**
Residents in Turkey-Corporate	392.011	-	-	-	-	-	-	-	392.011
Residents abroad-Corporate	72.958	-	-	-	-	-	-	-	72.958
Banks and Participation Banks	37.383	-	-	-	-	-	-	-	37.383
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	28.792	-	-	-	-	-	-	-	28.792
Participation Banks	8.591	-	-	-	-	-	-	-	8.591
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other- FC	**-**	**50.890**	**128.436**	**116.681**	**-**	**7.283**	**515.584**	**-**	**818.874**
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	34.928	59.555	206	-	-	453.025	-	547.714
Other Institutions	-	1.132	10.886	37.926	-	-	20.162	-	70.106
Commercial and Other Institutions	-	124	1.160	-	-	-	29.045	-	30.329
Banks and Participation Banks	-	14.706	56.835	78.549	-	7.283	13.352	-	170.725
IX. Precious Metals Deposits	**324.813**	-	-	-	-	-	-	-	**324.813**
X. Participation Accounts 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+X+XI)	**1.852.315**	**1.490.007**	**584.203**	**307.610**	**-**	**27.996**	**3.782.616**	**-**	**8.044.747**

1. Information on funds collected (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	1.704.459	1.556.243	2.102.987	1.701.920
Foreign currency accounts	629.491	598.409	1.638.371	1.326.994
Foreign branches' deposits subject to foreign 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 50 (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) Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance:

The head office of the Bank is in Turkey.

b.3) 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	6.265	399
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	4.701	5.673
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	-	-

(Currency - Thousand Turkish Lira)

2. Information on derivative financial liabilities held for trading:

The Bank has no derivative financial liabilities held for trading.

3. Information on borrowings:

The Bank has obtained a Syndicated Murabaha Loan amounting to USD 293.200.000 and EUR 124.500.000 with a maturity of one year. The loan agreement has been signed on September 11, 2012.

As of December 31, 2012, the Bank has wakala borrowings in the amount of USD 181.629.432 and EUR 107.413.509 obtained from foreign banks in accordance with investment purpose wakala contracts.

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	-	-	-	17.235
Loans from foreign banks, institutions and funds	-	1.393.830	-	1.036.055
Total	**-**	**1.393.830**	**-**	**1.053.290**

b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	1.393.830	-	1.053.290
Medium and Long-Term	-	-	-	-
Total	**-**	**1.393.830**	**-**	**1.053.290**

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 (excluding off-balance sheet commitments) and breakdown of items which constitute at least 20% of grand total:

As of balance sheet date, other liabilities (excluding off balance sheet commitments) do not exceed 10% of the balance sheet total.

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.

(Currency - Thousand Turkish Lira)

5. Lease payables (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	18.825	14.406
1 to 4 years	54.320	41.865
Over 4 years	49.550	39.233
Total	**122.695**	**95.504**

6. Information on hedging derivative financial liabilities:

The Bank does not have hedging derivative financial liabilities.

7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General provision for	**103.100**	**72.938**
I. Group loans and receivables (Total)	**85.480**	**57.181**
Participation Accounts' Share	55.007	34.711
Bank's Share	30.473	22.470
Others	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group I	***1.087***	***663***
Participation Accounts' Share	*924*	*565*
Bank's Share	*163*	*98*
Others	-	-
II. Group loans and receivables (Total)	**5.552**	**5.559**
Participation Accounts' Share	3.343	4.131
Bank's Share	2.209	1.428
Others	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group II	***5.105***	***210***
Participation Accounts' Share	*3.273*	*131*
Bank's Share	*1.832*	*79*
Others	-	-
Non-cash loans	**12.068**	**10.198**
Others	**-**	**-**

(Currency - Thousand Turkish Lira)

7. Information on provisions (continued):

b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2012, provision for foreign exchange losses on foreign currency indexed loans amounting to TL 20.540 (Prior period- TL 5.644) has been offset against the loans included in the assets of the balance sheet.

c) Information on specific provisions for non-cash loans that are not indemnified and converted into cash:

As of December 31, 2012, the Bank has provided specific provisions amounting to TL 10.053 for non-cash loans that are not indemnified and converted into cash (Prior period – TL 9.879).

ç) Other provisions:

ç.1) Information on general reserves for possible losses:

	Current Period	**Prior Period**
General Reserves for Possible Losses	108	2.976
Total	**108**	**2.976**

ç.2) Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	**Prior Period**
Provision for unindemnified non-cash loans	10.053	9.880
Payment commitments for checks	2.225	1.970
Provisions allocated from profit shares to be distributed to profit sharing accounts(*)	963	43.998
Provision for promotions related with credit cards and promotion of banking services	124	124
General reserves for possible losses	108	2.976
Total	**13.473**	**58.948**

(*) 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''.

(Currency - Thousand Turkish Lira)

7. Information on provisions (continued):

d) Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 14.850 (Prior period- TL 10.602) and vacation pay liability amounting to TL 4.395 (Prior period - TL 3.705), totaling to TL 19.245 (Prior period - TL 14.307). 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 (%)	8,6	10,0
Estimated increase rate of salary ceiling (%)	5,0	5,1
Rate used in relation to possibility of retirement (*) (%)	71,8	77,3

(*) 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	10.602	8.856
Provisions made in the period	9.204	3.729
Actuarial gain/(loss)	(2.899)	(639)
Paid during the period	(2.057)	(1.344)
Balance at the end of the period	**14.850**	**10.602**

(Currency - Thousand Turkish Lira)

8. Information on taxes payable:

a) Explanations on current tax liability:

a.1) As of December 31, 2012, the Bank's corporate tax payable is TL 13.969 (Prior period- TL 15.750) after offsetting prepaid corporate tax.

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	13.969	15.750
Taxation on securities income	6.393	5.082
Taxation on real estate income	305	260
Banking insurance transaction tax	4.818	5.783
Foreign exchange transaction tax	-	-
Value added tax payable	527	310
Other	7.463	3.709
Total	**33.475**	**30.894**

a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	2.163	2.007
Social security premiums-employer	2.161	2.077
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	153	141
Unemployment insurance-employer	305	282
Other	-	-
Total	**4.782**	**4.507**

b) Information on deferred tax liability:

The Bank does not have net deferred tax liability as of the balance sheet date.

9. Liabilities for assets held for sale and discontinued operations:

None.

10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

None.

11. Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	900.000	539.000
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:

Registered capital system is not applied at the Bank.

Share Capital System	Paid in Capital	Ceiling
Share Certificate Equivalence	900.000	-

c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

Date of Increase	Amount Increased	Cash	Profit Reserves Used in the Increase	Capital Reserves Used in the Increase
27.06.2012	361.000	-	361.000	-

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.

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 capital increase or transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

11. Information on shareholders' equity (continued):

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 (*)	1.193	-	(1.438)	-
Foreign exchange difference	-	-	-	-
Total	**1.193**	**-**	**(1.438)**	**-**

(*) The amount represents the net balance after deferred tax liability.

(Currency - Thousand Turkish Lira)

III. Explanations and notes related to off-balance sheet commitments:

1. Explanations on off balance sheet commitments:

a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Forward Asset Purchase Commitments	528.733	-
Share capital commitment to associates and subsidiaries	-	1.000
Loan granting commitments	39.577	18.278
Payment commitments for checks	263.656	190.160
Tax and funds liabilities arising from export commitments	1.043	576
Commitments for credit card limits	306.032	173.723
Commitments for promotions related with credit cards and banking activities	323	45
Other irrevocable commitments	2.781	3.797
Total	**1.142.145**	**387.579**

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	4.534.799	4.534.211
Acceptances	15.490	43.986
Letters of credit	477.833	506.178
Other guaranties and sureties	185.159	113.739
Total	**5.213.281**	**5.198.114**

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	4.534.799	4.534.211
Long standing letters of guarantees	2.854.776	2.866.374
Temporary letters of guarantees	496.096	514.815
Advance letters of guarantees	275.550	316.178
Letters of guarantees given to customs	173.679	191.214
Letters of guarantees given for obtaining cash loans	734.698	645.630
Sureties and similar transactions	185.159	113.739
Total	**4.719.958**	**4.647.950**

(Currency - Thousand Turkish Lira)

III. Explanations and notes related to off-balance sheet commitments (continued):

c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Guarantees given for obtaining cash loans	734.698	645.630
With original maturity of 1 year or less	410.984	420.991
With original maturity of more than 1 year	323.714	224.639
Other non-cash loans	4.478.583	4.552.484
Total	**5.213.281**	**5.198.114**

c.2) Sectoral risk concentration of non-cash loans:

	Current period				Prior period			
	TP	(%)	FC	(%)	TP	(%)	FC	(%)
Agricultural	**123.945**	**4,34**	**10.567**	**0,45**	**62.105**	**2,31**	**7.701**	**0,31**
Farming and stockbreeding	61.924	2,17	10.233	0,43	54.032	2,01	941	0,04
Forestry	62.019	2,17	200	0,01	8.064	0,30	6.760	0,27
Fishery	2	-	134	0,01	9	0,00	0	0,00
Manufacturing	**817.564**	**28,59**	**924.033**	**39,26**	**720.975**	**26,84**	**1.032.790**	**41,12**
Mining	24.956	0,87	6.001	0,25	11.854	0,44	38.135	1,52
Production	533.485	18,66	643.662	27,35	529.404	19,71	638.029	25,40
Electricity, gas and water	259.123	9,06	274.370	11,66	179.717	6,69	356.626	14,20
Construction	**1.135.882**	**39,72**	**554.037**	**23,54**	**1.201.297**	**44,73**	**671.679**	**26,74**
Services	**446.690**	**15,62**	**541.914**	**23,03**	**410.950**	**15,30**	**420.471**	**16,73**
Wholesale and retail trade	125.907	4,40	111.703	4,75	125.595	4,68	103.355	4,11
Hotel, food and beverage services	5.843	0,20	40.611	1,73	6.032	0,22	62.422	2,48
Transportation and telecommunication	39.603	1,38	47.122	2,00	28.549	1,06	30.314	1,21
Financial Institutions	60.543	2,12	199.754	8,49	77.291	2,88	129.033	5,14
Real estate and renting services	98.867	3,46	35.007	1,49	52.593	1,96	33.653	1,34
Self-employment services	11.918	0,42	90.738	3,85	12.364	0,46	13.383	0,53
Education services	14.072	0,49	82	0,00	14.702	0,55	856	0,03
Health and social services	89.937	3,15	16.897	0,72	93.824	3,49	47.455	1,89
Other	**335.390**	**11,73**	**323.259**	**13,72**	**290.608**	**10,82**	**379.538**	**15,10**
Total	**2.859.471**	**100,00**	**2.353.810**	**100,00**	**2.685.935**	**100,00**	**2.512.179**	**100,00**

c.3) Information on the non-cash loans classified in Group I and Group II:

	I st Group		II nd Group	
	TL	FC	TL	FC
Non-cash loans	**2.796.240**	**2.326.007**	**63.231**	**27.803**
Letters of guarantee	2.789.133	1.657.947	63.231	24.488
Bank acceptances	-	15.490	-	-
Letters of credit	6.296	468.222	-	3.315
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	811	184.348	-	-

2. Explanations on derivative transactions:

The Bank does not have any derivative financial instruments.

3. Explanations on contingent assets and liabilities:

The Bank has made a provision amounting to TL 108 , as presented under “Other Provisions” note in Section Five Note II.7.ç ,for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows and. 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

(Currency - Thousand Turkish Lira)

IV. Explanations and notes related to the statement of income:

I. 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 (*)	**903.594**	**62.810**	**677.115**	**41.195**
Short Term Loans	395.017	8.091	259.730	8.390
Medium and Long Term Loans	502.727	54.342	407.934	32.404
Loans Under Follow up	5.850	377	9.451	401
Premiums Received from Resource Utilization Support Fund	-	-	-	-

(*) Includes fees and commission income on cash loans.

b) Information on profit share income received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	-	-	-	-
Domestic Banks	1.199	-	593	-
Foreign Banks	-	513	-	-
Head Offices and Branches Abroad	-	-	-	-
Total	**1.199**	**513**	**593**	**-**

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	-	-	-	-
From financial assets available-for-sale	5.782	344	7.207	-
From held-to-maturity investments	18.503	172	40.659	679
Total	**24.285**	**516**	**47.866**	**679**

ç) Information on profit share income received from associates and subsidiaries:

The Bank has not received profit share income from associates and subsidiaries.

(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 Period		Prior Period	
	TL	FC	TL	FC
Banks	-	30.549	-	18.370
CBRT	-	-	-	-
Domestic banks	-	218	-	146
Foreign banks	-	30.331	-	18.224
Head offices and branches abroad	-	-	-	-
Other institutions	-	-	-	-
Total	**-**	**30.549**	**-**	**18.370**

b) Profit share expense paid to associates and subsidiaries:

There is no profit share expense paid to associates and subsidiaries of the Bank.

c) Profit share expenses paid to marketable securities issued:

There is no profit share expense paid to marketable securities of the Bank.

ç) Distribution of profit share expense on funds collected based on maturity of funds collected:

	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	Total
TL								
Funds collected from banks through current and profit sharing accounts	-	14	-	-	-	356	-	370
Real persons' non-trading profit sharing accounts	64.908	14.233	3.021	-	129	198.488	-	280.779
Public sector profit sharing accounts	1	77	-	-	-	127	-	205
Commercial sector profit sharing accounts	5.662	12.834	6.073	-	1.255	53.832	-	79.656
Other institutions profit sharing accounts	688	1.746	25	-	-	6.077	-	8.536
Total	**71.259**	**28.904**	**9.119**	**-**	**1.384**	**258.880**	**-**	**369.546**
FC								
Banks	1.472	2.563	1.878	-	1.358	589	-	7.860
Real persons' non-trading profit sharing accounts	13.116	5.234	1.025	-	131	44.549	-	64.055
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	1.150	7.480	9	-	4.285	20.010	-	32.934
Other institutions profit sharing accounts	31	1.132	147	-	-	4.002	-	5.312
Precious metals deposits	-	183	1	-	-	1	-	185
Total	**15.769**	**16.592**	**3.060**	**-**	**5.774**	**69.151**	**-**	**110.346**
Grand total	**87.028**	**45.496**	**12.179**	**-**	**7.158**	**328.031**	**-**	**479.892**

(Currency - Thousand Turkish Lira)

3. Information on dividend income:

	Current Period		Prior Period	
	TP	**YP**	**TP**	**YP**
From trading financial assets	788	-	-	-
From financial assets at fair value through profit and loss	-	-	-	-
From available for sale financial assets	-	-	-	-
Other	-	-	-	-
Total	**788**	**-**	**-**	**-**

4. Explanations on trading income/loss (net):

	Current Period	Prior Period
Income	**2.090.743**	**2.532.463**
Income from capital market transactions	-	346
Income from derivative financial instruments	-	-
Foreign exchange income	2.090.743	2.532.117
Loss (-)	**2.070.346**	**2.511.239**
Loss on capital market transactions	175	-
Loss on derivative financial instruments	-	-
Foreign exchange losses	2.070.171	2.511.239
Trading income/loss (net)	**20.397**	**21.224**

(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
Reimbursement for communication expenses	1.976	997
Reimbursement for bank statement expenses	1.348	1.167
Reversal of prior year provisions	73.779	44.942
Income from sale of assets	5.935	6.648
Cheque book charges	659	656
Other income	1.425	1.050
Total	**85.122**	**55.460**

6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	**84.385**	**58.038**
Loans and receivables in III. Group	33.715	35.705
Loans and receivables in IV. Group	40.712	8.393
Loans and receivables in V. Group	6.834	11.671
Doubtful commission, fee and other receivables	3.124	2.269
General provision expenses	**30.689**	**20.834**
Provision expenses for possible losses	**1**	**2.906**
General provision expenses	-	186
Provision expenses for possible losses	-	186
Impairment losses on marketable securities	-	-
Financial assets at fair value through profit and loss	-	-
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	**7.337**	**24.377**
Total	**122.412**	**106.341**

TL 63.675 (Prior period- TL 42,507) of the total specific provisions provided for loan and other receivables amounting to TL 84.385 (Prior period- TL 58,058) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 20.035 (Prior Period- TL 7.064) of the total general loan loss provisions provided for loan and other receivables amounting to TL 30.689 (Prior Period- 20.834 TL) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

(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	201.416	141.882
Provision for retirement pay liability	4.248	1.746
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	266	-
Depreciation expenses of tangible assets	18.153	13.530
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	3.077	1.685
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	100	237
Depreciation expenses of assets to be disposed	630	278
Impairment expenses of assets held for sale and assets of discontinued operations	101	31
Other operating expenses	66.552	53.035
Operating lease expenses	26.323	19.617
Maintenance expenses	3.600	3.007
Advertisement expenses	7.145	6.155
Other expenses	29.484	24.256
Loss on sale of assets	189	391
Other	47.189	31.345
Total	**341.921**	**244.160**

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 19 % compared to prior period and is realized as TL 241.225. Income before tax comprises net profit share income in the amount of TL 485.898 and fees and commission income in the amount of TL 113.353. Total other operating expenses amount to TL 341.921.

9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	241.225	202.163
Tax calculated with tax rate of 20%	48.245	40.433
Other additions and disallowable expenses	4.882	3.574
Deductions	(3.737)	(1.999)
Tax calculated	49.390	42.008

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

(Currency - Thousand Turkish Lira)

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 191.835 (Prior period – TL 160.155) by deducting tax provision expense amounting to TL 49.390 (Prior period – TL 42.008) from profit from continued operations amounting to TL 241.225 (Prior period – TL 202.163) .

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.

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	30.274	28.572
Commissions on money orders	5.610	4.440
Credit cards commissions and fees	3	43
Other	21.852	17.830
Total	**57.739**	**50.885**

Other Fees and Commissions Paid	Current Period	Prior Period
Clearing room	89	4.540
Funds borrowed	7.429	4.911
Member firm-POS	6.123	5.449
Credit cards commissions and fees	4.330	2.615
Other	3.838	2.354
Total	**21.809**	**19.869**

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.

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.

(Currency - Thousand Turkish Lira)

VI. Explanations and notes related to the cash flows statement:

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, checks 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	**458.519**	**411.946**
Cash in TL/foreign currency	107.332	74.457
Cash in transit	-	-
CBRT	351.187	337.489
Cash equivalents	**1.307.472**	**730.967**
Domestic banks	1.072.606	637.044
Foreign banks	234.866	93.923
Total cash and cash equivalents	**1.765.991**	**1.142.913**

(ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	**325.032**	**458.519**
Cash in TL/foreign currency	109.123	107.332
Cash in transit	-	-
CBRT	215.909	351.187
Cash equivalents	**1.037.112**	**1.307.472**
Domestic banks	790.868	1.072.606
Foreign banks	246.244	234.866
Total cash and cash equivalents	**1.362.144**	**1.765.991**

2. 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 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 (-) 14.864 (Prior period- TL (-) 63.247) mainly comprises other operating expenses excluding personnel expenses.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 31.939 (Prior period - TL (-) 9.920) 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 2.065 as of December 31, 2012 (Prior period - TL 52.392).

(Currency - Thousand Turkish Lira)

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 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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	-	-	8	-	179	38.037
Balance at the end of the period	-	-	9	-	34.253	10.305
Profit share and commission income received	-	-	-	-	450	196

b. Prior period:

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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of period	-	-	5	-	99	27.442
Balance at end of period	-	-	8	-	179	38.037
Profit share and commission income received	-	-	-	-	5	100

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 Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and profit sharing accounts						
Balance at the beginning of period	41	-	1.360	775	350.647	367.085
Balance at the end of period	33	41	1.647	1.360	229.835	350.647
Profit share expense	-	-	214	51	10.290	21.195

(*) As of December 31, 2012 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 148.629.432 and EURO 76.113.509 (Prior Period-104.534.953 USD and 70.538.802 EURO). The profit share expense relating to such borrowings for the period between January 1, 2012 – December 31, 2012 is TL 10.944 (Prior period-2.597 TL).

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, 2012; the Bank has paid TL 8.320 (Prior period- TL 5.982) 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	136	1.806			
			Country		
Foreign Representation Office	-	-	-		
				Total Assets (thousand TL)	Statutory Share Capital
Foreign Branches	1	10	Iraq	36.013	USD 7.000.000
Off-Shore Branches	-	-	-	-	-

2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:

In 2012, the Bank has opened 14 domestic branches.

IX. Explanations related to subsequent events:

Based on the "Communiqué on the Amendment to the Communiqué on Reserve Requirements" published in the Official Gazette dated February 20, 2013 numbered 28565; the reserve rates has been determined between 5% and 11,5% for TL deposits and other liabilities according to their maturities, the reserve rates for foreign currency liabilities has been determined between 6% and 12,5% for foreign currency deposit and other foreign currency liabilities according to their maturities to be effective March 1,2013.

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 auditors' report

I. Explanations on independent auditors' report:

The Bank's unconsolidated financial statements as of and for the year ended December 31, 2012 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 28, 2013 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.

ISSUER

Bereket Varlık Kiralama A.Ş.
Saray Mh. Dr. Adnan Büyükdeniz Cd. No: 6
34768 Ümraniye
Istanbul
Republic of Turkey

THE BANK AND SELLER

Albaraka Türk Katilim Bankası A.Ş.
Saray Mh. Dr. Adnan Büyükdeniz Cd. No: 6
34768 Ümraniye
Istanbul
Republic of Turkey

REPRESENTATIVE

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon (Luxembourg) S.A.
2-3 rue Eugene Ruppèrt
Vertigo Building – Polaris
L-2453 Luxembourg
Luxembourg

JOINT LEAD MANAGERS

Emirates NBD Capital Limited Level 4 DIFC Gate Building – East Wing Dubai International Financial Centre P.O. Box 506710 Dubai United Arab Emirates	**Nomura International plc** 1 Angel Lane London EC4R 3AB United Kingdom	**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

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISERS

To the Joint Lead Managers as to English law

Clifford Chance LLP
Building 6, Level 2
The Gate Precinct
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 Binasi Kat. 10
Büyükdere Cad. No. 185
34394 Levent
Istanbul
Turkey

To Albaraka
as to English law

Norton Rose Fulbright (Middle East) LLP
4th Floor, Gate Precinct Building 3
Dubai International Financial Centre
P.O. Box 103747
Dubai, United Arab Emirates

To the Issuer and to Albaraka
as to Turkish law

Somay Hukuk Bürosu
Büyükdere Cad. Onur Is
Hani No: 118 K:7
Esentepe/Istanbul
Turkey

To the Representative as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

AUDITORS TO ALBARAKA TÜRK KATILIM BANKASI A.Ş.

Guney Bagımsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.Ş,
a member firm of Ernst & Young Global Limited
Beytem Plaza,Büyükdere Caddesi
No:22 Kat:9 10
Şişli 34381
Istanbul
Turkey