



alBaraka 

Annual Report 2011

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Directory

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172	Albaraka Banking Group

2,601

growing dynamism

Every member of the 2,601-strong Albaraka Türk team strives with steadily growing dynamism and dedication to achieve the goal of being the world's best participation bank.



More dynamic, more profitable, more productive...

A respected member of the Turkish banking industry, Albaraka Türk continues to pursue organic growth as a service provider that makes an increasingly greater contribution to the national economy through its more than a quarter of a century of experience and expertise. It advances sure-footedly towards its goal of being the world's best participation bank.

Albaraka Türk continuously expands its product and service lineup in order to take a dynamic approach in order to respond to the changing demands of customers while adhering to modern banking principles. The bank keeps its superior service standards ever ready to meet the demands of future competition and it advances through strategies that seek to further increase customers' satisfaction and simultaneously its own productivity, effectiveness, and profitability.

Our Vision - Our Mission - Our Quality Policy

Our Vision

To be the world's best participation bank

Our Mission

Committed to the principles of interest-free banking and in accordance with our corporate values and the ethical principles of banking: to meet the financial needs of society by sharing our common benefits with customers, employees and shareholders who participate in our success.

Our Quality Policy

With the employees who are well-trained, regard quality as a way of life and continuously renew themselves:

- Offer products and services so as to meet the existing and possible expectations of our customers;
- Increase our customers' satisfaction through "personalized customer attention" and "cheerful service" approach;
- Continuously improve all our processes and our product and service quality;
- Keep a close eye on technology and business developments and rapidly transform them to added values.

Core Values

Partnership

Sharing produced values with shareholders, employees, customers and society, establishing strong, long-lasting relationships with stakeholders, ensuring continuous development of knowledge and skills of employees and contributing to the growth of the participation banking and banking sector.

Focus

Utilizing our sources in productive projects and converting our energy to social values and having the necessary energy and perseverance to make a positive impact on the lives of our customers for the greater good of society.

Sincerity

We value our customers offering them friendly and accommodating services as well as providing utmost customer satisfaction through our products and services with respect to our customer-oriented banking approach.

Solidity

Adhering to Participation Banking principles and Banking Ethics while allocating resources into the economy and managing our customers' financial interests with the highest ethical standards.

Social Responsibility

Supporting economic development with the purpose of improving society's life standards while progressing to increasing our bank's value; implementing legitimate and environmentally-friendly policies while also contributing to numerous social and cultural projects.

Corporate Profile

Albaraka Türk: The pioneering and strong representative of participation banking in Turkey

Established in 1985 as the country's first participation bank and continuing to pursue solid growth by blending more than a quarter-century of experience with its vision, expert human resources, and technological competencies, Albaraka Türk is a respected, trusted, and strong member of the Turkish banking industry.

Albaraka Türk's mission of financing production and trade in line with the principles of participation banking as the pioneer of interest-free banking in Turkey is reflected in the most effective way possible in all of its activities. The funds that it collects as current accounts and participation accounts are channeled to the real sector through services such as personal financing, corporate financing, and project-based profit & loss sharing partnerships. Albaraka Türk seeks to continuously create value for its stakeholders and for Turkey as a whole. Al Baraka Banking Group, Albaraka Türk's principal shareholder, is committed to pursuing its effort to realize its vision of being a financial powerhouse throughout the region in which it is active consisting primarily of the Gulf, the Middle East, and North Africa.

A strong capital and shareholder structure

Founded as a joint undertaking of Al Baraka Banking Group (ABG, one of the Middle East's leading financial groups), the Islamic Development Bank (IDB), and a Turkish industrial group that has been serving its national economy for more than half a century, Albaraka Türk has a strong capital base. As of 31 December 2011, 66.16% of the bank's shares were held by international shareholders and 11.06% by domestic shareholders while the remaining 22.78% were publicly traded.

Quality and a service approach that keep it one step ahead

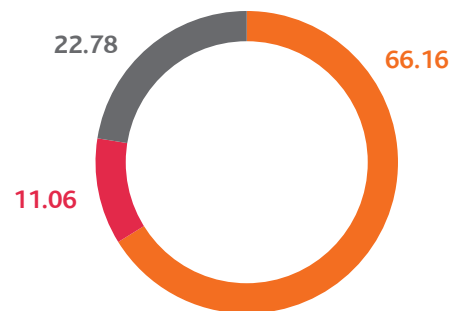
Albaraka Türk constantly develops its product and service lineup as it takes a proactive approach in order to meet the changing needs and expectations of its customers in keeping with the requirements of modern banking principles. Its superior service standards are complemented by an approach that embodies both sincerity and cheerfulness. Seeking always to improve its service quality, the bank's activities are carried out subject to ISO 9001:2008 certification, the most recent revision of the ISO 9001:2000 Quality Management System.

Albaraka Türk's success formula may be summed up within a triangle whose apexes are Experience, Performance, and Trust and on which its customer relationship management approach is based. The long-term relationships that Albaraka Türk enters into with customers are rooted in mutual productivity and they expand and strengthen the bank's customer base with every passing day.

In order to constantly improve its quality standards, Albaraka Türk engages in a steady stream of investment people and in technology. The bank continuously bolsters its growth momentum by supporting its youthful, dynamic, and development-focused human resources with advanced technological means.

Shareholding Structure (%)

Foreign Shareholders Local Shareholders Publicly-held



The Al Baraka Banking Group

The Al Baraka Banking Group (ABG) is one of the world's leading proponents of interest-free banking. ABG supplies retail, corporate, and investment banking products and services within the framework of the principles of participation banking.

Conducting its activities through subsidiaries and representatives across a broad region of the world, ABG serves customers in thirteen countries on three continents through eleven banks and two representative agencies. In addition to Turkey, the group has banks in Bahrain, Algeria, South Africa, Lebanon, Egypt, Pakistan, Sudan, Syria, Tunisia, and Jordan and representative offices in Indonesia and Libya.

The group operates through 399 branches employing a total of 9,021 people. Albaraka Group's total assets in 20112 amounted to USD 17 billion with shareholders' equity standing at around USD 1.8 billion.

ABG shares are quoted on the Bahrain and the NASDAQ Dubai stock exchanges. Standard & Poor's has assigned the group a long-term credit rating of BBB- and a short-term credit rating of A-3.

The group's basic strategic goal is to provide service with "one mission, one vision, and one identity" through the creation of a system of shared corporate values.

Financial Highlights

In all of its main balance sheet items, non-cash funds, and profitability, Albaraka Türk generally registered growth performances that bettered those of the Turkish banking industry as a whole in 2011.

Albaraka Türk's strong financial performance once again attracted attention in 2011.

The pioneer of interest-free banking in Turkey, Albaraka Türk had another successful year in 2011. In all of its main balance sheet items, non-cash funds, and profitability, Albaraka Türk generally registered growth performances that bettered those of the Turkish banking industry as a whole. In the year's crisis-fraught environment, the 19.6% rise in the bank's contribution to employment attracted attention.

In the twelve months to end-2011, Albaraka Türk increased its net profit by 19.4% to TL 160 million. Despite an overall decline in sectoral profitability, Albaraka Türk's net profit growth averaging 19% annually over the last five years has been outperforming even other participation banks. The factors contributing significantly to the increase in profitability have been the expansion in the collected funds base on the one hand and a high rate of growth in lending and improved asset quality arising from the bank's ability to access alternative sources of funding on the other.

In 2011 Albaraka Türk increased the number of branches in its network to 123 with the addition of 14 new ones. Total employment was up to 2,601 with the addition of 426 new hires.

Over the last five years the bank's assets have grown by an average of 34% annually. In 2011 they increased by 24.4% to TL 10.5 billion.

Giving importance to financing productive projects and adhering to prudent credit disbursement policies, Albaraka Türk increased the total volume of its funded credits (including leasing receivables) by 15.7% year-on to TL 7.3 billion in 2011. The bank's non-cash lending has grown by an average of 51.5% a year over the last five years. The ratio of the bank's total funded credits to total collected funds, which was 91.5% in 2010, amounted to 90.6% in 2011.

Albaraka Türk's successful performance in profitability and growth is also reflected in its asset quality. The ratio of the bank's non-performing loans to total assets fell to 2.4% in 2011, a figure that is rather well below that of other participation banks and of the Turkish banking industry as a whole.

Sharing with its customers the gains that it achieves through its policy of productive and prudent credit disbursement, Albaraka Türk continued to be a productive investment for its investors by paying out a relatively high rate of return. The bank's collected funds increased by 16.9% year-on and amounted to TL 8 billion in 2011. The average rate of growth in such funds over the last five years has been 30.3%.

Albaraka Türk further enriched its resources with a one-year murabaha syndication through which it secured USD 350 million in funding. This syndication contributed about 9.3% to the total expansion in the bank's assets last year.

Adhering to a strategy that sustainably balances profitability and growth, Albaraka Türk registered a 17.8% rate of growth in its shareholders' equity in 2011, bringing the total to TL 1,004 million. 22.8% of the company's shares are traded on the İstanbul Stock Exchange, where they have been quoted since 2007.

Albaraka Türk booked a current net profit of TL 160 million in 2011. There were rises of 22.0% and 8.9% respectively in its net profit share and net fee and commission earnings, both of which year-on-year results were achieved despite slimmer profit margins. High collection rates on non-performing loans and a significant decline in the need to set aside provisions for non-performing loans also made significant contributions to profitability.

As of end-2011, Albaraka Türk's average return on assets was 2% while its return on equity amounted to 15.95%. The bank's capital adequacy ratio was around 12.53%.

Key Financial Indicators (TL million)	2010	2011	Change (%)
Total Assets	8,406	10,461	24
Funded Credits*	6,297	7,287	16
Collected Funds	6,882	8,045	17
Shareholders' Equity	853	1,004	18
Net Profit Share Income	316	386	22
Net Fees & Commissions Income	83	90	9
Net Profit	134	160	19
Number of Branches	109	123	13
Number of Personnel	2,175	2,601	20
Funded Credits per Branch	57.8	59.2	2
Collected Funds per Branch	63.1	65.4	4
Funded Credits / Collected Funds (%)	91.5	90.6	

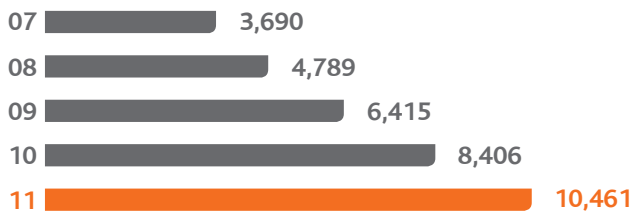
* Including financial leasing

Key Ratios (%)	2007	2008	2009	2010	2011
Funded Credits / Total Assets	77.37	78.46	73.05	74.91	69.66
Collected Funds / Total Assets	81.25	83.21	85.19	81.87	76.90
Return on Equity	15.92	21.35	14.81	15.72	15.95
Return on Assets	2.30	2.84	1.64	1.59	1.53
NPL Ratio	1.50	2.82	3.63	3.03	2.36
Net NPL Ratio	0.34	1.08	0.41	0.43	0.18
NPL Provisions Ratio	77.27	61.64	88.81	85.67	92.41
CAR	21.72	18.12	15.33	14.09	12.53
Earnings per Share (TL) (for 1 TRY par value stock)	0.32	0.51	0.20	0.25	0.30

Financial Highlights

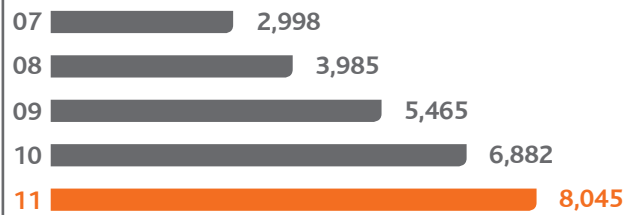
Total Assets (TL million)

Albaraka Türk's total assets increased by 24% year-on in 2011 and reached **TL 10,461 million** in value.



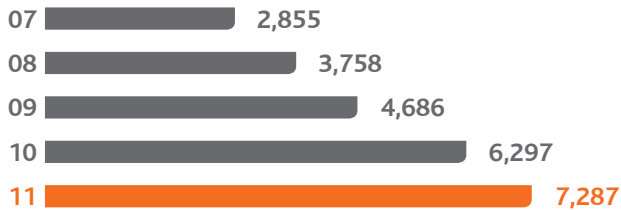
Collected Funds (TL million)

Total collected funds in 2011 reached **TL 8,045 million**, corresponding to a year-on rise of 17%.



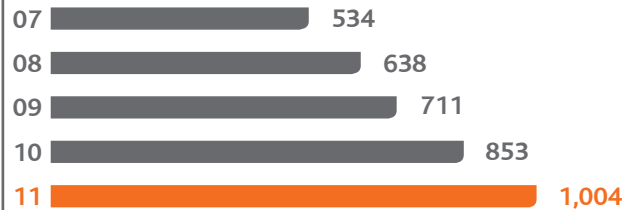
Funded Credits (TL million)

Total funded credits in 2011 increased by 16% rate and reached the **TL 7,287 million** level.



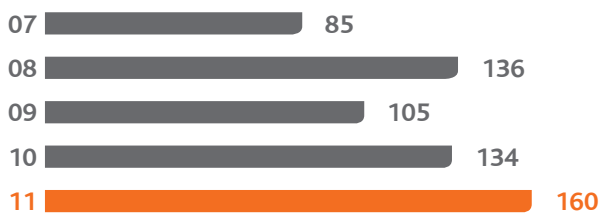
Shareholders' Equity (TL million)

In the twelve months to end-2011, shareholders' equity grew by 18% to **TL 1,004 million**.



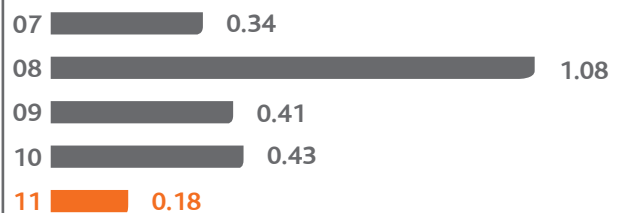
Net Profit (TL million)

Net profit in 2011 increased by 19% year-on and rose to **TL 160 million**.



Net NPL Ratio (%)

At end-2011, Albaraka Türk's net NPL ratio decreased to **0.18%**.



Albaraka Türk's Position in Sector

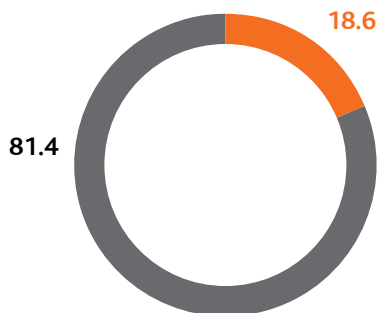
Growth (%)	31 December 2010			31 December 2011		
	Albaraka Türk	Participation Banks	Banking Industry	Albaraka Türk	Participation Banks	Banking Industry
Total Assets	31.0	28.9	20.8	24.4	29.6	20.9
Funded Credits*	36.0	28.9	33.4	14.0	25.8	29.8
Deposits*	26.1	23.9	19.9	16.8	18.5	12.7

Market Shares (%)	31 December 2010			31 December 2011		
	Albaraka Türk / Participation Banks	Albaraka Türk / Banking Industry	Participation Banks / Banking Industry	Albaraka Türk / Participation Banks	Albaraka Türk / Banking Industry	Participation Banks / Banking Industry
Total Assets	19.4	0.8	4.3	18.6	0.86	4.6
Funded Credits*	19.3	1.2	5.9	17.5	1.01	5.7
Deposits*	20.7	1.1	5.4	20.4	1.15	5.6

* Excluding accruals and rediscounts

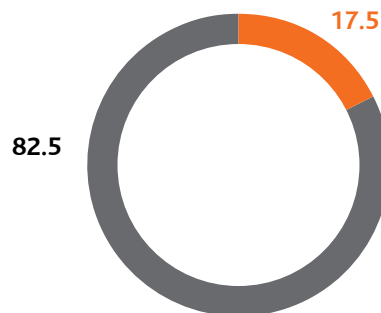
Total Assets (%)

Albaraka Türk Other Participation Banks



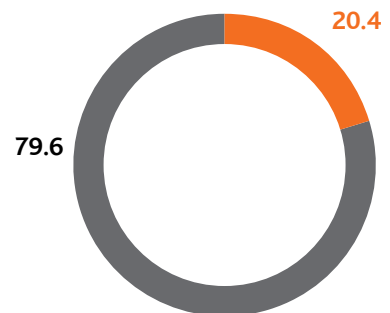
Funded Credits* (%)

Albaraka Türk Other Participation Banks



Deposits* (%)

Albaraka Türk Other Participation Banks



* Excluding accruals and rediscounts

Financial Highlights

The new-year budget targets set by Albaraka Türk's Board of Directors at its meeting on 30 December 2010 and the performance standings of those targets as of end-2011 are shown below.

2011 Annual Budget Targets (TL thousand) and Performance Standings

	Realization	Realization Rate (%)
Total Assets	10,460,885	104.56
Collected Funds	8,044,747	96.94
Funded Credits	7,286,960	99.23
Shareholders' Equity	1,004,251	108.22
Net Profit	160,155	99.97

The new-year budget targets set by Albaraka Türk's Board of Directors at its meeting on 29 December 2011 and their projected growth rates in 2012 are shown below.

2011 Annual Budget Targets (TL thousand) and Projected Growth Rates

	2012 (budget)	Growth Rate (%)
Total Assets	12,565,975	20.12
Collected Funds	9,445,826	17.42
Funded Credits	8,919,483	22.40
Shareholders' Equity	1,154,270	14.94
Net Profit	185,070	15.56

5-Year Key Financial Highlights (TL thousand)

	2007	2008	2009	2010	2011
Total Assets	3,690,029	4,789,107	6,414,914	8,406,301	10,460,885
Collected Funds	2,998,108	3,985,110	5,464,645	6,881,590	8,044,747
Funded Credits	2,854,852	3,757,572	4,685,994	6,296,815	7,286,960
Shareholders' Equity	533,780	638,102	710,666	852,635	1,004,251
Net Profit	84,979	136,242	105,279	134,044	160,155

Dividend Distribution Proposal / Capital and Shareholding Structure / Amendments on Articles of Incorporation

Dividend Distribution Proposal

At a meeting of the Albaraka Türk Board of Directors held on 25 February 2012, it was decided to submit a proposal to the general assembly of shareholders that 2011 year profits be paid to shareholders in the manner indicated below.

	(TL)
Period Profit	160,154,184.72
Previous Year Profit	715,051.38
Profit	160,869,236.10
First Legal Reserves (-)	8,043,461.81
Net Distributable Profit for the Year	152,825,774.30
First Dividend to Shareholders (Gross)	-
Transferred to Extraordinary Retained Earnings	152,825,774.30

Capital and Shareholding Structure

(As of 31.12.2010)	Amount (TL)	Share (%)
Foreign Shareholders	356,591,886.00	66.16
Albaraka Banking Group	291,373,378.00	54.06
Islamic Development Bank	42,265,852.00	7.84
Alharthy Family	18,629,256.00	3.46
Other	4,323,400.00	0.80
Local Shareholders	59,625,782.00	11.06
Publicly-held	122,782,332.00	22.78
Total	539,000,000.00	100.00

Saleh Abdullah M. Kamel indirectly controls a 31.48% stake in the bank. There are no other non-corporate shareholders controlling direct or indirect stakes in the bank that amount to more than 5% of the total.

Changes in the Bank's Articles of Incorporation

At a meeting of the bank's general assembly held on 30 March 2011, shareholders approved the following changes in Albaraka Türk's articles of incorporation.

AMENDMENTS TO THE ARTICLES OF INCORPORATION OF ALBARAKA TÜRK KATILIM BANKASI AŞ.

Previous Text

HEADQUARTERS AND BRANCHES

Article 5

The bank's headquarters are located in the county of Şişli in the province of İstanbul. The bank's address is İstanbul, Şişli, Mecidiyeköy, Büyükdere Caddesi Akabe Ticaret Merkezi, No: 78-80.

In the event of a change of address, the new address must be registered with the trade registry, announced in Türkiye Ticaret Sicili Gazetesi, and also reported to the Ministry of Industry and Commerce and to the Capital Markets Board. Any communication made to the bank's registered and announced address shall be deemed to have been made to the bank. Failure to have a new address registered and announced in due time after having departed from an existing registered and announced address shall be deemed cause for dissolution of the bank.

Subject to board of directors resolutions and within the framework of relevant laws, regulations, and administrative provisions, the bank may open and close branches, offices, and representative agencies and establish and terminate correspondent relationships anywhere in Turkey and abroad.

The Capital Markets Board shall be notified whenever such action is taken.

New Text

HEADQUARTERS AND BRANCHES

Article 5

The bank's headquarters are located in the county of Ümraniye in the province of İstanbul.

The bank's address is Saray Mahallesi, Dr. Adnan Büyükdere Caddesi No:6 34768 Ümraniye/İstanbul'dur.

In the event of a change of address, the new address must be registered with the trade registry, announced in Türkiye Ticaret Sicili Gazetesi, and also reported to the Ministry of Industry and Commerce and to the Capital Markets Board. Any communication made to the bank's registered and announced address shall be deemed to have been made to the bank. Failure to have a new address registered and announced in due time after having departed from an existing registered and announced address shall be deemed cause for dissolution of the bank.

Subject to board of directors resolutions and within the framework of relevant laws, regulations, and administrative provisions, the bank may open and close branches, offices, and representative agencies and establish and terminate correspondent relationships anywhere in Turkey and abroad.

The Capital Markets Board shall be notified whenever such action is taken.

Agenda of the Ordinary General Assembly Meeting

At a meeting of the Albaraka Türk Board of Directors held on 25 February 2012 it was decided that the company's annual general meeting of shareholders for 2011 would be held on 29 March 2012 at 10:00 at the company's headquarters (Saray Mahallesi, Dr Adnan Büyükdeniz Caddesi No: 6, 34768 Ümraniye, İstanbul) in order to deliberate and come to decisions on the items on the meeting agenda.

Agenda of the Ordinary General Assembly Meeting to be held on 2 March 2011

1. Opening the meeting and forming the presiding committee
 2. Authorizing the presiding committee to sign the minutes of the meeting
 3. Reading and deliberating the Board of Directors' annual report, the statutory auditors' report, and the independent auditor's report for 2011
 4. Reading, deliberating, and approving the balance sheet and income statement
 5. Deliberating and voting on the Board of Directors' proposal concerning the distribution of 2011 profits
 6. Acquitting the company's directors of their fiduciary responsibilities for the company's activities and transactions in 2011
 7. Acquitting the company's statutory auditors of their fiduciary responsibilities for the company's activities and transactions in 2011
 8. Electing a statutory auditor
 9. Electing the independent auditor company
 10. Authorizing the company's directors to engage in the activities governed by articles 334 and 335 of the Turkish Commercial Law
 11. Providing the general assembly with information about donations made by the bank in 2011
 12. Determining the personal benefits of the directors
 13. Petitions and suggestions
-

Summary of the Board of Directors' Annual Report

Esteemed shareholders:

Welcome to the 27th annual general meeting of our bank.

Before presenting the Board of Directors' and the Statutory Auditors' reports concerning the results of activities in fiscal year 2011 for your consideration and approval, we respectfully greet our shareholders, their representatives, and our guests who have honored this meeting with their presence.

We have recently completed a year in which worries about the global economy worsened. For our own country, 2011 was a year during which new successes were experienced. Our bank also had another successful consisted with its attitudes towards both growth and profitability.

In the year to 31 December 2011:

- Total assets increased by 24% to TL 10,461 million.
- Total collected funds increased by 17% to TL 8,045 million.
- Funded credits* increased by 16% to TL 7,287 million.
- Non-funded credits** increased by 24% to TL 5,586 million.
- Shareholders' equity increased by 18% to TL 1,004 million.
- Net profit increased by 19% to TL 160 million.

* Includes financial leasing receivables.

** Does not include revocable commitments.

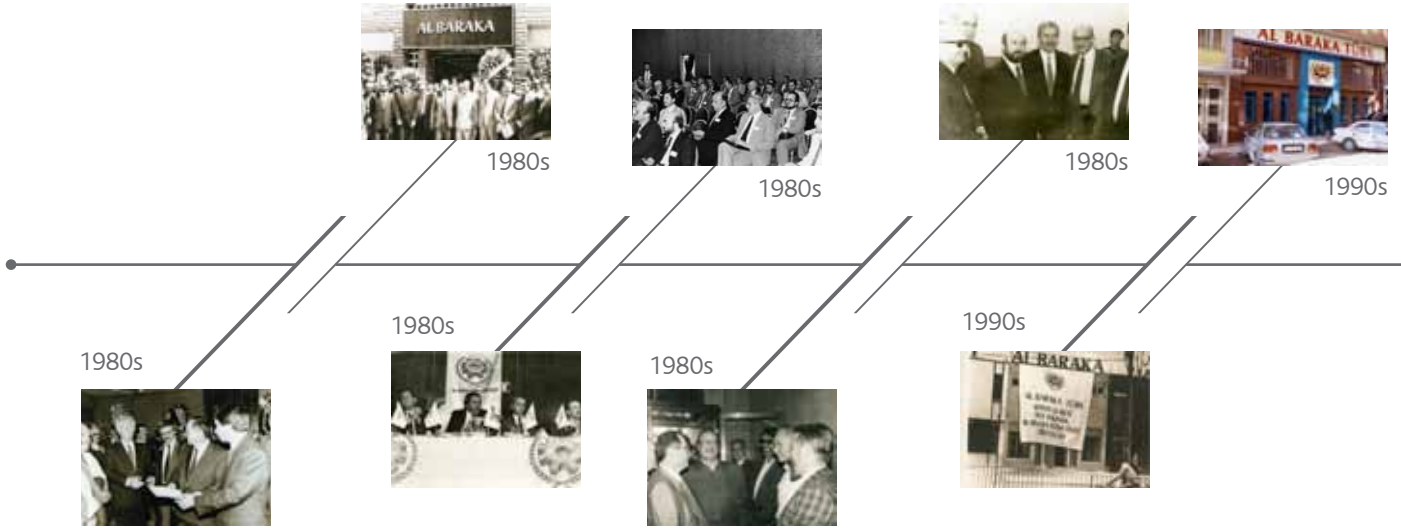
We exceeded the performance targets set by the Board of Directors to a substantial degree. With the support of you, our valued shareholders, we shall continue to grow soundly in 2012 as well.

We hereby submit for your consideration and approval the balance sheet and profit/loss statement contained in our annual report for 2011.

Respectfully,

The Board of Directors
Albaraka Türk Katılım Bankası AŞ

Albaraka Türk's Milestones



1984

• In response to a proposal by Albaraka that operates in the field of interest-free banking the process of setting up Albaraka Türk at Şişli Şetat Han in İstanbul is initiated.

1985

• Albaraka Türk commences operations at the Dedeman Business Center as Turkey's first interest-free banking institution.

1987

• In keeping with conventional banking practices, the company opens its first branch in the Sıhhiye district of Ankara.

1988

• The company's leasing division is set up, with Albaraka writing the second leasing agreement ever entered into in Turkey. Thanks to leasing, the Albaraka name becomes nationally known throughout the country.

1990

By the end of the 1990s, Albaraka Türk's advertising and promotional efforts successfully make leasing a familiar investment finance tool to a broad segment of the Turkish public.

1992

• The number of branches reaches ten while total assets top USD 400 million in value.

1993

• Albaraka Türk sets up the sector's first on-the-job training center in the Bayrampaşa district of İstanbul.

1998

• Following up an agreement with Visa, Albaraka Türk begins offering credit card services. The number of branches reaches 22.

1999

• As a result of comprehensive changes made in Turkish banking law that go into effect on 19 December 1999, the interest-free banking model is made subject to the purview of the Banks Act.

2000

• In an article co-authored by Mehmet Emin Özcan and Temel Hazıroğlu that is published in Albaraka's magazine Bereket, the term "participation banking" is proposed for the first time as an alternative name for the sector.

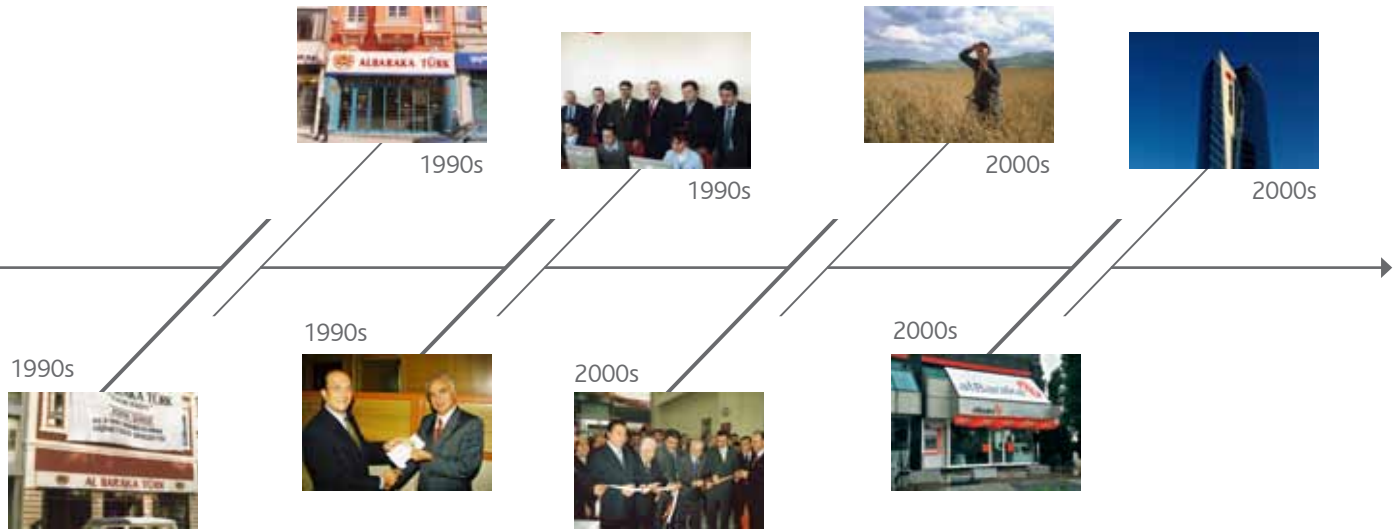
2001

• When the İhlas Finans private finance house suffers financial difficulties and has to be taken over by the Banking Regulation and Supervision Agency, the sector undergoes a nearly 50% reduction in its resources. Thanks to the confidence that it inspires in customers however, Albaraka Türk continues to grow soundly.

2002

• The number of branches becomes 24 while total shareholders' equity reaches USD 70 million in value. More attention is given to retail banking. Albaraka Türk spearheads the formation of a deposit insurance fund for participation banking.

With its solid foundations and strong funding abilities, Albaraka Türk's provides increasingly greater support for production year after year and continues to grow soundly along with its customers.



2003

- The Albaraka Banking Group is established.

2005

- Under a law passed this year, Turkey's "private finance houses" are dubbed "participation banks".
- The company's legal name "Albaraka Türk" is formally changed to "Albaraka Türk Participation Bank".
- Close to 60 former Albaraka employees who have retired or left the company form a club to help keep alive the memory of their Albaraka experience.

2006

- Under a law passed this year, Turkey's "private finance houses" are dubbed "participation banks".

2007

- Despite uncertainties provoked by general elections, there is a huge demand for Albaraka Türk shares when the company launches a public offering. Initially intended to secure USD 170 million, the offering attracts bids worth more than USD 7 billion from some 24 thousand eager investors.

2008

- The number of branches reaches 100. The "Rainbow" project is launched with the aim of supporting ongoing development at the company.

2009

- Albaraka Türk Participation Bank undergoes a brand transformation project in line with the Albaraka Banking Group's "One Mission, One Vision, One Identity" goal. In the process, Albaraka Türk's corporate identity is revamped.

2010

- In order to diversify its funding resources, the company secures its first murabaha syndication, worth TL 240 million. The same year, it relocates into its new high-tech headquarters building and the number of branches reaches 109.

2011

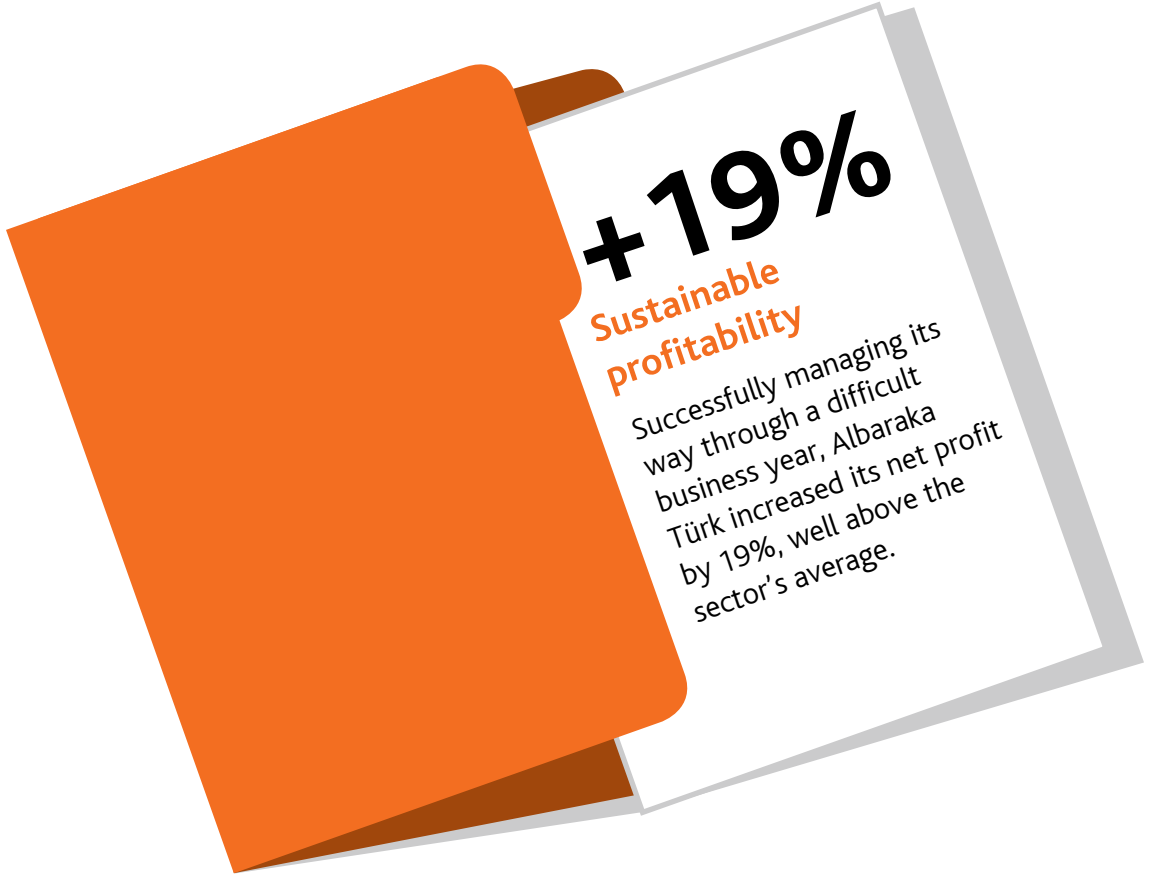
- Organization and system infrastructure projects related to the plan to transform Al Baraka Türk and take it into the future were launched and are being successfully carried out.
- Fourteen new branches were opened bringing the total number to 123. Paralleling this growth, the number of employees also reached 2,601.
- The first international branch was opened in the city of Erbil in Iraq.
- The bank's credit cards joined the WorldCard system.

- A new murabaha credit syndication was successfully concluded. Valued at USD 350 million, this is the largest such loan syndication undertaken in the Turkish banking industry.

- The first wakalah transaction took place.

With its solid foundations and strong funding abilities, Albaraka Türk's provides increasingly greater support for production year after year and continues to grow soundly along with its customers.





Chairman's Message

With more than a quarter-century of experience in the Turkish market, we are focused on rapid growth and we have everything that we need to make that growth a reality.



Adnan Ahmed Yousif
Chairman

Esteemed shareholders,

In 2011, the divergence in the growth and inflation rates of the developed vs the developing countries continued to widen while the public debt crisis in the eurozone once again exacerbated uncertainties and concerns on a global scale. In a process in which it became increasingly more difficult to foresee the future, conflicting views emerged as to the direction that the global economy will take in 2012 and the years that follow. According to the IMF, the world economy will grow on the order of 3% or so in 2012. Europe is likely to spend the year in a state of mild recession while the emerging economies will continued to be the engines of growth in the world economy.

In 2011, public debt- and banking system-associated risks radiated from the eurozone to the rest of the world and by doing so they posed the most palpable and serious threats to global financial stability. With expectations as to global growth being revised downward, worries over the sustainability of Greece's public debt spread to a number of other eurozone countries in the last quarter of the year. A series of waves swept through capital markets around the world while sharp declines were to be observed in the prices of assets deemed to be of the riskier sort. In the face of such developments, investors tended to reduce their exposures to eurozone economies and to relatively more risk-fraught instruments. Even global risk capital sought the safer havens of less-risky markets and holdings.

Concerns about country risk, the future course of global economic growth, and the degree to which the banking systems of some countries were flexible enough to support recovery led to a notable rise in financial stress at the international level. There was a sharp drop in bank share prices, especially in the eurozone, while the terms under which financial institutions were able to fund themselves grew seriously more onerous.

In the United States, protracted disputes over temporarily raising the national debt ceiling became yet another issue aggravating investors' worries. In August, something of a milestone was passed with the country's long-term credit rating was lowered from AAA to AA+. Japan's country credit rating was also reduced one grade to Aa3 by Moody's, which cited its concerns over the long-term sustainability of that country's financial position.

Market stresses and unease as to the medium-term outlook—especially in the case of the developed economies—will continue to exert pressure on the world economy in the years ahead.

Having apparently both dodged the worst effects of the global financial crisis and recovered the fastest from the knocks that it did suffer, the Turkish economy remained stable in 2011. In the first half of the year the country registered double-digit growth in GDP though this was admittedly at least partly attributable to the low base effects of the previous year. In the second half, something of a contraction got under way as a result both of a slowdown in global economic activity and of measures taken by both the Central Bank (TCMB) and the Banking Regulation and Supervision Agency (BDDK) to dampen growth in the credit supply. It is now thought that the twelve-month rise in GDP last year will be on the order of 8% or so.

Three factors played a big role in the success which the Turkish economy registered in 2011: TCMB's and BDDK's policy and practice commitment to maintaining price and market stability; the resilient structure of the Turkish banking sector; the crisis-management experience and skills which the Turkish private sector has built up since the beginning of the 2000s.

Having established participation banking in Turkey, we remain fully committed to it.

Albaraka Türk was originally launched in 1985 as Turkey's first participation bank. In the years since then it has continued to support its own solid growth with the confidence that the bank inspires in its customers, employees, and investors. Albaraka Türk today is a respected, strong, and prestigious member of its sector.

Our bank's activities are supported by a strong capital base in which the Al Baraka Banking Group (ABG), one of the leading financial groups in the Middle East, is the principal shareholder. As the pioneering practitioner of Islamic banking in Turkey, Albaraka Türk contributes to the real economy by providing finance for the conduct of production and trade activities.

2011 was an important year for Albaraka Türk, not least because it was a year in which our bank began to take new steps in line with its vision of becoming a regional financial force in the landscape—consisting of Gulf, Middle Eastern, and North African countries—in which ABG is active. Having opened our first international branch in the city of Erbil in Iraq, our goal is to stand by the Turkish business community in the conduct of commercial ventures throughout our target region and to provide businesses with the financial services they need while always remaining faithful to Albaraka Türk's approach of cheerful, effective service. In 2012 and the years that follow, our bank will continue to expand its international presence in line with its vision of being the world's best participation bank.

Our bank continuously develops its product, service, and solution lineup in order to take a proactive approach in responding to customers' changing needs while remaining faithful to the principles of modern banking. In keeping with this approach, Albaraka Türk has launched a comprehensive transformation project with the aim of readying its superior service standards for the competitive conditions which are being shaped by the global financial crisis and which will be emerging in the very near future. This project involves the undertaking of a wide variety of efforts on many different levels. In the most basic terms, it involves maintaining a superior workforce, providing the customer with the highest-quality service at the most appropriate price, and formulating a product line that is as broad and viable as possible. We believe that only in this way will it be possible to raise our bank's earnings-per-share performance to a level that is globally competitive.

Albaraka Türk is focused on pursuing growth through the support of its shareholders, which is extremely strong and which remains constant no matter what global conditions may be.

ABG continues to believe strongly in the Turkish economy and its future. As the global financial crisis completes its third full year, Turkey continues to distinguish itself in many different ways in its region by virtue of its superior resilience and the country remains a safe harbor for international capital. Turkey's demographic features, political stability, and strategic geography make it a scene of strong growth.

Having been active in the Turkish market for more than a quarter of a century, we remain focused on rapid growth and we have all of the assets that we might need to achieve this. With the support of our shareholders and all of our other stakeholders, we will continue to provide the financial products and services which the real sector needs to support the process of economic growth in Turkey and to do so on the best possible terms.

Speaking on behalf of our Board of Directors as well as for myself, I thank our customers, our business partners, our correspondents, our investors, and our employees for their continued contributions and support.

General Manager's Message

With a sound balance sheet, high profitability, shareholders' equity capable of supporting growth, and an ongoing transformation project, we have the highest expectations of the future.



Fahrettin Yahşi
General Manager

Esteemed shareholders, customers, colleagues, and business partners,

In 2011 we launched a transformation project that will play a key role in achieving our goal of taking Albaraka Türk, a respected member of the Turkish banking industry, into the future and of making it the world's best participation bank.

Seeking to deliver what are the best-quality products, services, and solutions at all times, Albaraka Türk embarked upon a strategic transformation process in 2011.

The transformation project that we have initiated across our organization is structured fundamentally in the principles of interest-free banking. The transformation project is a change strategy whose aims are to further increase customer satisfaction and simultaneously along with that, our bank's productivity, effectiveness, and productivity.

This project calls for changes to be made across a wide range of fronts from Albaraka Türk's organizational structure to its technology and its product and service lineup. It is rooted in an approach that sees our customers at the focal point of all of our activities.

The transformation project seeks to further increase Albaraka Türk competitive strength, to reduce its cost base, and to improve its employees' performance. The two common denominators of all of these objectives are producing increasingly more value for our bank's shareholders, customers, and employees and making it as much the best participation bank in the world as it is in Turkey.

Under this project, a large number of studies have been started in which a detailed look is being taken of internal and external issues that are of concern to all of Albaraka Türk's units and processes. A Transformation Management Office has also been set up and given responsibility for conducting and coordinating all project activities. Incorporating long-term changes which are consistent with our ultimate goal and which are amenable to constant improvement and can be linked to one another, it is expected that this project will be completed in 2014.

Albaraka Türk has had a financially, operationally, and strategically successful year.

Focused as it is on organic growth, our corporate strategy once again demonstrated in 2011 that our bank has the strength to produce sustainable results while also pointing to its strong potential for the future. In all of its main balance sheet items, in its non-cash lending, and in its profitability, our bank demonstrated a growth performance that was better than the sector as a whole and was in parallel with that of other participation banks.

Having grown by an average rate of 34% a year over the last five years, our total profit increased by 24.4% in 2011 and reached TL 10.5 billion.

The assets entrusted to our bank by its depositors increased by 16.9% in the same period while the total volume of its collected funds topped TL 8 billion. Sharing the gains arising from its productive and prudent lending policies with its depositors, the high dividends paid out ensured that Albaraka Türk remained a lucrative source of earnings for them. The average rate of year-on growth in collected funds over the last five years has been 30.3%.

In 2011 Albaraka Türk once again continued to undertake its fund disbursements activities in line with its proactive, meticulous credit disbursement policy. Taking into account the global volatilities and uncertainties being experienced in the third year of the global financial crisis, the bank adhered to a general credit disbursement policy consistent with that of the sector as a whole while seeking to create a customer portfolio structure which, by being based on a broader cross-section of small and medium-sized businesses, was much sounder. Continuing to put its strong funding abilities to work in support of customers in the corporate & commercial and retail segments as well, Albaraka Türk expanded the total volume of its lending by 15.7% to TL 7.3 billion last year.

In keeping with the general nature of participation banking, Albaraka Türk is focused on the real sector. In 2011 our bank had one of the highest total lending/total assets ratios (69.3%) among all of the service providers in the sector.

Albaraka Türk's current net profit in 2011 was up by 19.4% year-on and reached TL 160.1 million. Despite an overall decline in sectoral profitability, Albaraka Türk's net profit growth averaging 19% annually over the last five years has been outperforming even other participation banks.

As of end-2011 our average return on assets was 2.2%, our return on equity was 17%, and our capital adequacy ratio was 12.53%. The two factors that contributed the most to profitability were a high rate of credit growth (which was the result of an expansion in the participation fund base and access to alternative sources of funding) and superior asset quality.

We are a bank that gives great importance to risk management. One outcome of our careful approach is that we exhibited a strong performance from the standpoint of non-performing loans (NPL) in 2011. The ratio of NPL to total lending continued to decline throughout the year and in this the fact that we know our customers very well played as big a role as did our risk-perceptiveness and our success in making collections. Albaraka Türk's 2.36% NPL ratio in 2011 was below the average among participation banks.

Continuing to pursue organic growth, Albaraka Türk increased the number of its branches to 123 with the addition of 14 new ones in 2011. The total number people on its payroll at year-end was 2,601, which included 426 personnel who were newly-hired during the year. Corresponding to a 19.6% rise in the bank's contribution to employment despite the year's crisis-fraught environment, that increase is source of pride for us.

General Manager's Message

We are a member of a sector that is swiftly and easily affected by volatilities which global conditions create in markets. Taking this fact as our point of departure, we seek to maintain a financial structure which is balanced and easy to control and which is exactly as conservative as it needs to be. So long as we conduct all of Albaraka Türk's activities with this approach, our operational performance will remain excellent, our profitability strong, and our customer satisfaction enduring.

Leading the way forward in tomorrow's competition

In 2011 Albaraka Türk took new steps forward in the process of transforming itself from an operation-focused bank to a bank that focuses on marketing and customers. By doing so, it also achieved a number of things that will further improve its future prospects. To this end, the bank introduced a number of significant changes in its organizational structure, opened new branches that cater to corporate customers, and completed efforts to create a five-region organization whose aim is to expand the bank's portfolio of lendings to small businesses. In order to gain access to a broader customer base consisting of micro-businesses as well as of SMEs, we expanded our marketing staff and also concentrated our marketing activities for the same purpose last year as well. Another goal in the same vein is to deepen our relationships with existing customers who are active in foreign trade. 2011 was also a year during which we made progress in that direction and registered significant growth in our foreign trade finance.

Another important development in 2011 was the formation of strong teams in our branch organization with the aims both of deepening our relations with existing retail banking customers and of acquiring new ones. Compared with the number that existed in 2010, the size of our retail banking staff on duty at the bank's branches increased threefold last year.

Another very important prerequisite for staying ahead of the competition is to balance our cost base at the lowest possible level and to keep it there. The central operations system which we have initiated to achieve this is moving forward at a pace hitherto unseen in the history of Turkish banking. Dubbed "ATOM" (which stands for "Albaraka Türk Operations Center" in Turkish), 85% of branches' centralizable operations (which is to say operations that do not require the intervention of a teller) were being handled in this way as of end-2011. This project, which we expect to have completed by the end of 2012, will provide significant leverage in our efforts to increase our bank's productivity and profitability.

One last point that I wish to touch upon in this report of our performance last year is concerned with our product and service lineup. One very important goal of the transformation project that we're involved in is to equip our product and service lineup with features that will provide customers the highest possible value so as total enable our bank to compete successfully in today's dynamic market conditions. During 2011 we continued our efforts to increase the value that we offer the customer in different business lines. One strategic undertaking on the retail banking front involved our bank's joining the WorldCard family, the leading system in the payment cards sector in Turkey. As a result of this, Albaraka Türk customers who hold WorldCard-branded cards can now take advantage of a wide range of options and special campaigns at the more than 200,000 merchant partners participating in the WorldCard system.

Recognizing that change is a concept that also involves continuity, we will be continuing our efforts to manage change effectively at Albaraka Türk in 2012 and the years that follow. Both as part of our transformation project and as dictated by customer demands and market competition, we are focused on rapidly bringing to completion our system infrastructure, our customer segmentation model, our new branch concept, our data base, and many other projects. The more these efforts bear fruit,, the more effective and productive will Albaraka Türk and the happier will its customers be.

The participation banking sector's biggest credit syndication

In 2011 Albaraka Türk successfully tapped markets for the participation banking sector's biggest syndicated loan. The murabaha loan syndication process got under way with an authorizing letter in the amount of USD 150 million. So great was the interest that the deal attracted on international markets that subscriptions ended up totaling USD 350 million. Twenty-four banks from 17 European, Middle Eastern, and North African countries took part in this syndication, which generated resources for our bank that were quite cost-effective compared with what was otherwise currently available.

Another important development in 2011 was the conclusion of our first wakalah deal. Wakalah (power of attorney) agreements are interest-free contracts under which correspondent banks' idle funds are put to work through participation accounts and murabaha transactions. Our bank wrote USD 761.1 million worth of business that was covered by such contracts last year.

Yet another important step towards increasing our influence in the international arena involved the first issue of non-interest-bearing instruments (called "sukuk bonds") by Albaraka Türk and the Al Baraka Banking Group. The first issue, which is to be of five-year bonds with a total value of USD 200 million, will be registered on the London Stock Exchange once bookbuilding has taken place.

Our bank regards building up an international presence as being essential to achieving its goal of being the world's best participation bank. In 2011 we opened our first cross-border branch in the city of Erbil in neighboring Iraq. Albaraka Türk takes a synergetic and integrated approach along with other ABG members when considering and exploiting economic and business development opportunities in the Middle East and the Gulf region. We see this territory as having enormous potential from the standpoint of commercial relations with Turkey and thus as a market that we absolutely must be involved in. In line with this view, we have initiated efforts to open a branch or representative agency in either Bahrain or Qatar and possibly in both.

To increase our presence and effectiveness in a growing market

There is tremendous potential for banking in Turkey. That potential lies along two separate axes: the first is our national market; the second, as I mentioned above, is concerned with the countries in our near abroad. Because of low banking product penetration rates, Turkey is a big market in which there is much room for future growth and development. On the international front, Turkey is surrounded by a region characterized by dynamically changing mega-undertakings and structurings, particularly in the areas of energy and international trade.

With a sound balance sheet, a high level of capital adequacy, shareholders' equity capable of supporting growth, and an ongoing transformation project, we have the highest expectations of the future. In a region characterized by strong growth and extremely dynamic potential, we are determined to take Albaraka Türk forward into the future as a service provider which constantly serves its customers better, makes its customers happier, and contributes still more to its national economy with every passing day.

With our shared will and conviction, we are taking Albaraka Türk towards new horizons. In 2012 and the years that follow, Albaraka Türk will continue to pursue growth and development in all of its business lines but especially in those of retail and SME banking. So long as our national and international shareholders and customers continue to have confidence in and to do business with us, we shall go on making new progress in our journey towards leadership and to reach still newer territories.

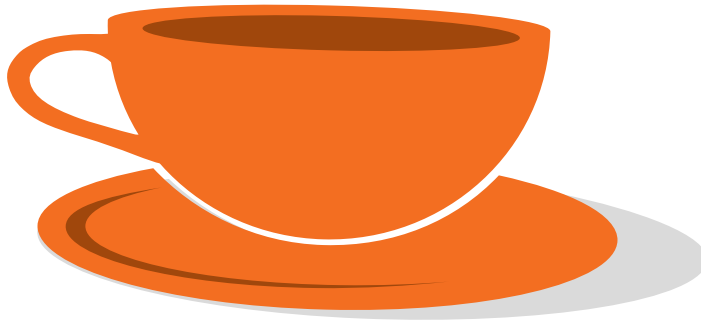
Thank you all for your unshakable confidence in Albaraka Türk, Turkey's first and pioneering participation bank.

Fahrettin Yahşi
General Manager



+17%
collected funds

Never sacrificing its principle of delivering cheerful, sincere, and excellent service, Albaraka Türk continuously strives to offer the products and services that best suit their needs within the framework of a business partnership relationship that is based on mutual trust.



Macroeconomic Overview

Stable economic growth made Turkey one of only a very few of the world's countries that improved their credit rating in 2011.

2011 was a year whose agenda was heavily preoccupied by worries over the global economy: European-centered debates in particular persisted throughout the whole year. The emerging countries, of which Turkey is one, were naturally affected by this process but they nevertheless continued to perform well on the growth front. Among the leading events that set the world economy's agenda mention should be made of the disastrous earthquake and tsunami in Japan, the economic fallout from the Arab Spring, the downgrading of the USA's credit rating, and high levels of debt in eurozone countries, particularly in Greece.

Developed countries and developing countries moved along quite opposite paths in terms of growth performance in 2011. Having been seriously wounded by the crisis that got under way in 2008, the developed countries began having problems with growth all over again in 2011. Thanks to more successful performance among the developing countries, the disparity between the two groups became even greater.

By any accepted definition of the term, some eurozone economies were in recession in 2011. Even Europe's biggest economy, Germany, grew by just 3% last year. The Turkish economy by contrast once more gained recognition for the strong growth performance that it demonstrated: in the first nine months of the year, GDP was up by 9.6%. Looking at the components of the 8.2% rate of growth registered in the third quarter, we see that domestic demand's contribution amounted to 9.3% while the 0.6% positive contribution made by external demand to third-quarter GDP growth was startlingly low. When adjusted to account for seasonal effects, quarter-on-quarter third quarter growth was actually 1.7% and is consistent with Q1 and Q2 rates of 1.9% and 1.1% respectively. The Turkish economy continued to grow in the last quarter of the year, even though measures taken by the Central Bank (TCMB) did begin to make themselves felt. It is now thought that overall GDP growth in 2011 will likely be something above 8%.

The developed economies are still having problems with job creation. Overall eurozone unemployment was up to 10.4% at year-end but that average masks joblessness rates of over 20% in some European countries while as many as 40% or more of young people are out of work. By this measure, the US economy is somewhat better off than eurozone countries are but, with 8.5% unemployment in December, only marginally so. Turkey by contrast reduced its joblessness to below its pre-crisis level of 16% or so: at 9.8% at end-2011, it was better than two percentage points below the previous year's 11.9% rate. According to IMF projections, unemployment in Turkey is expected to be 10.7% in 2012.

Turkey foreign trade was up by 25% in 2011 and reached USD 376 billion in value. Exports topped their pre-crisis levels and even broke a record at USD 135 billion. Despite economic woes in Europe, which accounts for more than 40% of Turkey's foreign trade, exports were up by 19% year-on, a performance that was largely achieved by having recourse to new markets in 2011. Notwithstanding this high rise in exports, strong domestic demand on the home front fueled a 30% rate of growth in imports resulting in a foreign trade deficit of USD 106 billion.

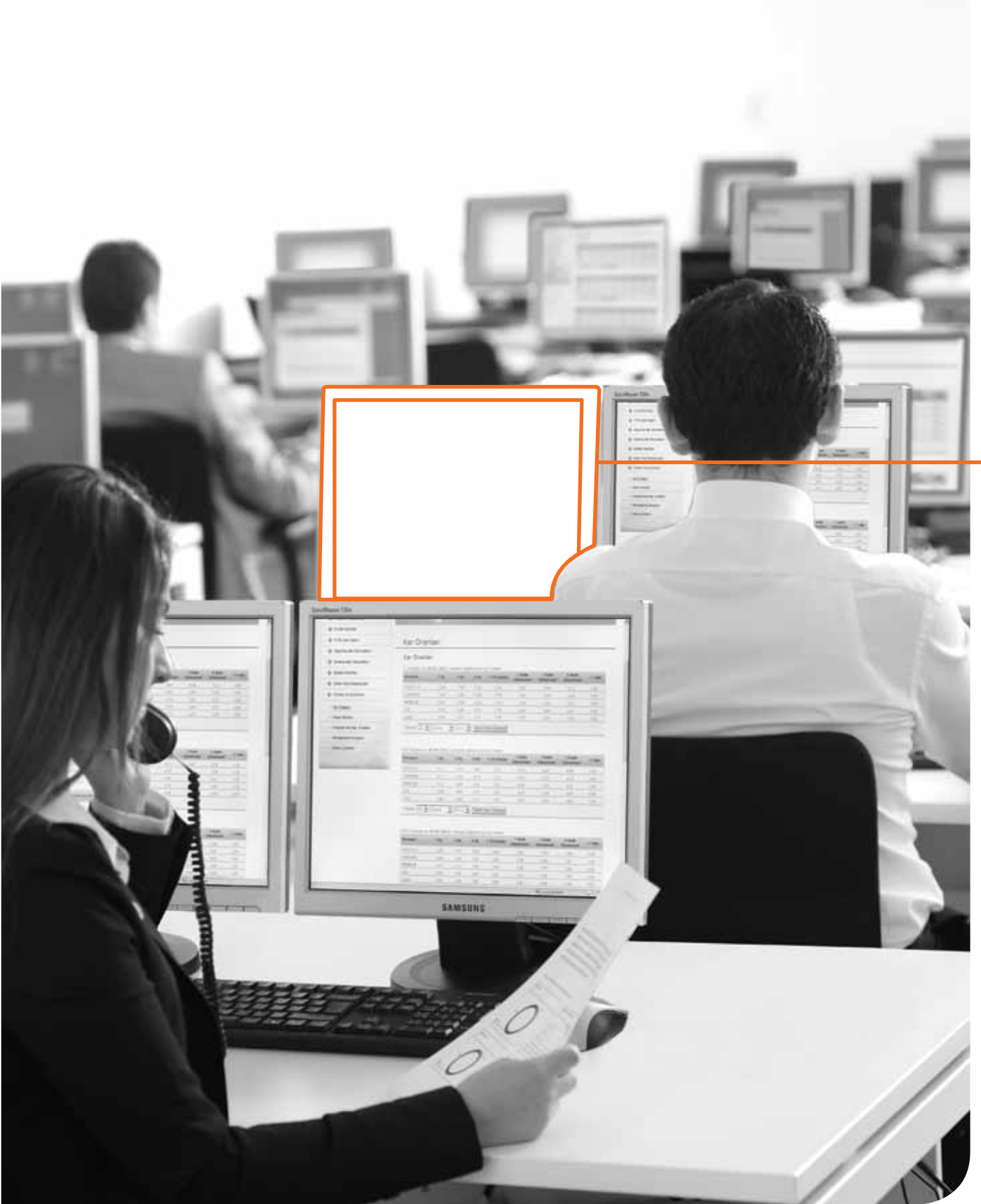
The biggest risk entailed by growth which is being fueled by strong domestic demand and imports is of course the current account deficit. Indeed since the beginning of 2011 that deficit has been the most talked about aspect of the Turkish economy. In an effort to bring it under control, TCMB began intervening by means of policy measures taken towards the end of 2010. Essentially this involved redefining banks' reserve requirements based on the maturities of their accounts, a tool which the bank made even more active use of in 2011.

The effects of this new and "unconventional" policy, which was adopted to brake credit growth in the banking industry, to cool off domestic demand, and to divert "hot money" into longer-term channels, began to be felt towards the end of the year. Nevertheless as the TCMB's reserve requirement policy failed to bring credit growth under control quite soon enough, BDDK had recourse to new changes in general reserve rates. Unlike TCMB's tweaks, these new rules immediately produced results, in the form of rises in banks' interest rates, which in turn led to a substantial cutback in credit growth. Despite all of these measures however, Turkey's "structural" problem—the imbalance in its current account—remained uncorrected and as of year-end 2011, it reached a historically high USD 77 billion. The ratio of the current account deficit to GNP is seen as a measure of an economy's fragility in the face of external shocks. In Turkey's case it is thought to have been something over 9% at the end of 2011. By contrast, the total volume of foreign direct investment inflows into Turkey during the same 12-month period amounted to just USD 15.7 billion.

While most developed economies were having to contend with debt-related problems, Turkey's performance in that area was rather more successful. The ratio of the country's national debt to GNP is likely to have fallen below the 40% level by year-end 2011. There is some irony in the fact that Turkey is well below the euro convergence ("Maastricht") criterion of a 60% public debt/GNP ratio at a time when there is no shortage of EU members who utterly fail to satisfy it. There can be no doubt but that what underlies this success is strict adherence to tight-money policies even during the economic crisis. Turkey's current position in this respect represents a "buffer zone" that could be used to counter the effects of an economic slowdown in 2012.

From the standpoint of price stability on the other hand, 2011 was not such a successful year. Twelve-month inflation at the year's end was 10.45%, which was close to double TCMB's 5.9% target. While rises in the "special consumption tax" on a number of goods in the second half of the year contributed significantly to this deviation, the underlying cause was a huge (more than 20%) loss in the value of the Turkish lira against the US dollar. On this point it must be said first of all that similar depreciations occurred in other developing countries' currencies owing to a much-abated worldwide appetite for taking on risk. Secondly, TCMB did manage the depreciation proactively and effectively, seeking to keep exchange rates under control by means of currency auctions. When these high-volume auctions began provoking debates about the adequacy of its own reserves, TCMB announced that banks could maintain up to 40% of their Turkish lira reserve requirements as foreign currencies. Banks began making active use of this opportunity, which had the intended effect of supporting of TCMB's reserves. By the end of the year, the cost of bank's direct interventions added up to a billion dollars but the result was that exchange rates were stabilized.

One happy outcome of its stable economic growth was that Turkey was one of only a very few of the world's countries that improved their credit ratings in 2011. But while it is true that Turkey has joined the ranks of "investment grade" countries on a local-currency basis and markets are pleased by this development, those markets would be even happier were the country to make the same grade on a "foreign currency" basis as well.





+17%
return on equity

Continuing to manage its performance effectively in 2011, Albaraka Türk generated a strong, 17% rate of return on its equity for its stakeholders last year.

The Banking Industry and Participation Banking

Participation banks grew stronger than the banking industry average in 2011.

Developments in 2011 and the outlook for 2012

Despite the global financial crisis that broke out in the second half of 2008 and whose effects became worse in early 2009, the Turkish banking industry performed quite successfully both in 2009 and in 2010. For 2011, economics minister and deputy prime minister Ali Babacan advised banks to limit their growth to the 25% level. On current estimates, the rise in bank assets is likely to have been on the order of 21% last year. The Turkish banking industry's robust growth in 2011 was nourished by fairly rapid recoveries witnessed in many of the world's economies in the early part of the year and by the relatively faster elimination of the effects of the crisis on the Turkish economy. Nevertheless, risks emanating from the eurozone compelled banks to be more prudent about their positions in the second half of the year. On a sectoral basis, assets were up by 21% in 2011 while equity, credits, and deposits grew by 7.5%, 29.9%, and 12.7% respectively. There was also a 2.1% rise in the sector's employment numbers and a 4.5% expansion in its branch count. Yet for all of that, the industry's net profit was down by 10.3% year-on and amounted to TL 19.8 billion.

A confluence of factors led to this decline in the banking industry's overall profitability. The two most significant ones were slimmer profit margins and an increase in the provisions set aside for general reserves. That said, higher TCMB reserve requirement rates, rises in non-interest expenditures and personnel outlays, capital market trading losses, and currency translation losses all had a hand in it as well.

Taking an approach dissimilar to its practices in previous years, in the first half of 2011 TCMB focused its attentions on banks' reserve requirements as a way of tightening monetary policy so as to bring macroeconomic overheating under control. In the second half, it had recourse instead to direct interventions in FX markets. Through its reserve requirement policy, TCMB was able to exert considerable influence over deposit and participation banks' balance sheets while its FX policy gave banks a way in which to deal with their exposures to eurozone risks.

In 2011 BDDK introduced a new rule that required banks to have residential and business properties appraised by independent real estate assessors before they could supply financing for their

Banking Industry - Key Financial Indicators (TL million)

	2010	2011	Growth (%)
Total Assets	1,006,667	1,217,620	21.0
Deposits	617,037	695,501	12.7
Loans	525,851	682,919	29.9
Shareholders' Equity	134,542	144,595	7.5
Non Cash Loans	163,625	218,600	33.6
Net Profit	22,116	19,847	-10.3
Number of Branches	10,066	10,518	4.5
Number of Personnel	191,180	195,297	2.1

purchase. The agency also set caps (75% and 50% respectively of the independently appraised property value) on the amounts that banks could extend as credit. The effect of this rule on the banking sector was to considerably dampen the rate of growth in property lending.

The effects of such regulatory action notwithstanding, banks were in any case rather loathe to counteract narrower profit margins simply by lending more; in fact in the second half of the year, they chose to behave quite cautiously on this point indeed. Thus do we see that their net interest income was up by a mere 1.7%, which was well below the sector's overall growth performance.

In 2011 participation banks performed pretty much in line with the sector as a whole though their own growth rates were above sectoral averages: their assets were up by 29.6%, their shareholders' equity by 13.5%, their funded credits by 25.8%, and their collected funds by 18.5%. Participation banks had an average of 9.3% more personnel on their payroll last year while there was an overall 12.9% expansion in the number of their branches.

The expansion in participation banks' funded credits in 2011 was supported on the resource side by the growth in their collected funds and on the disbursement side by credit syndications and noninterest-bearing bond issues.

Participation banks registered a 5.8% rate of growth in their profits in 2011. While the ratio of net interest to dividend income increased by a mere 1.7% across the banking sector as a whole, participation banks saw their own net dividend income rise by 20.7% last year. Despite the overall decline in the sector's profitability, that of participation banks rose; this was achieved, moreover, in the face of an increase in the

specific provisions which, unlike the rest of the sector, they set aside to cover non-performing loans and receivables.

When the performance of the Turkish banking industry is compared with that of its counterparts in many other countries, both developed and developing, in 2011, it was much better in terms of liquidity and risk management, asset quality, capital adequacy, profitability, and operational expansion. Last year Turkish banks also gave consideration to extending their branch networks internationally in order to do business in other countries where they deemed there to be potential.

In 2012 the Turkish banking system will likely be giving rather more attention to macroeconomic developments and to policies to deal with them, especially in the first half of the year. In the second half, conditions will likely be such as to contribute more to asset growth, which is expected to be around 15%. The sector will need to be on the lookout for any decisions and rule changes emanating from TCMB, the US Federal Reserve, and the European Central Bank and to carefully consider their potential consequences.

On the assets side, the share of lending is likely to grow albeit in a controlled manner. On the liabilities side, we may expect to see an expansion in the deposit base along with bigger balance sheet shares coming from syndicated loans, noninterest-bearing bonds, bank bonds, and similar sources. Conducting one's activities while maintaining a strong shareholders' equity structure will also be one of the sector's priorities.

International branch expansion and bank acquisitions are also likely to remain among the plans being considered by Turkish bankers in 2012.

Participation Banks - Key Financial Indicators (TL million)

	2010	2011	Growth (%)
Total Assets	43,339	56,152	29.6
Collected Funds	33,089	39,220	18.5
Funded Credits	30,823	38,538	25.8
Shareholders' Equity	5,457	6,193	13.5
Non Cash Funds	21,499	26,142	21.6
Net Profit	759	803	5.8
Number of Branches	607	685	12.9
Number of Personnel	12,677	13,851	9.3





+14

**an expanding branch
network**

In 2011 Albaraka Türk opened 15 new branches: 14 in Turkey and one in the city of Erbil in northern Iraq. With 123 branches located all over the country, such methodical expansion continues to bring Albaraka Türk steadily closer to its customers.

Assessment of 2011 Activities

Albaraka Türk has launched a transformation project that involves restructuring itself in order to realize its vision of being the world's best participation bank.

A transformation project that will carry Albaraka Türk into the future

Albaraka Türk has launched a transformation project which is rooted in the principles of interest-free banking and which involves restructuring itself in order to realize its vision of being the world's best participation bank.

The elements of this restructuring consist of:

- Having an outstanding team of excellent people
- Providing the customer with high-quality, suitably-priced service
- Creating a broad product line
- Increasing its "value per share" to a level that is fairly comparable on a global scale
- Boost its brand recognizability through social responsibility projects.

Under the overall auspices of the Albaraka Türk Transformation Project, a large number of detailed, internal and external sub-projects have been launched that embrace nearly every unit and process of the bank. The creation of a separate Transformation Management Office that will be responsible for coordinating and conducting project activities neared completion as 2011 drew to a close. The office, which will be staffed with personnel from different units of the bank, will oversee the transformation process to ensure that it takes place in a coordinated manner. Incorporating long-term changes which are consistent with the bank's ultimate goals and which are amenable to constant improvement and can be linked to one another, it is expected that this project will continue until 2014.

Within the framework of transformation activities:

- Activities inaugurated in 2011 included opening corporate branches, deploying a subsidiarized credit allocation mechanism with the aim of increasing the number of loans made to small businesses, and creating autonomized regional departments in line with a decision to restructure the sales organization in parallel with such changes.
- In 2012, a system infrastructure will be created which will be fully amenable to all types of segmentation and which will allow performance and profitability to be measured on an individual unit basis.
- Work will also be in 2012 on devising and implementing new branch concepts and designs.
- On the information technologies front, a changeover will be made to a four-part organization that reflects the latest technological trends

and a structure will be created that constitutes the heart of the bank's transformation. A data base infrastructure will be completed in 2012. Work will begin on developing management information systems.

- The process of operational centralization has largely been completed. Such centralization makes operational process management more effective and productive through an approach that determines the cost of every operational transaction.

Every stage of the transformation project brings Albaraka Türk one step closer to its goal of excellence.

Albaraka Türk methodically increases the resources it channels into production.

In 2011 Albaraka Türk took its commitment to consistent, healthy growth to new levels as it continued to collect funds through current and participation accounts so that it might transfer them to the real sector. Reflecting the bank's market strength and the sense of trust that it inspires among customers, Albaraka Türk's collected funds increased by 16.9% in 2011 and exceeded TL 8 billion in value.

The share of Turkish lira accounts among collected funds declined to 59.6% while that of foreign currency accounts rose to 40.4%. There was somewhat greater preference for current accounts among the bank's collected funds last year: such accounts increased by 59% (on a Turkish lira basis) year-on and reached TL 1.8 billion in value. While the growth in participation accounts was a much more modest 8.4%, they still amounted to TL 6.2 billion at year-end. As of 31 December 2011, the split between current accounts and participation accounts in the banks' total funding was 23% vs 77%. As of the same date, current accounts held by individuals were worth TL 732 million while the aggregate value of their participation accounts was TL 4.5 billion. Comparing this with the previous year's performance, this corresponds to rises of 60% and 5.8% respectively in the current and participation account balances of private individuals.

In 2011 90.6% of the fund collected by Albaraka Türk were transformed into funded credits, which was very near the previous year's 91.5% figure. The average term of the bank's Turkish lira collected funds was 155 days while that of its foreign currency funds was 164. The weighted average of all such accounts was 158 days. The collected funds held by Albaraka Türk correspond to 20.4% of all those collected by Turkey's participation banks.

Collected Funds

	2010		2011		Change (%)	
	TL thousand	in USD thousand	TL thousand	in USD thousand	TL thousand	in USD thousand
Turkish Lira Funds	4,358,934	2,848,976	4,797,751	2,551,995	10.07	-10.42
Current Accounts	665,452	434,936	874,539	465,180	31.42	6.95
Participation Accounts	3,693,482	2,414,041	3,923,212	2,086,815	6.22	-13.56
Foreign Currency Funds	2,522,656	1,648,795	3,246,996	1,727,126	28.71	4.75
Current Accounts	500,858	327,358	977,776	520,094	95.22	58.88
Participation Accounts	2,021,798	1,321,437	2,269,220	1,207,032	12.24	-8.66
USD Accounts	1,325,526	866,357	1,503,174	799,561	13.40	-7.71
EUR Accounts	696,272	455,080	766,046	407,471	10.02	-10.46
Total	6,881,590	4,497,771	8,044,747	4,279,121	16.90	-4.86
USD/TL		1.530		1.880		
Share of TL Accounts (%)	63.34		59.64			
Share of FC Accounts (%)	36.66		40.36			
Current Accounts	1,166,310	762,294	1,852,315	985,274	58.82	29.25
Participation Accounts	5,715,280	3,735,477	6,192,432	3,293,847	8.35	-11.82
Total	6,881,590	4,497,771	8,044,747	4,279,121	16.90	-4.86
Share of Current Accounts (%)	16.95		23.03			
Share of Participation Accounts (%)	83.05		76.97			

Assessment of 2011 Activities

Albaraka Türk's approach to customers is rooted in the concept of a business partnership that focuses on relationship management and mutual trust, It reinforces this approach by means of service that is sincere, friendly, and superior.

Account segmentation: Saying it with flowers

Last year Albaraka Türk began segmenting its fund accounts according to five separate categories. As of 15 May 2011, participation accounts were grouped according to amount and term and a new dividend rate model was introduced in which higher rates of dividend were paid on accounts with higher balances and longer maturities. One outcome of this was that monthly participation accounts made up a smaller share of the total at year-end while there was an increase in longer-term participation accounts.

The new dividend payment model will go into effect. Each of the individual account groups categorized by amount and term as described above has been assigned the name of a particular flower:

- Daisy
- Carnation
- Violet
- Rose
- Tulip

Our goal is to expand our customer base by increasing our support for the real sector.

Serving corporate and commercial firms of every kind with a broad range of products, an extensive network of 123 branches, and a reputation as a bank that stands by its customer, Albaraka Türk's approach is rooted in the concept of a business partnership that focuses on relationship management and mutual trust, It reinforces this approach by means of service that is sincere, friendly, and superior.

Seeking to support the growth and development of small and medium-sized enterprises (SME), which make up its main customer segment in parallel with its corporate strategies, Albaraka Türk adds new products and services to its lineup as it constantly accelerates its efforts to increase its lending to the real sector and to expand its customer portfolio.

Conducting its marketing activities with a focus on taking a share of all of its customers banking transactions and cash flows, Albaraka Türk makes it a principle to increase customer loyalty by establishing long-term, multidimensional relationships with its customers.

During 2011 a customer expectations survey was carried out in order to correctly understand customers' needs and to respond to them with the right products. The bank's marketing activities are now being based on the results of this survey. The plan is to make use of the survey's findings to position the bank and its products in line with customer expectations.

Our goal in corporate and commercial banking is to reveal our potential

Albaraka Türk is committed to implementing an accelerated marketing strategy that will make its existing customer base more active while also taking on new customers.

The underlying point of departure of the bank's marketing strategy is to increase branch productivity in making cross-sales and in newly-entered markets. A high priority of the bank's lending is to have a portfolio of large and small SMEs, microbusinesses, and especially of firms that are likely to increase their exports to customers in Turkey's hinterland.

With the support of a consultancy, Albaraka Türk is currently working on a project to reorganize its corporate and commercial lending and to change over to a more segment-based approach to credit allocation. The result of this project, which will be completed in 2012, will be an allocation process which, being supported by a rating model to be used especially when lending to microbusinesses and SMEs and by a new credit proposal system, will be sounder and more systematic.

While concentrating marketing activities in line with the twin goals of reaching out to a customer base extending from SMEs to microbusinesses and of dispersing risks and also to support base-broadening through the bank's organizational structure, marketing teams have been expanded, regional departments have been autonomized, credit allocation authority has been subsidiarized, and local staffing has been beefed up. A five-part regional organization has been created (Ankara, Southeast, İstanbul-1, İstanbul-2, and İstanbul-Anadolu) that will begin to make an effective contribution to the bank's income and profitability in 2012.

The goal is to broaden the risk base when lending.

In 2011 Albaraka Türk once again continued to support its customers in the corporate and commercial and the retail segments with its strong funding abilities. In the face of last year's global volatilities and uncertainties, the bank adhered to a general credit disbursement policy consistent with that of the sector as a whole while seeking to create a customer portfolio structure which, by being based on a broader cross-section of small and medium-sized businesses, was much sounder. The result was that Albaraka Türk expanded the total volume of its lending by 16% to TL 7.3 billion last year.

63% of the bank's lendings were in Turkish liras and the remaining 37% in foreign currencies.

TL 5,198 million worth of the bank's total risk exposure of TL 12,485 million was of a non-cash nature.

A distinguishing feature of participation banking is that it focuses mainly on lending to real sector customers and that a higher percentage of its available resources is extended as credit than is the case with the banking industry as a whole. Albaraka Türk's superior performance in this respect gives it one of the highest resource-to-credit transformation rates in the sector.

Collaboration with public-supported projects is increasing.

During 2011 Albaraka Türk gave additional attention to strengthening its relations with the SME Development and Support Administration (KOSGEB). One outcome of this was the signing of three new credit support protocols between the bank and the administration. Bank customers have begun to take advantage of this support.

In a similar vein, Albaraka Türk also works closely with Credit Guarantee Fund Inc (KGF) to provide credit to firms that have problems posting collateral. In 2011 Albaraka Türk continued to lend to customers against KGF guarantees. Efforts will be made in 2012 as necessary to further expand the scope of this collaboration.

In 2012...

In 2012 Albaraka Türk plans to further expand its activities in corporate and commercial banking in the following ways:

- Interest-free banking mutual funds will be set up under agreements with asset management companies.
- Greater use will be made of Eximbank credit.
- The bank will increase its support for SMEs both by negotiating the support that KOSGEB provides them with them and by channeling it directly.
- A credit insurance brokerage agreement will be entered into with COFACE in order to increase the bank's financing support for exports.

The bank's lending decisions are being made in less time.

Already ranking high among the banks that make the fastest credit allocation decisions, Albaraka Türk is undertaking substantial changes in its organizational and technological infrastructures to further improve its credit allocation processes.

The bank's average turnaround time when responding to credit applications in the corporate and commercial banking segment 1-1.5 days less in 2011 than it was in 2010. In the case of lending to corporate customers the 10-day average that was set as a quality target was maintained while the average response time on commercial lendings decreased still more to seven days.

The goal at this time is to further speed up the processes of credit allocation and lending. To this end:

- The average allocation time for microloans will be reduced by allowing their decisions to be made by the regional organization.
- A new credit proposal system and its associated rating model, which combine all accessible information together and make it available for use, will speed up the proposal and decision processes.

Funded Credits

	2010		2011		change (%)	
	TL 000	USD	TL 000	USD	TL 000	USD
Funded credits*	6,269,485	4,097,703	7,273,906	3,869,099	16.02	-5.58
Non-performing loans	190,850	124,739	171,936	91,455	-9.91	-26.68
Provisions (-)	-163,520	-106,876	-158,882	-84,512	-2.84	-20.93
Total	6,296,815	4,115,565	7,286,960	3,876,043	15.72	-5.82
USD 1.00 = TL		1.530		1.880		

*Includes financial leasing.

Assessment of 2011 Activities

Albaraka Türk gives the utmost attention to a structure that is strong in terms of asset quality, liquidity, capital adequacy, risk management, and internal control.

The bank is devoting more attention than ever to protecting its asset quality.

Two of the sector's most chronic problems—asset/liability term mismatch and effective liquidity management—are key elements that shape Albaraka Türk's funding and financing policies and give it a superior competitive advantage.

Albaraka Türk supports these policies with mechanisms that will prevent risk concentration from occurring. Making no concessions in its meticulous approach of protecting its asset quality and maintaining a balanced customer portfolio, the bank takes pains to avoid any sectoral, geographical, customer, or other grouping biases.

Within the overall framework of its credit disbursement policy, Albaraka Türk seeks to broaden its risk base by lending to as many firms as possible through marketing activities that are targeted at both medium- and small-sized companies.

A breakdown of the bank's sectoral cash risk exposure in 2011 shows that the share of construction, which accounted for the biggest share in previous years, declined by half while the shares of manufacturing and of industrial concerns as a whole rose. The loan book's risk distribution appears to be balanced and maintains risk concentrations within manageable limits.

The other sectors accounting for noteworthy shares of the bank's total cash risk exposure last year were, in order of importance, trade, utilities, transportation & communication, and mineral extraction.

Global criteria in risk management

The ultimate objectives of Albaraka Türk's risk management system are to ensure that its capital allocations are compatible with the risks inherent in its functional activities and to increase created added value by maximizing its risk-adjusted returns on capital.

The introduction of Basel II rules in the second half of 2012 will be taking the Turkish banking sector's standards and criteria to the next higher level.

In keeping with this vision, Albaraka Türk has structured its risk management system so as to encompass its information technology processes as much as its managerial and operational processes. The bank's information technology infrastructure has been

comprehensively designed to allow risks to be quantified, monitored, and controlled.

In order to make it possible for both banks and their credit customers to achieve satisfactory compliance with the new Basel II rules which will be governing capital adequacy measurements and risk calculations, BDDK announced on 24 February 2011 that a system of parallel reporting would be required during the period beginning on 1 July 2011 and ending on 30 June 2012.

Seeking to have a structure that is strong from the standpoints of asset quality, liquidity, capital adequacy, risk management, and internal control, Albaraka Türk continues without letup the Basel II transition compliance efforts whose roadmap it has planned to parallel the one laid out by BDDK.

Albaraka Türk's NPL ratio is below the average of participation banks.

One outcome of the bank's effective risk management is superior performance from the standpoint of troubled assets. Albaraka Türk's familiarity with its own customer base plays as big a role in reducing its non-performing loan ratio as does its risk-awareness and its success in credit allocation. The bank's 2.36% NPL ratio in 2011 was well below the average of participation banks while its 92% provision rate for troubled assets was also high.

Although it has one of the most trouble-free loan portfolios in the Turkish banking industry, Albaraka Türk continues its efforts to improve and increase the speed and quality of its asset monitoring and collection processes in order to further advance its position.

Credit risk is the most serious category of risk to which the bank is exposed by its functional activities. An outside consultancy was hired to develop a methodology whereby such risks may be quantified intrinsically. This project, which has now reached its final stage, has resulted in a model that encompasses small businesses as well as commercial and corporate segment firms.

Work is currently in progress on developing a receivables management system that will make it faster to keep track of loans and to make collections by segmenting them on a customer and maturity basis. It is expected that this new system, which will be brought on stream in 2012, will be an important step forward in managing credit risk even more effectively.

Another new system that is about to become operational is concerned with making loan offers and will make it possible to keep comprehensive track of individual firms' current limits and risks, payment and other performance indicators, credit records, and all of the other factors that might affect their credit-worthiness. This system makes information quantifiable, monitorable, and reportable while its control mechanisms ensure that such information is reliable and valid. The rating model has been incorporated into this model, which will also take into account firms' credit standings when limits are assigned. The system has also been designed to be compatible with Basel II criteria.

Cash management products are making a bigger contribution to the customer base.

Albaraka Türk seeks to be the main bank which companies and public agencies work with in order to maximize their cash management effectiveness in the conduct of their collection and payment processes. The bank is giving increasingly more importance to cash management products as a way of building up its customer portfolio and of deepening its customer relations. To this end, it offers a wide range of added-value cash management products and services such as checkbooks, salary payments, tax and social security payments, bill payments, and automatic payment and collection systems.

The bank has changed over to a new web-based system for making bill collections. The number of customers for which bill collections are being made approached 70 (up from 41) last year and includes such national telecoms as Turkcell, Avea, and Vodafone. Agreements have also been signed under which 22 new customers will be brought into this system.

In 2011 Albaraka Türk processed 517,457 bill payments whose total value amounted to TL 43.7 million.

Bill collections	2011	
	Number	Value (TL 000)
Electricity	212,327	24,940
Gas	112,397	8,688
Water	123,871	6,259
Telecommunications	68,862	3,811
Total	517,457	43,698

The number of automatic bill-payment instructions in active use at the bank increased by 72% from 19,035 to 32,762 last year. The bank began collecting payments on behalf of ten companies/agencies through contractual bill-payment centers. Such bill-issuing companies/agencies maintain average account balances with the bank that amount to nearly TL 5 million each.

All of Albaraka Türk's branches accept and process money orders for Western Union, an international payment transfer system with an extensive network of more than 380 service points in more than 200

countries and territories located all over the world. In 2011 Albaraka Türk handled 34,154 Western Union transfers whose total transaction value amounted to USD 48.8 million and which generated TL 427,000 worth of fees and commissions for the bank.

Albaraka Türk regards technology-based cash management products such as direct-debiting and payment-card systems as a way of enabling it to act as a conduit in the collection systems of customers who regularly work with dealership networks. It constantly seeks to improve these systems so that its customers may reduce their own operational costs and enhance their collection capabilities.

A customer-focused structure in retail marketing

In 2011 Albaraka Türk successfully imparted the momentum acquired in transforming itself from an operations-focused bank into a marketing- and customer-focused bank into the domain of retail banking as well. Increasing its efforts to take on new customers while deepening relationships with existing ones, the bank formed strong teams throughout its branch organization.

As a result of customer representative-focused training conducted for bank employees in order to develop the retail marketing team, at least two people were assigned to every branch to carry out its retail marketing functions. At end-2011 there were a total of 115 customer representatives and 173 retail marketing specialists on duty at all of the bank's branches. This corresponds to about a threefold expansion in Albaraka Türk's retail marketing staff since 2010.

In line with its approach of selling the right products to the right customer, Albaraka Türk analyzes its customers' needs through its extensive branch network and advanced technological infrastructure and accelerates its marketing activities in order to provide diversified retail products and services, to increase cross-sale opportunities, and encourage customers to make greater use of its alternative delivery channels.

Profit & loss sharing projects offer significant opportunities in retail financing.

In the retail financing segment, Albaraka Türk offers a broad range of products that provide its customers with home, vehicle, place of business, consumer, natural gas conversion, tuition, and land financing. The biggest share of the bank's lending in 2011 was to finance the purchase of homes.

During 2011 the bank lent a total of TL 685 million as retail financing, a figure that does not include installment-based commercial lending. This corresponds to a year-on rise of 59%. Of this total, TL 626 million (91%) was used to finance the purchase of homes. Of the remainder, TL 28 million (4%) and TL 30 million (4%) were for vehicle and consumer financing respectively. At year-end 2011, the bank's retail financing portfolio amounted to TL 932 million of which TL 840.2 million (90%) was for housing, TL 31.9 million (3%) for motor vehicles, and TL 59.7 million (6.42%) for consumer purchases and miscellany. There was an 80% year-on expansion in the bank's exposure to retail financing principal risk.

Assessment of 2011 Activities

In 2011 Albaraka Türk joined the WorldCard family, the leading system in the payment cards sector in Turkey.

Albaraka Türk supplies home-ownership financing under nine proceed-sharing profit & loss partnership projects. The bank entered into collaboration agreements with two new firms in this business line during 2011. Of these projects, sales are currently taking place in six. Sales will begin in the remaining three in 2012. The bank has had great success in home-ownership financing through such profit & loss partnerships, which it undertakes in collaboration with building contractors. Besides creating lending opportunities, these projects also generate fresh funding for the bank.

In addition to its profit & loss partnerships, the bank also worked with 110 building contractors on project-based home financing during 2011.

In addition to such project-based activities, in the second half of 2011 the bank began organizing campaigns targeted at professional groups as well. Under protocols that were signed, Albaraka Türk supplies financing to members of POLSAN, a mutual assistance fund for policemen, and of İLKSAN, a health and social mutual assistance fund for primary school teachers. Activities such as these give the bank access to newer and broader customer groups.

In 2012...

Albaraka Türk's retail financing plans for 2012 include the following:

- Work will continue on housing projects built by building contractors.
- Retail financing efforts will be accelerated in line with the bank's goal of taking in new funding and reaching broader audiences through lending that is targeted at professional groups.
- The bank will be taking part in profit & loss partnership housing projects in Ankara and Istanbul.
- The bank will seek to derive maximum benefit from cross-sale opportunities that arise in its project-based undertakings.
- Additional attention will be given to forms of financing other than for housing.

With the conclusion of other projects that are planned in the retail banking business line in 2012:

- It will become possible to pay dividends in gold on fixed-term gold-based participation accounts.
- Physical gold will be available for sale in a variety of formats at Albaraka Türk branches.
- "Support Accounts" will be launched.
- A "Gold Investment Fund" will be set up under the management of BMD Securities. This will make it possible for the bank's participation account customers to put idle funds (accounts with less than 31 days to maturity) to work.
- Customers with investment accounts will have real-time access ISE data from the bank's online branch.

Retail financing risk (TL 1000)

	2010	2011	change (%)
Housing	421,074	840,256	99.6
Motor vehicles	34,350	31,972	(6.9)
Consumer credit	63,549	59,798	(5.9)
Total	518,973	932,026	79.6

Note: These figures do not include installment-based commercial lending, rediscounts and accruals, or credit cards.

POS merchant partner numbers and business volumes are on the increase.

Basing its merchant partner operations on the principle of productivity, Albaraka Türk continued its efforts to increase POS turnovers and terminal numbers in 2011 as well.

In the conduct of such activities, particular attention is given to identifying customers that are inactive or non-productive so that their agreements may be ended or their terms revised. Customers who contribute the most to profitability are also visited at regular intervals.

Sector-specific pricing was introduced for a number of customers/groups (pharmacies, dentists, Pozitek dealerships, Et Balık Kurumu, etc) to increase terminal numbers and POS turnovers.

In late 2011, the terms of existing merchant partners' agreements were revised to reflect increases made in Interbank Card Center commission rates.

Changes have been made in the bank's POS targeting in order to increase the number of active merchant partners in 2012. In the twelve months to end-2011, Albaraka Türk's POS turnover grew by 32% and reached TL 3.7 billion in value.

A breakdown of the bank's merchant partner portfolio according to turnover shows that 76% are operating on commission basis, 16% on a one-day retention basis, 3% on a commission + one-day retention basis, and 5% on a 0-day + 0-commission basis.

The number of the bank's POS units increased by 9% last year and reached 11,988. There was a particularly noticeable rise in the ratio of mobile- and IP-based POS units to the total number. Greater speed and efficiency was achieved in responding to customers' POS installation requests, with the average response time dropping from 3 days in 2010 to 2 days in 2011.

Albaraka Türk's POS plans for 2012 include installing virtual, installment-based, and contactless POS units at the premises of its merchant partners.

Merchant partner numbers and business volumes

	2010	2011	change (%)
# terminals	10,982	11,988	9.2
Total business volume (TL 1000)	2,831	3,742	32.2

Albaraka Türk credit cards are now equipped with WorldCard features.

In 2011 Albaraka Türk joined the WorldCard family, the leading system in the payment cards sector in Turkey. Albaraka Türk customers who hold WorldCard-branded cards can now take advantage of a wide range of options and special campaigns at the more than 200,000 merchant partners participating in the WorldCard system while also benefiting from the convenient and generous additional features and services that are available.

All of Albaraka Türk's credit cards are equipped with "dual-interface contactless" features that allow them to be used to make payments through the world's most advanced-technology contactless readers as well as normal terminals. In the twelve months to end-2011, the number of Albaraka Türk-issued credit cards grew by 27% and reached 62,592.

During 2011 an agreement was reached with the public transportation authority of the city of Kayseri under which Albaraka Türk credit cards may be used to pay fares in its system.

In 2011, a project was launched to identify existing Albaraka Türk product and service customers who had not been issued credit cards even though they satisfied the requirements for receiving one. The bank has begun contacting these people and issuing cards to them.

Credit card marketing activities were targeted at the employees of firms with which the bank has entered into salary payment agreements. Stands were also set up on the premises of participating merchant partners so that cards could be issued to such people.

In late 2011, Albaraka Türk began accepting credit card applications over the internet.

Credit cards in use	2010	2011	change (%)
Credit cards	45,469	62,592	27
Business cards	24,054	20,818	(16)
Bank cards	88,631	111,730	21
Total	158,194	195,140	19

There were 33,263 card allocations in 2011, which corresponds to a year-on rise of 119%. The total number was also up by 17% during the same period and reached 72,981 card allocations.

"Hicaz Kart" an Albaraka Türk card specially designed for customers going on pilgrimage, continued to be used by them to make payments and withdraw cash in the Holy Land without problem.

The first and only card specially designed for this customer group, the Albaraka Türk "Hicaz Kart" includes such unique features as rosewater-scented plastic and free personal accident insurance.

In 2012...

Albaraka Türk's card-related plans for 2012 include the following:

- Making use of BKM-supplied infrastructure, the 3D Secure project will become operational, making Albaraka Türk cards compliant with the highest virtual-environment security standards.
- It will become possible to use credit cards to pay bills immediately and through standing orders using the bank's bill-payment infrastructure.
- The pooled patronage points that customers earn when they use their credit cards will be tagged according to brand so that they can be used for brand-specific purchases.
- Credit card users will be able to make installment-based purchases within their assigned limits by means of a special instruction given from a POS.
- Two new BINs ("Platinum" and "Master Gold") will be introduced in order to achieve better customer segmentation in the bank's card issuances.
- A "virtual POS" infrastructure is to be launched. This virtual POS application has been designed to be 3D Secure-compliant.
- Customers will be given more billing-date options than the two which they currently have.

In 2011 Albaraka Türk joined the WorldCard family, the leading system in the payment cards sector in Turkey.

Assessment of 2011 Activities

In 2011 Albaraka Türk successfully conducted a new murabaha credit syndication. This is the largest such loan syndication ever undertaken in the Turkish banking industry.

The goal is to get customers to use alternative delivery channels more.

Online banking is a transaction and sales channel whose development Albaraka Türk is committed to. The number of the bank's retail online banking users increased by 41% in the year to end-2011 and reached 122,898. Their total transaction volume increased by 63% in value during the same period and reached TL 1.6 billion. The number of online corporate banking users was also up by 22% and reached 21,729 last year while their total transaction volume reached TL 3.9 billion in value with a rise of 30%.

Alternative delivery channel users	2010	2011	change (%)
Retail online banking	87,456	122,898	41
Corporate online banking	17,873	21,729	22
Telephone banking	55,137	85,326	55
Total	160,466	229,953	43

At end-2011 the number of ATM units in the bank's own network reached 134. With the introduction of cash-recognition features last year, the number of ATM units in the network that are capable of accepting deposits is now 47. Albaraka Türk's ATMs handled 694,699 individual transactions in 2011 and registered an overall transaction volume worth TL 281.2 million.

ADC banking transaction numbers and amounts

	2010		2011		change (%)	
	Number	Amount	Number	Amount	In number	In amount
Retail online	514,654	998,179,996	578,843	1,624,482,576	12	63
Corporate online	373,071	2,986,382,566	436,404	3,883,929,149	17	30
Telephone	13,294	58,428,843	12,611	84,874,899	(5)	45
Total	901,019	4,042,991,405	1,027,858	5,593,286,624	14	38

The number of incoming calls received by the interactive voice response system at the Albaraka Türk Call Center increased by 13% year-on in 2011 and reached 408,687. The total transaction volume was TL 84.9 million, which corresponds to a year-on rise of 45%. The number of incoming calls put through for the attention of an operator or sales representative was 271,001, 95% of which were responded.

The number of incoming calls received by the bank's central exchange, which became operational in 2011, was 861,219. Of these calls, 848,596 were answered, which corresponds to a response performance rate of nearly 99%.

Of the calls responded to, 287,961 were dealt with by a customer representative, thereby preventing these callers from having to contact a branch and thus reducing branches' workloads by 34%. Calls made directly to branch and headquarters unit telephone numbers are also automatically redirected to the Central Exchange, which helps keep them from going unanswered.

The Albaraka Türk Communication Project, whose aim is to reduce the bank's communication costs, successfully cut such outlays by 47% in 2011.

Insurance product sales are on the rise.

Albaraka Türk continues to increase its efforts to sell insurance and private pension products by taking advantage of cross-sale opportunities. In 2011 Albaraka Türk registered a year-on rise of 46% in total premiums taken in, which amounted to TL 16.7 million in value. The number of policies in the portfolio was also up by 38% during the same period and reached 46,882.

Albaraka Türk continued to strengthen its agency agreement collaboration with Anadolu Hayat Emeklilik (AHE), a life insurer and pension fund manager, through which it offers its customers private pension products based on non-interest-bearing resources of revenue. Albaraka Türk and AHE worked together on a joint project under which private pension plans were sold at the bank's branches taking advantage of the experience of qualified private pension specialists.

Two new firms—Ankara and Generali—were added to the list of insurers for which the bank's branches act as contractual agencies. Campaigns were conducted with Işık, Allianz, Aviva, and AHE through which insurance products were sold by the bank's branches.

Training and associated activities were conducted to increase bank personnel's insurance- and pension-related knowledge and competencies. In support of pension sales, materials such as inserts, brochures, posters, and the like were prepared and distributed among branches and public image and awareness campaigns were organized.

In 2012...

Albaraka Türk's payment systems operations plans for 2012 include the following:

- Bank cards will be integrated into the "Instant Card Printing System".
- Currently offline-processed bill collections will be changed to online processing.
- ATMs will be certified for Visa system compliance.
- ATM vault management activities will be conducted on official holidays.
- The interactive voice response system will be upgraded.
- The browser screen will be upgraded.
- Pages will be added to the online branch to sell insurance.

Relations with correspondents and financial institutions are growing stronger.

In 2011 Albaraka Türk made successful progress in the direction of strengthening its international borrowing and relationships with international financial institutions through a performance that further advanced its brand value and respected name in the international arena as well. The bank continued to increase its foreign trade transaction volumes through a network of 768 direct correspondents and 863 RMA (SWIFT) correspondents located in 95 countries.

Efforts to seek out and have recourse to alternative export markets are being fueled by global-level macroeconomic conditions and by the deepening crisis in EU countries. This in turn makes it necessary for banks such as Albaraka Türk which are focused on building up the foreign trade finance business to make more effective use of existing and potential correspondents relationships in new export markets.

An important goal of the bank therefore is to make use of the foreign trade finance strength nourished by its group's regional presence in the Middle East and North Africa in the East and Central Asian markets into which Turkey's exporters are expanding.

During 2011, Albaraka Türk representatives made visits to twenty countries to explore and discuss ways to increase foreign trade, obtain international credit lines, and credit syndication and sukuk financing. In addition to such visits to domestic and international correspondents, meetings were also held with 86 banks last year in order to increase correspondent relationships.

In order to promote the bank's products and provide a stronger foundation on which to build and increase correspondent relationships, existing and potential correspondent banks are invited to send representatives to Turkey to take part in orientation programs here. During 2011, representatives from correspondent banks in Bahrain, Bosnia-Herzegovina, Lebanon, and Sudan made visits to Albaraka Türk.

One goal is to increase collaboration with group banks in murabaha deals.

Global markets remained sluggish at best throughout 2011, for which reason banks preferred to put their existing liquidity to work in their home markets rather than risking it abroad. Persistently adverse conditions resulted in something of a rise in financing costs after midyear 2011. Despite this, Albaraka Türk was able to secure USD 79.5 million worth of murabaha financing for its corporate customers last year. Between 2005 and 2011 Albaraka Türk secured a total of TL 389 million worth of murabaha financing that it lent to its corporate customers. At year-end 2011, the bank's overall murabaha risk exposure (repayable principal and dividends) amounted to USD 99 million.

Murabaha financing worth a total of USD 79.5 million was extended as credit in 2011 of which amount USD 36.8 million was obtained from group banks.

In 2011 Albaraka Türk successfully concluded the biggest loan syndication undertaken in the participation banking industry.

In June 2011, a consortium led by Standard Chartered Bank, Emirates NBD, ABC Islamic Bank, and Noor Islamic Bank notified markets of Albaraka Türk's authorization to carry out a one-year, EUR and USD murabaha syndication totaling USD 150 million. Subscriptions, which were accepted until September of the year, brought the total to USD 350 million (EUR 100.5 mn + USD 202.5 mn). Twenty-four banks from 17 European, Middle Eastern, and North African countries took part in this syndication which, at LIBOR+1.50 and EURIBOR+1.50 rates, generated resources for our bank that were quite cost-effective in terms of amount, number of participants, and maturity. Albaraka Türk's 2011 murabaha syndication was the biggest loan syndication undertaken in the participation banking industry.

Assessment of 2011 Activities

Albaraka Türk opened its first international branch in the city of Erbil in Iraq in May 2011.

Albaraka Türk concluded its first wakalah deal in 2011.

Last year Albaraka Türk began entering into its first wakalah (power of attorney) agreements with its correspondent banks. A wakalah agreement is a form of contract that is coming into increasingly greater use among Islamic banks as a way of putting idle funds put to work. Such agreements make it possible for Albaraka Türk to conduct transactions which, because they distribute shares of profits and losses rather than fixed returns, are entirely compliant with the principles of interest-free banking.

The first wakalah deal was signed on 1 June 2011, the value of which reached USD 761.1 million by the end of the year. As of 31 December 2011, Albaraka Türk was managing wakalah-based funding worth a total of USD 220.8 million (USD 104.5 mn + EUR 89.5 mn).

Albaraka Türk's wakalah dealings with other group banks are worth USD 97 million + EUR 42 million in total.

Bigger Saudi Export Program limits will allow the bank to offer financing on terms ranging from 18 to 36 months.

Albaraka Türk continued to make use of Saudi Export Program (SEP) credit in 2011 and exhausted its USD 20 million limit before the end of the year. Because of strong demand from customers similar to that for ITFC financing (see below), Albaraka Türk entered into discussions with SEP both to increase this demonstrably inadequate limit to USD 35 million and also to authorize the bank to finance transactions on terms of 18 months or more. Preliminary agreement has been reached on these matters. Once a formal agreement has been signed, Albaraka Türk will resume negotiating SEP financing under a renewable USD 35 million line of credit on terms of 18 months, which may be extended to up to 36 months for some categories of goods.

The first sukuk bonds are to be issued.

Albaraka Türk and the Al Baraka Banking Group have completed arrangements for their first sukuk (noninterest-bearing) bond issue. This first issue, which is to be of five-year bonds with a total value of USD 200 million, will be registered on the London Stock Exchange once bookbuilding has taken place.

Relations with the ITFC are developing.

On 12 October 2010 Albaraka Türk and the International Islamic Trade Finance Corporation (ITFC) concluded a credit agreement that increased the bank's existing limit by USD 10 million and brought the total to USD 25 million. This line of credit, the pricing and terms of which are attractive, was used for foreign trade finance and was entirely exhausted by the end of 2011. Albaraka Türk is currently involved in discussions with ITFC to increase the limit to USD 50 million in order to undertake bigger and more effective foreign trade finance dealings.

Albaraka Türk and ITFC are also discussing a changeover to "Two-step Murabaha Financing" (2SMF) as this will significantly reduce the operational workloads of both in the conduct of murabaha transactions. Efforts are being made to make the 2SMF instrument operational some time during 2012.

Export credit agency transactions are on hold pending more suitable conditions.

Requests for export credit agency (ECA) financing that were received from branches during 2011 were forwarded to correspondents and price proposals were obtained. Ongoing financial and economic uncertainties have been having a severe impact on such credit costs, with the result that Albaraka Türk entered into no ECA financing agreements last year.

Preparations have been completed for an agreement with the Islamic Corporation for Insurance of Investments and Export Credits.

As an agency of the Islamic Development Bank, the Islamic Corporation for Insurance of Investments and Export Credits (ICIEC) seeks to expand the export trade of Muslim countries that are its members and to increase international investment inflows into such countries. ICIEC makes use of vehicles such as export document insurance, export letter of credit insurance, bank funding insurance, and investment insurance to provide exporters with coverage against on letters of credit originating in "high risk" countries against non-payment risk, political risk, etc.

An insurance agreement that is to be signed between Albaraka Türk and ICIEC has been scrutinized for compliance with the requirements of law. It is expected that this agreement will be signed and that the bank will be able to start offering such coverage some time during 2012.

We have begun to take a bigger share of foreign trade finance.

In line with its policy of pursuing growth in foreign trade finance, in 2011 Albaraka Türk increased the volume of such financing for its extensive portfolios of SME and corporate customers. Last year the bank wrote USD 779 million worth of export financing, which corresponds to a year-on rise of more than 77.5%. The volume of the bank's import financing, which grew by a much more modest 9%, was worth USD 2,189 million. Foreign exchange transactions increased by 40.7% year-on to USD 7,269 million. Albaraka Türk's total foreign trade finance transaction volume increased by 34.4% in 2011 and was worth USD 10,238 million.

Another signal of the growth in the bank's international dealings is to be seen in its commission earnings, which increased by 18.25% and reached TL 10.9 million last year. In 2011 Albaraka Türk earned more commissions on foreign trade finance products than it had done in recent years.

USD 125.9 million of Albaraka Türk's export financing and USD 22.8 million of its import financing was handled through group banks. Foreign exchange transactions conducted through group banks amounted to USD 283.8 million in value.

We are taking important steps towards becoming a regional force.

In May 2011 Albaraka Türk opened its first branch outside Turkey in the city of Erbil in Iraq. In December, the Albaraka Türk board approved a plan to open more such branches in line with the bank's strategy of expanding its international operations in order to benefit from economic development in the Middle East and Gulf regions and in recognition of the fact that these regions are important markets whose potential for commercial relations with Turkey should be tapped. Albaraka Türk has begun working on projects to open branches or representative offices in Bahrain and/or Qatar in order to both to increase its market share and to develop a foreign trade finance business based on commercial activities originating locally. A final decision on the way forward will be made in early 2012 with the intention of completing licensing formalities by midyear.

Synergies with ABG are increasing.

With the support of the Al Baraka Banking Group (ABG), synergies between Albaraka Türk and other group banks along with the associated growth in business volumes and integration will take our bank in the direction of becoming an important financial force in North Africa, the Middle East, and other regions where there is

potential. Albaraka Türk regards Middle Eastern and African countries as its priority-target markets and believes that there is substantial, untapped foreign trade potential between them and Turkey.

Albaraka Türk and other ABG banks regularly engage in mutual visits and discussions as they explore way to increase foreign trade volumes. Group banks are provided with information about the firms that Albaraka Türk's corporate customers work with in their own home markets and offers are made to do business together with them.

Throughout 2011, discussions were conducted with group banks on such issues as foreign trade acceptances, putting idle funds to work through wakalah agreements, and financing the bank's corporate customers' imports through murabaha credit. Personnel from ABG, Al Baraka Lebanon, and Al Baraka Syria also visited Albaraka Türk in order to take part in the bank's orientation program.

Progress has been made on such issues as putting group banks' idle funds to work, sharing customer portfolios, acting in line with common customer policies, and minimizing parties' commission fees. These and similar examples of expanded cooperation will boost groupwise synergies while also increasing opportunities to benefit more from regional potential.

A new funds management structure

Recognizing the requirements arising from a bigger branch network and higher transaction volumes as well as the need to create an array of alternative products, Albaraka Türk decided to overhaul its funds management structure.

Important progress has been made in funds management as a result of these structural changes. The bank has changed over to a "back office" structure consisting of separate FX, TL, and Gold desks in order to better cope with the unique dynamics of these different forms of funding. The back office for its part is responsible of overseeing and recording these desks operations. Remaining bound by its principle of not indulging in speculation, which is one of the fundamental tenets of interest-free banking, Albaraka Türk continued to keep a strict watch on global market developments and to adhere to a proactive policy in 2011 as well.

Albaraka Türk Funds Management makes use of data platforms such as Thomson Reuters and Matrix in order to have immediate access to the instantaneous information that it needs in order to keep abreast of local and global market developments in real time. This unit also continued to make increasingly greater use of the FX platforms that are linked to the treasury infrastructures of the world's leading market-making banks in order to remain thoroughly customer-focused and maintain a high-quality pricing policy in today's competitive markets. Offering a wide range of alternative solutions that embrace both local and global options through its extensive international correspondent network, Albaraka Türk domestic correspondent network also gives it access to customers even in places where it does not have a branch of its own.

Assessment of 2011 Activities

Albaraka Türk shapes its information technology policies and practices on the foundation of four leading trends: cloud computing, knowledge, mobile technology, and social software.

In markets going through a period of political disturbances on top of global and macroeconomic volatilities and uncertainties, Albaraka Türk continued to concentrate on minimizing risk while adhering to a liquidity-focused policy. Thus its operational transactions, which amounted to USD 12 billion in 2010, increased to only USD 15.4 billion in 2011 while the funds which it put to work in murabaha deals in international commodity markets more than halved from USD 2.9 billion to USD 1.3 billion over the same period. Overall its total transaction volume increased by 28% from USD 14.8 billion to USD 16.7 billion. The "operational transactions" category includes arbitrage deals with domestic and international correspondents, currency trading, transfers made to effect payments from nostro accounts held with international correspondents, and murabaha trading on international commodity markets.

Under new rules introduced by the TCMB General Directorate for Markets on 20 June 2011, participation banks are allowed to take part in open market transactions that involve buying and selling revenue-indexed instruments that TCMB recognizes as being acceptable collateral for use in domestic interbank lending. Income-indexed bonds which Albaraka Türk maintained in its portfolio in order to manage its cash flow and to meet its liquidity requirements were thus sold in TCMB open market trading on condition of their being repurchased. The total trading volume resulting from this amounted to TL 10 billion and the deals generated TL 5 billion in liquidity for the bank.

It was to be observed that the growth in Albaraka Türk's gold-based funds had a positive impact on both its transaction volumes and hedging profits. In 2010 the bank effected gold trades amounting to 3,256.5 kgs in weight and TL 196 million in value. Gold trading carried out by the bank in 2011 in line with customers' requests and also on the İstanbul Gold Exchange for its own hedging purposes amounted to 14,573 kgs in weight and TL 1,362.2 million in value. These numbers correspond to year-on rises of 347.5% and 592.7% respectively. The profits generated on the bank's gold trading operations also rose by a hefty 387.7% during the same period, going from USD 372.5 thousand in 2010 to TL 1,8165.9 thousand in 2011.

According to 2011 figures, total trading on the İstanbul Gold Exchange increased by 97.4% year-on and reached 227.33 tons. On that basis, the 1.10 tons of gold traded by Albaraka Türk in 2010 accounted for 1% of the exchange's total transaction volume that year. The 5.4 tons

of gold whose trading the bank was involved in 2011 thus pushed this ratio up to 2.3% of the total.

To total balance of all current and participation accounts of correspondent banks with which Albaraka Türk has an account relationship amounted to USD 107.5 million (USD 64.3 million + EUR 31.6 million) as of 31 December 2011.

New trends are reflected in the bank's information technology structure.

Only banks which make good use of current technology, which are managed through effective processes, and which develop innovative products and services are capable of creating added value and of getting the upper hand over their competitors by ensuring both customer- and employee satisfaction.

Albaraka Türk made substantial changes in both the organization and operations of its information technology functions in order to keep pace with the accelerated pace of innovation driven by technology. Such changes also provided the foundation for the bank's own long-term and difficult transformation process.

On the information technologies front, a changeover will be made to a four-part organization.

• Information Technologies Strategy and Governance Department

The Information Technologies Strategy and Governance Department is charged with ensuring that information technology strategies are developed in line with the bank's strategies; with keeping abreast of developments in information technology and the banking industry; with planning appropriately for the department's and the bank's future needs; with formulating the department's budget and overseeing its performance; with entering into service-level agreements with other IT units; with determining and managing the corporate architecture structure; with determining and managing data process and program ownership; with ensuring the existence of an infrastructure that will allow feasibility studies and impact analyses to be performed; with identifying and managing points of IT process risk; with carrying out the functions and duties of business intelligence and data mining; with formulating bank information security policies

and supporting the creation of an infrastructure necessary for this; with ensuring that IT processes are functioning in accordance with the requirements of laws, regulations, and administrative provisions, of international standards, and of the bank's own regulations and rules; with dealing with any problems that may be discovered in the course of IT auditing.

• Project Management Department

The Project Management Department is responsible for effectively coordinating activities among business units so as to identify such units' IT needs and for assessing and managing the units' requests by means of a project management methodology which is known as "Demand Management". Similarly the department also oversees and coordinates processes—especially those concerned with time, resource, and budget planning—that are required for IT projects from their initial request to their final, real-world implementation. In the conduct of these processes the department analyses needs, carries out testing, prepares user's guides, and takes such other action as is necessary.

• Software Development Department

The Software Development Department is responsible for subjecting software requests that are being overseen by the Project Management Department to technical analysis; for installing software architecture; for ensuring that coding is compatible with analyses and proposed architectures; for ensuring code security; for creating an effective software development environment; for ensuring that software services procured from outside the bank are usable by the bank; for testing programmers; for preparing software documentation; for quickly correcting any errors that appear during testing or subsequent use.

• Information Technology System Support Department

The Information Technology System Support Department is charged with ensuring that IT software and hardware systems operate effectively and continuously; with managing patches, versions, and configurations; with ensuring the well-being and effectiveness of the local network, internet, and telephone exchange communication infrastructure; with responding to business units' hardware and software requests; with ensuring that the IT help desk operates effectively; with maintaining the well-being of system updates, backup processes, and systems that are activated in the event of extraordinary circumstances; with performing loading and leakage tests; with ensuring the effectiveness of testing environments; with managing server and system rooms; with installing mechanisms that will ensure information and system security.

The overarching goal of this structure is to have a sustainable system infrastructure which is compatible with Albaraka Türk's ultimate goals and strategies. These units have been created and their authorities and responsibilities have been clearly defined. The IT strategies which the bank will implement in 2012-2015 have been identified. Effective

and productive use of technology resources is achieved by ensuring IT requests are compliant with the bank's strategies.

Albaraka Türk roots its information technology policies and practices in the four most outstanding trends that have emerged in recent years: cloud computing, information, mobile technology, and social software.

Cloud computing-related activities began at Albaraka Türk quite some time ago with the virtualization of desktops giving users access to centrally supplied services. By providing for operational activities such as security, patches, and program loading, this process also saved on electricity costs as well. With the inclusion of a secure connection function, it became possible for users to access their own computers from wherever (workplace, home, etc) they might be and from whatever machine they might wish. Albaraka Türk intends to continue its efforts to expand cloud computing practices into increasingly more areas of use.

In 2011 work also began on efforts to transform the increasingly greater volume of information into knowledge and to base actions on such knowledge. With the recognition of "information" as one of the four fundamental elements of the bank's information technology strategy, a business intelligence team was set up and began working on improving the quality of data and collecting it centrally and on producing knowledge that is historically consistent and correct. In the period ahead, all reports generated throughout the bank will be centrally issued and managed. This will make it possible for decision-makers to conveniently see the results of whatever action the bank may have taken in the past.

On the mobile technologies front, a special team has been set up that has begun developing strategies and working on ways to deliver the bank's products and services via mobile platforms.

Work is continuing on projects for 2012 that involve evaluating the existing banking software package and identifying what action concerning it needs to be taken.

The most significant information technology strategy-related activities and projects undertaken at Albaraka Türk in 2011 are discussed below.

Best IT employee

- Relationship management training was provided to increase cooperation between business units and the IT departments.
- Project management training was provided to improve project management skills.
- The IBM Connections social software application was introduced to increase knowledge and experience sharing and communication within IT departments.
- IT personnel took part in national and international seminars and activities in order to keep up to date on software-related trends.

Assessment of 2011 Activities

ATOM, Albaraka Türk's central operations system project, has made progress hitherto unseen in the history of Turkish banking. ATOM is now capable of handling 85% of central operation processes.

Best practices

- In a project undertaken with the Deloitte consultancy firm, an information security system has been set up.
- Products and services that are within the internal IT capabilities of the bank but whose strategic importance is low were outsourced. For example by outsourcing bill-payment processing, the bank is able to handle collections for nearly seventy organizations, including those of Turkey's three biggest mobile operators.
- A special team was set up to be responsible for mobile technologies and alternative delivery channels. Work in this area is continuing at this time.
- The first two phases of the project to centralize all bank operations have been completed. As a result of this, many such functions previously performed by branches have been transferred to central operations units.
- An ISE stock trading infrastructure has been completed for Albaraka Türk's internet and telephone banking systems.
- Under a World license agreement between Albaraka Türk and Yapı Kredi Bank, Albaraka Türk-issued credit cards have joined the World system and thus qualify for that system's installment-based purchases, loyalty points, loyalty point redemptions, and special campaigns.
- A gold trading infrastructure has been developed for Albaraka Türk's retail online banking system.
- Product diversity has been increased by distinguishing among participation accounts based on amounts, terms, and currency.
- In order to make it possible for customers to be aware immediately of movements in their accounts, an SMS notification service has been introduced. Account statements can also now be sent in electronic format.
- A funds transfer pricing methodology that is compatible with the spirit of participation banking has been formulated that will make it possible to quantify the true performance of branches (profit centers) and to objectively assess them in real time. Associated software development has been completed.

Best infrastructure

- Desktop virtualization has been completed with the introduction of cloud computing applications.
- Work has begun on installing Business service management and IT service management programs in order to keep infrastructure under constant watch, to monitor accessibility and performance, and to increase end-user satisfaction.
- Albaraka Türk is collaborating with Hewlett-Packard in order to better prioritize IT workflows according to the bank's goals and strategies and to achieve more effective IT resource management. Implementation of HP's project portfolio management software has begun.
- Wireless systems have been activated throughout the bank's headquarters building. This makes it possible for personnel to work on their own computers wherever they may be on the premises.
- Branch infrastructure backup processes have been fully automated so that user intervention in the process is no longer required.
- Installation of an IP telephone infrastructure has made it possible for users to take advantage of the convenience of IP telephony while also achieving significant savings in communication costs. Calls made directly to branches are now being redirected to central operators in order to achieve greater standardization in bank communication.
- A data center complying with Tier-3 international standards has been set up.
- Custody transactions have been consolidated and virtualized in order to ensure infrastructure continuity, provide quick access to information, and allow products held in custody to be used independently.
- All routers and firewall devices have been consolidated in order to create a simpler and more manageable network infrastructure.

Best knowledge

- A team has been set up to focus on business intelligence. The team's immediate objective is to have all reports generated in-house at the bank centralized by the end of 2012.
-

Superior operational efficiency with ATOM

ATOM, Albaraka Türk's central operations system project, has made progress hitherto unseen in the history of Turkish banking. As of end-2011, ATOM was capable of handling 85% of branches' centralizable operations, which is to say operations that do not require the intervention of a teller.

The central operations center was set up in order both to ensure that the products and services demanded by customers are provided quickly, reliably, and productively according to specific service standards and to reduce branches' operational workloads. The Albaraka Türk Central Operations Center performs seven essential functions:

- It positions branches as marketing channels rather than as operational channels
- It allows labor to be shifted away from branches to headquarters
- It helps minimize operational risks
- It increases information security
- It allows the bank to optimize personnel
- It increases speed and performance
- It standardizes task flows through the bank.

Before operations centralization, activities at Albaraka Türk were task- or transaction-oriented. With the launching of ATOM, they are becoming process-oriented instead. By taking such a process-oriented approach, it is possible to keep more systematic track of what personnel are doing in real time and operate the performance management system accordingly.

Information about the individual units of ATOM and the transactions each had performed as of 31 December 2011 is presented below.

Unit	# personnel	# transactions
Loans	62	660,995
Banking Services	65	456,827
International Operations	45	74,110
Payment Systems**	54	136,607
Total	226	1,328,539

** Does not include 36 people employed at the call center.

In order to increase the effectiveness and productivity of banking processes conducted through ATOM, in 2011 work was begun on projects to redesign business processes, centralize operational processes that create work for branches, and to monitor and effectively manage the conduct of these processes through a queue management system. To this end, areas of possible improvement in processes were identified by means of in-house communication resources (suggestion system, forums, idea-sharing platform, email) and as a result of evaluation meetings conducted with process stakeholders and branches. Ways in which to reduce bureaucracy in processes were also explored and the information gleaned in this way was used to initiate improvements where they appeared to be needed.

Work is currently in progress on a project which will make it possible to complete processes taking place at ATOM within the time frames stipulated by commitments in service level agreements, to simultaneously identify transactions that require unusual amounts of time, and to achieve more effective process and performance management. The underlying objective of this project is to create warning mechanisms that will allow the system to function on its own, will warn managers when there are problems, and will make it possible to overcome bottlenecks in processes resulting from task concentrations to be dealt with by automatically assigning backup personnel from the labor pool.

An organizational structure that supports healthy growth is rounded out by processes that are productive and effective.

Albaraka Türk's organizational structure is specifically designed to be customer-focused in order to satisfy the wishes and expectations of customers and to supply high-quality products and services. Attention is given to making certain that the bank's organizational structure is flexible enough to keep pace with the changing demands of competition and to constantly renew itself.

In order to increase the effectiveness, productivity, and quality of all of its activities, Albaraka Türk continuously engages in whatever research and development and documentation is necessary to ensure that modern management techniques are applied and encouraged.

Under the heading of activities conducted in 2011, organization charts for all units were updated, branch workloads were analyzed and monthly workload reports were issued, all task flowcharts pertaining to the bank's processes were re-examined and quality documentation was published for the flowcharts of 194 tasks.

Assessment of 2011 Activities

A 19.6% rise in the number of its employees despite the crisis environment drew attention to Albaraka Türk's contributions to employment.

As of end-2011 there were 890 titles in the bank's quality documentation of which 355 had been revised and 173 were newly published during the most recent twelve-month period.

Twice a year, programmed internal inspections are carried out at the bank in order to ascertain the effectiveness and productivity of Albaraka Türk's quality management system and to identify such areas of the system as are in need of additional improvement or attention. During the first round of inspections in 2011, 68 branches were inspected. During the second, a changeover was made to a random sampling methodology in which 30 (corresponding to 20% of the combined total number) of the bank's headquarters units and branches were inspected. The inspection, verification, testing, and certification firm of SGS also subjected eight branches to preliminary inspections prior to undertaking a full external inspection of the bank.

A total of 9.5 days (66.5 hours) of quality awareness training was given to newly-hired personnel in order to give them a better understanding of Albaraka Türk's approach to quality.

Albaraka Türk has been in possession of ISO 9001:2000 Quality Management System certification since 2004. An interim audit was conducted by the SGS certification firm based on ISO 9001:2008 criteria in May 2011, at which time it was ascertained that there were no breaches of compliance and that the bank's existing certification was still valid.

Albaraka Türk human resources represent its intellectual capital.

Albaraka Türk corporate culture is erected on the foundations of creating a family environment whose members are open to change an innovation in order to constantly aspire to the best and who possess the knowledge and abilities required for their jobs in keeping with the bank's mission of being the leading advocate of interest-free banking in Turkey.

In line with the importance which it gives to its employees, the bank erects its human resources policy on the foundations of rewarding employee success, increasing job motivation, and encouraging more productive and better service delivery, which it rounds out with a strong career progression and fair-minded compensation system. Teamwork is encouraged in order to create a healthy workplace environment while every employee is given opportunities to improve their individual competencies through training programs.

Recognizing that every employee is an element of the bank's intellectual capital, Albaraka Türk gives importance to employing people who are compatible with its corporate culture; are qualified and productive; possess the knowledge and experience required for their jobs; and whose expectations are consistent with the bank's own realities.

In all of the bank's recruiting and hiring processes, attention is given to candidates' compatibility with organizational culture and to their abilities. For this reason, Albaraka Türk's human resources are people who are compatible with its organizational culture, who are innovative, and whose goals coincide with the bank's goals.

In 2011 a series of efforts were made to author best practices in the area of human resources.

- The bank continued to take part in "career day" events organized by Turkey's leading universities in order to further improve the quality of its human resources and to attract young minds to its team.
- A project dubbed "Academy Albaraka" has been launched to provide traineeship opportunities at Albaraka Türk to university students who attend our country's leading universities, who are enterprising and innovative, and who possess analytical thinking skills. The goals of this project are to gain access to talented students who are still enrolled at university and to discover the outstanding human resources and young minds that will create added value and take the bank forward into the future.
- Within the framework of its own career and talent management program, Albaraka Türk recruits about 70% of its branch managers from among its existing personnel. The remaining 30% consisted of people who are recruited from outside the bank and whose previous branch management experience is deemed to be promising and beneficial to the bank.
- Within the framework of its vision of being "the world's best participation bank", Albaraka Türk further developed its competition system in the last quarter of 2011 in order to have a more distinguished workforce. To this end, it hired a leading manpower consultancy to carry out a project in which the bank's employee competition structure was compared with those of other members of the banking and financial services industry.

- A new job position called "customer representative" was created for the bank's retail marketing service. The job description of this position includes such things as greeting customers who come into a branch, performing customer identity-related operations, and promoting and selling retail/corporate products consistent with their level of authority. Appointments to these new positions have been made as required.
- Turkey's leading human resources portal, kariyer.net, has granted Albaraka Türk its "Respect For People" award four times in a row in recognition of the bank's high rate of response and fast turnaround time when dealing with job queries made through the portal.

At end-2011 Albaraka Türk had a total of 2,601 people on its payroll. 92% of the bank's personnel are male. 84% of the bank's personnel hold at least one university degree of some sort.

2011 Personnel Figures

Number of new branches opened	14
Net increase in personnel	426
Total personnel (31 December 2011)	2,601
Females	210
Males	2,391
Number of branches	123

Albaraka Türk personnel educational status	2010	2011
Graduate	4.9	5.1
Undergraduate	74.6	76.6
Associate	4.4	5.2
High school	14.1	11.8
Primary school	2.0	1.3

Both training time and training scope are being increased.

Training policies and goals are formulated taking into consideration the need to equip employees with and develop the knowledge and skills necessary to support individual and professional development within the framework of Albaraka Türk's mission, vision, and strategies.

Basic-level training is provided to newly-recruited assistant tellers, assistant specialists, and assistant inspectors in order to equip them with the competencies required by their duties at the bank. Those who take part in such training are also given training in customer relations and personal development along with specific technical training that is concerned with banking-related matters.

On-the-job and/or classroom training is provided in situations where promotions, changes in duties, or changes or developments in the legal framework or in technology have an impact on employees' particular areas of accountability.

In order to support the intellectual development of employees, increase their motivation, and strengthen their loyalty and sense of belonging to the bank, in September 2011 Albaraka Türk launched a program to provide financial assistance to those who wished to study for a master's degree in business administration.

In order to provide potential managers with the vision and strategic thinking skills needed to successfully carry the bank's organization into the future and to equip them with innovations and developments in management techniques so as to ready them for global competition in the banking industry, a "Manager Training Program" has been launched.

In order to create a more effective and more productive structure within the existing staff of trainers employed in training programs and to train new trainers to be recruited into the bank, a "Training Staff Developments Project" has been launched.

A total of 1,439 days of training was provided to all personnel throughout the bank in 2011 in which a total of 8,346 people took part as trainees. This corresponds to an average training time of 62.4 hours of training per person per year. The year-on-year rise in the number of personnel taking part in bank-supplied training in 2011 was 27.4%.

Training per Personnel (hours)



Total Number of Personnel Attended Trainings



Assessment of 2011 Activities

The success which Albaraka Türk has been having in recent years in terms of financial strength and asset quality will be sustained in 2012 as well.

"Best practices" are being further developed through employee suggestions.

In order to measure employee satisfaction and to identify employees' expectations with respect to the bank, an "Employee Satisfaction Poll" was also conducted in 2011 as well. In addition, an "Internal Customer Satisfaction Poll" was also carried out in order to increase the effectiveness and productivity of communication between the bank's branches and its headquarters units.

Proactive use is made of a suggestion system that has been set up in order to transform employees' knowledge and experience into value and to encourage them to come up with ideas. Improvements are made in the suggestion program in order to further increase both the effectiveness of this suggestion system and employees' participation in it.

In 2011 a total of 667 suggestions were received from employees through the bank's suggestion system. These suggestions were directed to the appropriate units of the bank and action was taken on them. A total of 432 Preventive Action Forms (PAF) concerning process/program improvements were initiated.

During 2011 a total of 1,158 PAFs and suggestions were finalized of which 536 PAFs and 164 suggestions were approved.

Contributing to the environment and culture life

Striving to be more than just a financial institution, Albaraka Türk also engages in social and cultural activities and seeks to maintain and develop customer satisfaction in other areas as well. Under the difficult economic conditions that prevailed in 2011, Albaraka Türk was one of only a very few organizations that successfully achieved their goals in such endeavors. By providing services beneficial to both the natural environment and to Turkey's cultural and artistic milieu and encouraging the involvement of its employees in social responsibility projects, the bank further advanced on its efforts and objectives. Seeking to undertake new projects that will earn it recognition, Albaraka Türk will increase its involvement in social and cultural activities in the years ahead as well.

Accelerating its corporate social responsibility activities through a protocol signed with the Solidarity Association of Environmental Organizations (ÇEKÜD) in 2007, Albaraka Türk broadly involved itself in ÇEKÜD's reforestation project and supported the planting of the Albaraka Türk Memorial Forest. According to a report published by ÇEKÜD in 2011, of the 2,000 saplings planted in the reforestation project successfully carried out jointly by Albaraka Türk and ÇEKÜD in the Durusu district of Çatalca, 1,950 took root yielding an overall sapling survival rate that was above the national average in Turkey.

Believing that activities in the area of corporate social responsibility should be carried out on a voluntary basis, Albaraka Türk encouraged its employees to take part in its joint effort with Turkish Red Crescent in support of that organization's blood drive campaign. When the campaign was conducted at Albaraka Türk headquarters, not only did many of the bank's employees take part but the project also created an awareness among them that such campaigns should be organized more frequently on a regular basis.

Seeking to involve children in its cultural and artistic activities as much as adults and also to maximize employee satisfaction through participation in such endeavors, in June 2011 Albaraka Türk hosted Karagöz Elma Şekeri, a theatrical performance for children written by Hasan Hüseyin Karabağ. The program proved to be very popular among the children of Albaraka Türk employees and work has begun on inviting the bank's customers' children to attend performances in future as well.

The Albaraka Music Club, which was set up by Albaraka Türk employees and which gives performances in-house, invited artists Murat Aydemir and Salih Bilgin from the Culture Ministry Chorus to attend an event at the bank's headquarters in 2011 during which they and bank personnel had an enjoyable time chatting with each other.

The attention that Albaraka Türk gives to ensuring that cultural values are carried forward into the future is particularly evident in the importance which the bank attaches to the art of calligraphy. Albaraka Türk owns and safeguards a substantial collection of precious calligraphic works, examples of which it exhibits on various occasions.

During June 2011, the collection traveled to Hungary where it was shown off to those taking part in the "Cultural Diversity and Dialogue" conference that was held in the city of Eger. After the conference, an exhibition of the Albaraka Türk calligraphy collection was mounted at the Istvan Dobo Castle Museum in the same city until the end of August. The collection subsequently moved to Budapest, where it was on display until the end of September. The exhibitions attracted great interest not only from conference participants but also from the general public in Hungary.

In order to give the art of calligraphy the attention it deserves and to support artists who produce works in this medium, Albaraka Türk conducts a calligraphic arts competition once every three years. The 2011 competition was the third in the series of events, the first of which took place in 2005. The themes of last year's show were "Justice" and "Human Rights". Entries were accepted in five categories of traditional calligraphic style: "Celî sülüs", "Sülüs", "Sülüs-nesih", "Celî ta'lik", and "Celî divanî". Prof Uğur Derman and Hasan Çelebi, two of the leading practitioners of calligraphy in the world, served as honorary heads of the jury of judges that consisted of Mehmed Özçay, Davut Bektaş, and Ali Toy. The results of the competition will be announced on 15 May 2012, at which time fifteen works in the five categories will receive awards totaling TL 160,000 in value. The award-winning works will be shown in a exhibition that will take place during the same year.

Expectations for 2012

Albaraka Türk believes that the Turkish economy will register noteworthy growth in 2012 even though its rate may not be as high as those witnessed immediately after the crisis. Although leading indicators suggest that the economy will slow down somewhat in 2012, it is nevertheless anticipated that the 4% rate of GNP growth called for in the Medium Term Program is an achievable target.

Owing to a worsening appetite for risk at the global level towards the end of 2011, the Turkish Central Bank (TCMB) slackened its reserve requirements somewhat. Owing to a failure to come up with an enduring solution to the problems of high indebtedness in the eurozone, it is likely that TCMB will continue to ratchet reserve requirement rates down still more in 2012—albeit not in such a way as to be incompatible with price stability. This in turn should impact favorably on the banking industry.

In 2011 the participation banking sector registered asset- and collected-fund growth rates that were above the sector's averages. Participation banks also performed well in terms of profitability as well last year. 2012 will be an important year for participation banks from the standpoint of diversifying their funding resources. As the appetite for risk in global markets continues to improve, there should be a particularly outstanding increase in noninterest-bearing bond issues. The government's positive attitude towards the issuance of rent-based certificates and efforts in that direction so far are also important from the standpoint of further diversification of participation banks' asset structures.

With its strong financial structure and superior asset quality, Albaraka Türk will sustain the success which it achieved in previous years in 2012 as well. The bank foresees that there will be growth rates of 20% and 15% respectively in its funded credits and collected funds next year. The syndicated murabaha loan which the bank renewed at a lower cost last year despite the addition of another USD 110 million will continue to support the funding side in 2012. A project to issue USD 200 million worth of noninterest-bearing bonds that was planned to take place in late 2011 but which was put off due to unfavorable market conditions will be reconsidered in 2012 depending on how markets improve. Recent changes in the VAT rates applicable on financial leasing agreements should impact favorably on possible noninterest-bearing issues by serving as assets on which such bonds may be based.

The profit & loss-sharing partnerships which contribute so favorably to Albaraka Türk's profitability and with which the bank has had many years of successful experience will continue to be important in 2012 as well. As the leading player in this business line of the sector, Albaraka Türk will remain profitable in these products too.

Serving customers through a network of 122 branches located all over Turkey and a newly-opened international branch in the city of Erbil in northern Iraq, Albaraka Türk plans to open fifteen more branches in 2012. Conducting its activities without impairing its service quality in line with the expansion in its branch network and growth in the volume of its banking business, Albaraka Türk will continue to augment its technical infrastructure so as to keep pace with requirements of banking today.

Having recently increased its activities in retail banking, Albaraka Türk plans to become even more active in this business line in the near and medium terms. The bank's retail banking portfolio will be diversified with the addition of new products such as installment-based credit card accounts and private pension accounts as well as products and services being supplied via alternative delivery channels. Our performance in these areas will continue to be enhanced through new agreements that are to be entered into and new products that are to be launched in 2012.

As it embarks upon 2012 with its vision of being "the world's best participation bank", Albaraka Türk will be taking important steps forward in the new year. The "Simurg" project which was launched in late 2011 and which will be the successor to the Transformation Management Office, is designed to contribute towards making Albaraka Türk into a medium-sized bank.

Annual Report Compliance Opinion



Güney Bağımsız Denetim ve
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To the General Assembly of
Albaraka Türk Katılım Bankası A.Ş.

We have audited the compliance and consistency of the financial information provided in the annual report of Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) prepared as of December 31, 2011 with the audit report prepared for the related period then ended. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the audited annual report.

We conducted our audit in accordance with the principles and procedures set out by the regulations on preparation and issuance of annual report in the Banking Act No: 5411 and independent auditing principles. Those regulations require that we plan and perform our audit to obtain reasonable assurance whether the annual report is free from material misstatement. We believe that our audit provides a reasonable and sufficient basis to form our opinion.

In our opinion, financial information included in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Albaraka Türk Katılım Bankası A.Ş. as of December 31, 2011 in accordance with the principles and procedures set out by the regulations in conformity with Article 40 of the Banking Act No: 5411, includes a summary report of the Board of Directors and the convenience translations of independent auditor's reports originally issued by us in Turkish and is consistent with the convenience translations of audited financial statements and explanatory notes originally issued in Turkish.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of Ernst & Young Global Limited

Metin Canoğulları
Sorumlu Ortak, Başdenetçi

March 14, 2012
İstanbul, Türkiye

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Board of Directors



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1- Adnan Ahmed Yusuf ABDULMALEK Chairman

Mr. Adnan Yusuf was born in 1955 in Manama (Bahrain). He studied Administrative Sciences in 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 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. Yusuf became the chairman of ABC Islamic Bank (EC). He was then appointed as the general manager of Albaraka Banking Group (ABG) in March 2000. He took office as the CEO of Bahrain Islamic Bank during 2002-04. Since August 2004, he has been working as a board member and CEO of the ABG. In the board of directors of several banks in ABG family, Adnan Yusuf is either a member or chairman. He has been the chairman of the Board of Directors and the Credit Committee of Albaraka Türk since April 2005. Apart from above mentioned positions, Mr. Adnan Yusuf has twice been recipient of the "Islamic Banker of the Year" Award 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.

2- Yalçın ÖNER Vice Chairman

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

3- Osman AKYÜZ Board Member

He was born in 1954 in the town Yomra (Trabzon). He has obtained his degree from the Faculty of Political Sciences, Ankara University. He has commenced his professional career in 1978 as a tax inspector at the 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 in Albaraka Türk. Thereafter he worked as the manager of fund allocations (1991-94), assistant general manager (1994-95) and general manager of the Bank (1996-2002). Osman Akyüz is a member of the Credit Committee in our bank since November 2001 and executive (resident) board member since April 2002. Mr. 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.

4- Ibrahim Fayeز Humaid Al SHAMSI Board Member

He was born in 1949 in the Ajman city of the United Arab Emirates (UAE). Mr. Ibrahim Fayeز had his degree in economics from the Arab University of Beirut in Lebanon in 1972. He commenced his professional career in 1969 at Bank of Oman as current accounts chief. Later on he became the manager of its Ajman branch (1971). He held the following positions: Manager of financial affairs on the Ministry of Housing & Town Planning of UAE (1972); assistant general manager at Abu Dhabi Fund for Arab Economic Development (1976); board member for European Arab Bank Holding in Luxembourg (1978), board member for Industrial Bank of UAE (1983), board member for Austrian Conference Centre Co in Vienna (1984) and board member for Dubai Islamic Bank (1998). He also worked as chairman of Bangladesh Investment Co in UAE and manager of Arab Fund for Economic & Social Development in Kuwait (1983-2010). He has been the CEO of the Emirates Islamic Bank in Dubai between 2004 and 2011. He has been a board member of Albaraka Türk since April 2005. He is also the chairman of Corporate Governance Committee of our Board.

5- Prof. Dr. Ekrem PAKDEMİRLİ Board Member

He was born in 1939 in Izmir. Professor Pakdemirli received his bachelor's degree from the Faculty of Mechanical Engineering in the Middle-East Technical University (Ankara). Having completed his postgraduate studies at this university, he has completed his doctorate at Imperial College London University. He is Sworn Chartered Accountant since 1989. The government offices and positions he has been vested with include the followings: Deputy undersecretary of the State Planning Organization, vice-rector of Dokuz Eylül University, undersecretary of Treasury and Foreign Trade, chief consultant to Prime-Minister of Turkey, ambassador at large. During his office as a member of parliament, representing Manisa City for 4 consecutive terms (between 1987 and 2002) he was appointed as the Minister of Transportation, Minister of Finance and Customs, Minister of State, Deputy Prime-Minister of Turkey. He has been working as a lecturer at Bilkent University and Başkent University since 2003. Prof. Pakdemirli has also been working as the deputy chairman of Vestel Elektronik A.Ş. and BİM Birleşik Mağazalar A.Ş. and the chairman of Çevresel Kimya San. Tic. Ltd. Co. (engaged in environment friendly chemicals). Prof. Pakdemirli was appointed as a member of the board of directors of Albaraka Türk in 2007.



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6- Hamad Abdulla A. EQAB Board Member

He was born in 1970 in the city of Manama, the capital of Bahrain. Mr. Eqab received his degree in accounting from the University of Bahrain in 1993. His professional career started by working as banks' inspector for Bahrain Monetary Agency in the same year. In 1996, Mr. Eqab moved to the Bahrain office of Arthur Andersen Auditing & Consultancy firm as an insurance auditor. He worked at Shamil Bank of Bahrain BSC as internal auditing manager responsible for numerous auditing and consultancy projects between the years 2002 and 2004. He joined the Ithmaar Bank at the same city as senior manager overseeing internal audit operations between the years 2004 and 2005. Since February 2005, he has been working at ABG in Bahrain, as senior vice-president responsible for financial control. He has been holding a CPA certificate since 1996. He is the deputy-chairman of the board in AAOFI (Accounting and Auditing Organization of Islamic Financial Institutions) and, also board and audit committee member in Jordan Islamic Bank and AlBaraka Algeria. He holds position as a member in our Board of Directors and as chairman in our Audit Committee since March 2008.

7- Mitat AKTAŞ Board Member

He was born in 1963 in Selendi (Manisa town of Turkey). Mr. Aktaş was graduated from the Economics department of Political Sciences Faculty at Ankara University in 1984. He completed his master's degree in 1992 at the Vanderbilt University in the USA. He started his career by joining the Turkish Ministry of Finance as tax inspector in 1984. He started working in our Bank as the manager of financial affairs department in 1996. Between 2003 and 2008 he worked as the head of audit and inspection group in Albaraka Türk. Since March 2008, he has been working as a member of the Audit Committee and a board member who is in charge of the internal systems of our Bank.

8- Fahad Abdullah A. Al RAJHI Board Member

He was born in Riyadh, the capital of Saudi Arabia in 1961. Mr. Al-Rajhi was graduated from the Industrial Management Department in King Fahad Petroleum & 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 as manager of the central branch and later on as assistant manager of collaterals department. In the same bank, he was responsible for liaison with government offices and investments. He worked as a board member for Saudi Public Transportation company between 1995 and 2001. He worked as the general manager of treasury and finance department in Al-Rajhi Banking & Investment Corporation until May 2008. Currently, he is the chairman of board of directors of Fahad Abdullah Rajhi Venture Holding Company. He is an executive director in the Medical Innovation Co. and Al-Rajhi Real Estate Co. in the KSA. In March 2011, he became a board member in ABG (Bahrain). He is also a member of board of directors in the Resot Cement Co. in Oman and Najran Cement Co. in UAE and Bukhait Investment Group in the KSA. He has been a member of our Board of Directors and the Corporate Governance Committee of our Board since March 2008.

9- Khalifa Taha HAMOOD Board Member

He was born in 1952 in Aden/Yemen, graduated from the faculty of Accountancy & Finance program of New Castle upon Tyne Polytechnic. During 1976 to 87, he was a self-employed accountant in England and Djibuti (Africa). Khalifa T. Hamood has worked as an auditor in Touche Ross & Co in Jeddah between 1987-1989. He has worked for Deloitte & Touche in their Jeddah and Texas departments between 1989-1992 as senior auditor. He switched to Whinney Murray & Co in Riyadh and worked as assistant manager between 1992-1996. He joined 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 of IDB. Khalifa Taha Hamood was appointed as board member of Albaraka Turk in 2011.

10- Hood Hashem Ahmed HASHEM Board Member

He was born in 1965 in Bahrain, graduated from the faculty of Computer Engineering at King Fahd Petroleum & Mineral University in 1989 and completed MBA program in 2005 at Gramorgan University in Cardiff, UK. Hashem worked as analyst programmer at Bahrain National Oil Company between 1989 and 1996, and in August 1996 joined the Arabian Insurance Group (ARIG) as Senior Systems Developer. As a senior consultant Hashem worked in Bahrain for airlines computer datacenter of the SABRE Group during 1998-99 and at Arthur Anderson in 1999 and 2000. Hashem, who worked as Senior IT manager in Bahrain Islamic Bank between 2000 and 2007, joined Albaraka Banking Group (ABG) in Bahrain in February 2007. Hood Hashem was appointed as board member of Albaraka Turk in 2011. Currently he is also a member of the Audit Committee of our Board.

11- Fahrettin YAHŞI Board Member, General Manager

He was born in Fatsa (Ordu town of Turkey) in 1965. Mr. 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) in 2006. He 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. He was appointed as assistant general manager to Albaraka Türk in 1998. He held the position of senior assistant general manager in Albaraka Türk between 2005 and 2009. He has been the general manager of Albaraka Türk since November 2009. Furthermore, he has been the Chairman of the Union of Turkish Participation Banks since May 2010.

Senior Management



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1- Fahrettin YAHŞİ

General Manager

See page 55 for the CV of Fahrettin YAHŞİ.



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2- Mehmet Ali VERÇİN

Assistant General Manager

Mr. Verçin was born in Kurtalan (Siirt) in 1962. He received his degree from the Department of Economics of the Faculty of Political Sciences in Ankara University. He worked for several private companies between 1984 and 1993 as manager of exporting affairs as well as marketing manager. He began working as a Specialist in Marketing Projects in Albaraka Turk in 1993. He was promoted as Chief, Second Manager, Assistant Manager and then onto Executive in the Project and Marketing Department (1993-2000) at Albaraka Turk. Mr. Verçin has been Assistant General Manager since 2005 responsible for Corporate Marketing and Retail Marketing Departments.

3- Nihat BOZ

Assistant General Manager

Born in Kars in 1963, Mr. Boz graduated from the Faculty of Law of Istanbul University (1985). After being a self-employed lawyer (1985-1987), he was appointed as lawyer to the Legal Affairs Department at Albaraka Turk in 1987. He later became Assistant Manager and Manager within the same department (1995-1996). Between 2002 and 2009, Mr. Boz was head legal consultant at Albaraka Turk. He has served as Assistant General Manager responsible for Legal Affairs of Albaraka Turk since December 2009.



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4- Temel HAZIROĞLU

Assistant General Manager

Mr. Haziroğlu was born in Trabzon in 1955. He received his degree from the Department of Mathematical Engineering in Istanbul Technical University (1980). He worked as Programmer, System Analyst and Assistant Manager of IT for Türkiye Emlak Bankası. He worked as the IT Manager at Albaraka Turk between the years of 1986 and 1991. Between 1992 and 1995, he worked in the trading sector as an independent consultant. In 1996, he was again appointed to Albaraka Turk where he worked as Manager of IT department and Deputy Manager of Human Resources and Administrative Affairs Department. Mr. Haziroğlu has been Assistant General Manager since 2003 primarily responsible for the Human Resources and Administrative Affairs Departments.

5- Bülent TABAN

Assistant General Manager

Mr. Taban was born in Ordu in 1966. He received his degree from the Faculty of Management in Istanbul University (1987). He completed his postgraduate study at the Department of Management, Social Sciences Institute in Istanbul Technical University (1990). He began his banking career as an inspector in the board of inspectors for Türk Ticaret Bank. He transferred to Kentbank in 1995 where he was appointed as Manager of Retail Banking in 1997. He began working as the Manager of Retail Banking Department for Albaraka Turk in 2002. Since 2003, he has been in the office as the Assistant General Manager primarily responsible for Corporate Credits, Commercial Credits, Retail Credits and Credit Administration and Monitoring Departments.



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6-Turgut SİMİTÇİOĞLU

Assistant General Manager

Born in Erzurum in 1961, Mr. Simitcioğlu received his degree from Education Faculty in King Suud University (Saudi Arabia, 1989). He started his professional career as an officer in the central branch of Albaraka Turk (1990) later advancing to Assistant Chief and Chief (1993-1997), Second Manager and Assistant Manager (1997-2001) positions within the same branch. Between 2001 and 2003, he became Vice Manager within the branch and then in the Corporate Banking Department. Mr. Simitcioğlu then became Manager of central branch in 2003 until 2009. In 2009, he was appointed as Assistant General Manager primarily responsible for Risk Follow-UP and Administrative Affairs Departments.

7-Melikşah UTKU

Assistant General Manager

Mr. Utku was born in Ankara in 1968. He graduated from Mechanical Engineering Department of Boğaziçi University (Istanbul, 1990). He completed his graduate studies in London School of Economics (1990-1992) and Masters Degree on economic development in Marmara University (Istanbul, 1998). In 2004, he served as consultant to General Manager of Albaraka Turk. In 2006 - 2007, he was head economist in Albaraka Turk. He later worked as Investor Relations Manager from 2007-2009. He was appointed as Assistant General Manager in December 2009 primarily responsible for Information Processing, Information Technologies System Support, Information Technologies System Strategy and Governance and Project Management Departments. In addition, he was an economics columnist for Yeni Şafak newspaper for over 10 years (1995-2009).

8-Ayhan KESER

Assistant General Manager

He was born in 1970, Kalecik-Ankara. Mr. Keser graduated from the Department of Economics at the Middle East Technical University (Ankara, 1991). After briefly working at T.C. Ziraat Bank, Mr. Keser worked successively as Banks' Sworn Assistant Auditor and Banks' Sworn Auditor at the Undersecretariat of Treasury ; Prime Ministry of Republic of Turkey. He joined Bank Asya in 1997 later resigning as Assistant General Manager in 2011. Mr. Keser joined Albaraka Turk in March 2011 as Assistant General Manager. He is responsible for the Financial Affairs and Fund Management & Financial Institutions Departments.

9- Mahmut Esfa EMEK

Assistant General Manager

Born in 1965 in Erzurum, Mr. Emek graduated from the faculty of Management at Atatürk University (Erzurum, 1985). He joined İmar Bank in 1988 as Assistant Inspector. He joined Albaraka Turk in 1990 working as Assistant Inspector, Inspector, Assistant Head of the Inspection Board and Head of the Inspection Board between 1990 and 2003. In 2003, Mr. Emek was appointed as the Manager of Operations Department later becoming Senior Manager in the same department in 2010. In March 2011, he was promoted as the Assistant General Manager responsible for International Banking Operations, Banking Services Operations, Credits Operations and Payment Systems Operations Departments.

Auditors of the General Assembly

Prof. Dr. Ateş Arif VURAN **General Assembly Auditor**

He was born in 1944 in Istanbul. Professor Dr. Vuran is a graduate of London French Institute and Saint-Joseph French High School. He received his BA degree from Istanbul Academy of Economics and Commercial Sciences. He attended Perugia University (Italy) during 1966-1967. He received his Phd. in 1974. He became an associate professor in 1978 and a professor in statistics and numerical methods in 1984. He worked as a member of the board of auditors at Turkish Airlines from 1992 to 1996 and board member at Cyprus Turkish Airlines (north). He commenced writing (journalism) in 1960. He wrote 9 textbooks in his academic career published in Turkish and English along with researches and articles over one hundred. Ateş Vuran who was once the rector of Istanbul Commerce University, has been an external auditor appointed by the Shareholders' Assembly of Albaraka Türk since 1986.

İlhan İMİK

General Assembly Auditor

He was born in 1949 in Elazığ. He was graduated from Law department of Istanbul University and completed his masters programme on Private Law at the same university. He is private law firm owner since 1972. In addition to his Private Law practice ; Between 1986- 1997, he worked as the Deputy Director, Adviser to the Board of Directors, Director of the Law Department at Albaraka Turk Bank. Also, he was the member of the Board of Directors at Turkey Finance Bank. 1998- 2006, he was the Director of the Law Department and Member of the Board of Directors at Family Finance. Known for his experienced and reconciliation character, practices his profession as a Private Lawyer during all of these works. Gives counseling on political and strategic affairs and practices Banking, Competition Law on national and international level. His legal and political articles and investigations issued in a lot of Newspapers and Magazines.

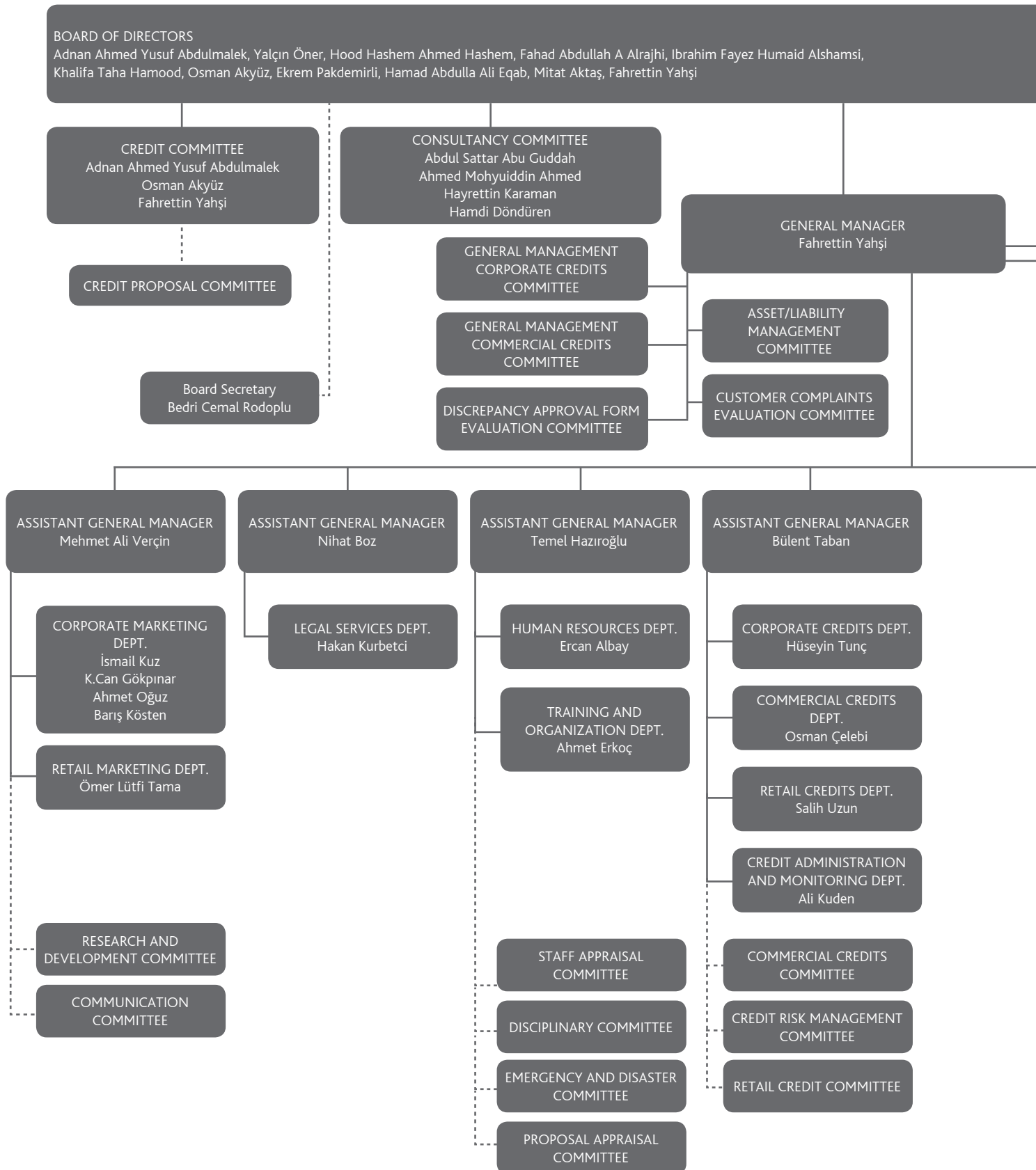
Seyfettin YENİDÜNYA **General Assembly Auditor**

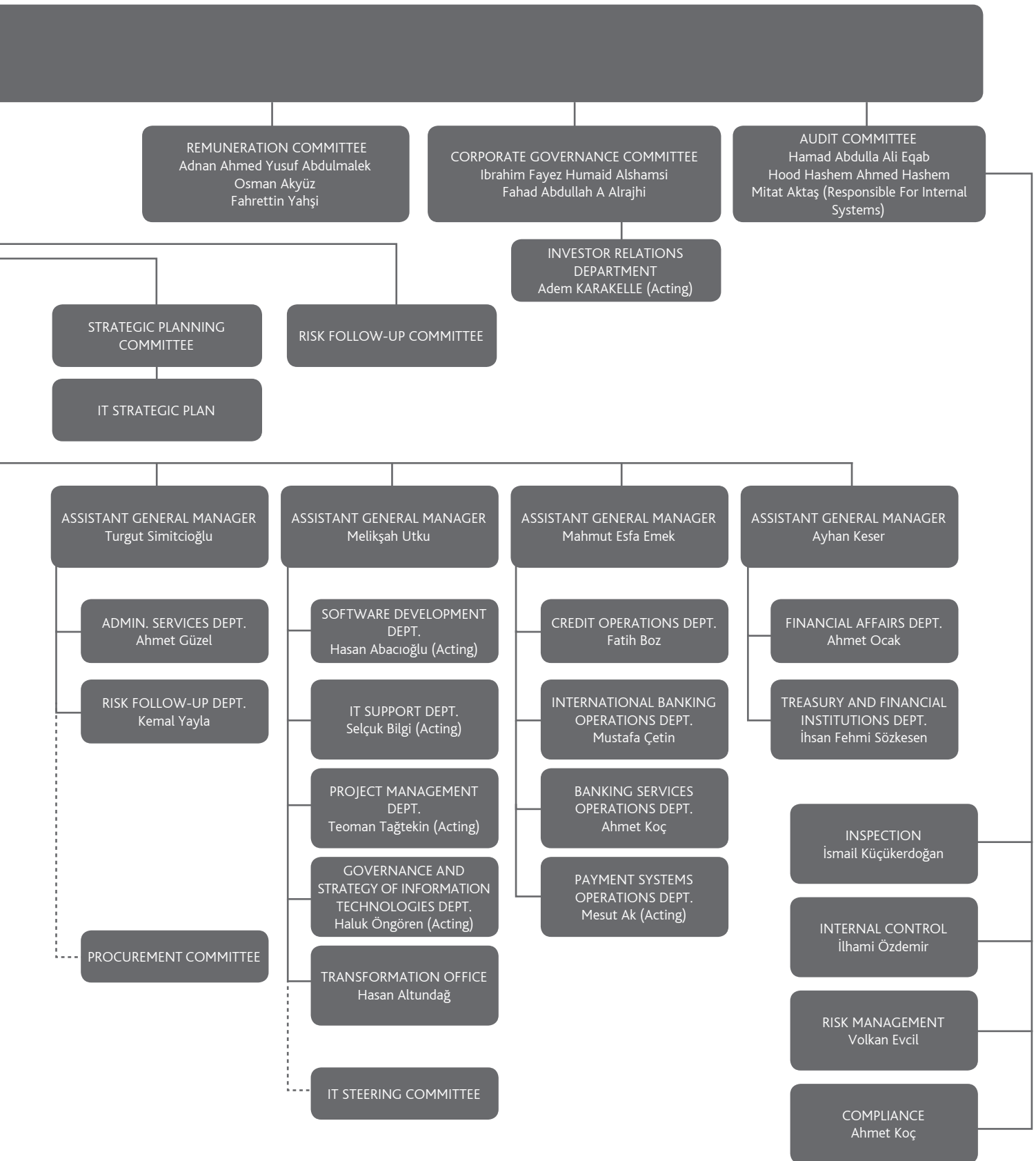
He was born in Sivas in 1936. Mr. Yenidünya was graduated from Finance department of Istanbul Academy of Economics in 1959. He commenced his banking career in 1961 at Türk Ticaret Bankası. Later on he worked in some private firms as inspector, manager and assistant general manager. He was retired in 1982 but continued working as a manager at Albaraka Türk between 1985 and 1997. He then became the chairman and deputy general manager of Ticaret Sigorta A.Ş. He worked for that company during 1997-1998. He was later appointed as a board member at Türk Ticaret Bankası as the representative of Treasury Undersecretaries in 1998. He has been external auditor of the Shareholders' Assembly of Albaraka Türk since 2003.

Information on Board of Directors, Auditors of the General Assembly and Senior Management

Position	Name-Surname	Education	Inception at Work	Experience in Banking Sector	Share (%)
BOARD OF DIRECTORS					
Chairman	Adnan Ahmed Yusuf ABDULMALEK	Masters Degree	2005	38	
Vice Chairman	Yalçın ÖNER	Masters Degree	1985	39	0.0006
Board Member	İbrahim Fayez Humaid ALSHAMSI	Bachelors Degree	2005	41	
Board Member	Osman AKYÜZ	Bachelors Degree	1996	25	
Board Member	Prof.Dr Ekrem PAKDEMİRLİ	PhD Degree	2007	10	
Board Member	Mitat AKTAŞ	Masters Degree	2008	27	
Board Member	Hamad Abdulla A. EQAB	Bachelors Degree	2008	18	
Board Member	Fahad Abdullah A. ALRAJHI	Bachelors Degree	2008	24	
Board Member	Hood Hashem Ahmed HASHEM	Bachelors Degree	2011	11	
Board Member	Khalifa Taha HAMOOD	Bachelors Degree	2011	15	
Board Member	Fahrettin YAHŞİ	Masters Degree	2009	23	
AUDITORS OF THE GENERAL ASSEMBLY					
Auditor	Prof. Dr. Ateş Arif VURAN	PhD Degree	1986	25	
Auditor	Seyfettin YENİDÜNYA	Bachelors Degree	2003	26	
Auditor	İlhan İMİK	Bachelors Degree	2011	26	
SENIOR MANAGEMENT					
General Manager	Fahrettin YAHŞİ	Masters Degree	2009	23	
Assistant General Manager	Mehmet Ali VERÇİN	Bachelors Degree	2005	18	
Assistant General Manager	Nihat BOZ	Bachelors Degree	2009	25	0.0048
Assistant General Manager	Temel HAZIROĞLU	Bachelors Degree	2003	26	0.0342
Assistant General Manager	Bülent TABAN	Masters Degree	2003	20	
Assistant General Manager	Turgut SİMİTÇİOĞLU	Bachelors Degree	2009	22	
Assistant General Manager	Melikşah UTKU	Masters Degree	2009	8	
Assistant General Manager	Mahmut Esfa EMEK	Bachelors Degree	2011	24	
Assistant General Manager	Ayhan KESER	Bachelors Degree	2011	20	

Organization Chart





Committees and Committee Meetings Attendance

1. CREDIT COMMITTEE

A) PURPOSE

Within the authorities vested by the Board of Directors, the Credit Committee resolves about demands for credit line allocations amounting up to 10% of the Bank's equity including their renewals, amendments and/or collateral changes on condition that the tasks, powers and responsibilities should remain within the restrictions defined in the Banking Law.

B) ORGANIZATION OF THE COMMITTEE

It consists of General Manager or Deputy General Manager with at least two members chosen by the Board of Directors amongst members that meets the conditions required for the General Manager (except for the term) to carry out the assignments given regarding credits. Two reserve members that have the specifications required in the General Manager are chosen (except for the term) to serve in substitute for the Credit Committee members who cannot participate in any meeting.

Current Members of the Credit Committee:

Permanent Member: Adnan Ahmed Yusuf ABDULMALEK, Chairman,
Permanent Member: Osman AKYÜZ, Board Member,
Permanent Member: Fahrettin YAHŞI, Board Member and General Manager,
Reserve Member : Yalçın ÖNER, Ekrem PAKDEMİRLİ

C) FUNCTIONS OF THE COMMITTEE

Based on the powers delegated by the Board of Directors, the Credit Committee is authorized to allocate credit lines in the frame of methods/ principles defined by the Banking Regulation and Supervision Agency and to conclude the credit resolutions within delegated limits.

In this respect the Committee;

- Decides on Branches credit limits and utilized conditions
- Evaluate and decide on the branches' demand in terms of limit allocation and raises.
- Resolves on credit lines that are to be decreased or cancelled,
- Monitors the general credit policy of the Bank
- Determines the terms and conditions of credit allocations,
- Decides on converting credit lines of clients into other modes of credit facility

D) OPERATION PRINCIPLES OF THE COMMITTEE

- The Credit Committee convenes with the participation of all members. The Credit Committee's decisions given unanimously are implemented directly and decisions given by majority are implemented after the approval of the Board of Directors.
- The committee agenda is determined by the General Manager. The written advice of the General Manager is asked for in limit increases done by the Credit Committee. For proposals regarding credits for which financial tables have to be required, it is essential that the financial analysis and inquiry reports should be attached.
- Activities of the Credit Committee are subject to audit of Board of Directors. Each Board member is authorized to ask for all kinds of information from the Credit Committee about Committee's activities and to conduct all kinds of control he finds necessary.
- The decisions of the Credit Committee are recorded in the minute book. The Credit Committee minute book is kept according to the procedures and principles that Board minute book is subject to.

Note: The Credit Committee convened 102 times in 2011 with all members attended.

2. AUDIT COMMITTEE

A) PURPOSE

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.

B) ORGANIZATION OF THE COMMITTEE

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.

Committees and Committee Meetings Attendance

Current Members of the Audit Committee:

- Hamad Abdulla A.EQAB, Board Member
- Hood Hashem Ahmed HASHEM, Board Member
- Mitat AKTAŞ, Board Member and Internal Systems Executive

C) FUNCTIONS OF THE COMMITTEE

- In the name of the Board, 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,
- Providing preliminary evaluations to the Board of Directors when selecting the independent firms of auditing, rating, appraising and outsourcing;
- Regularly monitoring the activities of the said companies which are appointed by the Board of Directors and with which contracts are signed;
- Ensuring the consolidated internal auditing of partnerships as per the regulations introduced with respect to the Banking Law, and coordinating their activities.

D) WORKING PRINCIPLES OF THE AUDIT COMMITTEE

- The Audit Committee convenes at least 4 times a year.
- The Audit Committee discusses issues related to internal control, financial tables, internal audit and other items on their agenda, by also summoning the representatives of independent audit agencies, if and when needed,
- Committee resolutions are submitted to the Board of Directors for acknowledgement or ratification.
- Resolutions of the Audit Committee are registered in the Book of Resolutions as per the related provisions of the Banking Law.

Note: The Audit Committee convened four times in 2011 with all members attended.

3. CORPORATE GOVERNANCE COMMITTEE

A) PURPOSE

The Committee has been formed to follow-up, evaluate and improve our Bank's compliance with the principles of Corporate Governance and submit proposals to the Board of Directors in this respect.

B) ORGANIZATION OF THE COMMITTEE

The committee consists of at least two members of the board. If possible, the committee members are chosen from non-executive members. When found necessary, people who are not members of the board and are experts on their subjects can also be employed in the Committee. The Committee members are reassigned at the first Board meeting done after the ordinary general assembly meeting every year. If the independent members serve running 7 years, their independence on this is concluded. However, it may be possible for them to be appointed as independent member after a discontinuation of 2 years.

Current Members of the Corporate Governance Committee:

President: Ibrahim Fayez Humaid Al SHAMSI, Board Member

Member : Fahad Abdullah A. Al RAJHI, Board Member

C) FUNCTIONS OF THE COMMITTEE

- To find out whether the Principles of Corporate Governance are applied at the Bank and to determine the reasons why, if not applied; to encounter conflicts of interest that occur due to lack of full-compliance with these principles; to submit proposals to the Board of Directors for improvement of the current applications;
- To coordinate the works of the Investor Relations Department;
- To form a transparent system for the nomination, evaluation, orientation and rewarding of candidates to be our Board Members and to carry out studies for developing policies and strategies in this regard;
- To develop proposals regarding the number of Board Members and the Top Management Staff;
- To determine and monitor the approaches, principles and applications concerning the evaluation of the performances of Board Members and Top Managers, their career planning and remunerations.

Committees and Committee Meetings Attendance

D) WORKING PRINCIPLES OF THE COMMITTEE

- The committee convenes at least four times a year with more than the half number of its members and adopts by majority.
- The works and proposals of the Committee are discussed in the Board as an agenda item.
- The secretarial procedures of the Committee are done by the member determined by the Committee President.

Note: The Corporate Governance Committee convened five times in 2011. All members of the Corporate Governance Committee attended all of the meetings.

4. REMUNERATION COMMITTEE

A) PURPOSE

It ensures the establishment of a balanced distribution between the benefits and rights of the Board of Directors, senior management, bank employees and partners and rewarding of the Board of Directors, senior management and bank employees to the extent of their participation to the Bank's process of providing value.

B) ORGANIZATION OF THE COMMITTEE

Current Members of the Remuneration Committee:

President: Adnan Ahmed Yusuf ABDULMALEK, Chairman

Member : Osman AKYÜZ, Board Member

Member : Fahrettin YAHŞİ, Board Member

C) OPERATION PRINCIPLES OF THE COMMITTEE

- The Committee meets at least once a year. The decisions are taken by the majority of votes at the committee meetings. In case of tie of votes, the party of the president is deemed to win with majority.
- Decisions are made in writing and signed by the participating members.

Note: The Remuneration Committee convened five times in 2011. All committee members attended all of the meetings.

5. STRATEGIC PLANNING COMMITTEE

A) PURPOSE

The committee has been formed for determining the strategic objectives that will realize 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 achieving these.

B) ORGANIZATION OF THE COMMITTEE

The Committee consists of Assistant General Managers under the presidency of the General Manager. Related Assistant General Manager carries out the secretariat duty of the Committee. For the works to be performed, the Committee can take consultant/expert support from within the Bank or from the outside; invite managers or assistant managers from related departments.

Current Members of the Strategic Planning Committee:

President: Fahrettin YAHŞİ (General Manager)

Member: Mehmet Ali VERÇİN (Assistant General Manager)

Member: Temel HAZIROĞLU (Assistant General Manager)

Member: Bülent TABAN (Assistant General Manager)

Member: Nihat BOZ (Assistant General Manager)

Member: Turgut SİMİTÇİOĞLU (Assistant General Manager)

Member: Melikşah UTKU (Assistant General Manager, secretary)

Member: Mahmut Esfa EMEK (Assistant General Manager)

Member: Ayhan KESER (Assistant General Manager)

Committees and Committee Meetings Attendance

C) FUNCTIONS OF THE COMMITTEE

- To determine short and long term strategic and budget targets that complies with the Bank's mission and vision by evaluating competition conditions, general economic conjuncture, and general expectations in national and international finance markets,
- To present the strategic targets and budget targets to the Board's approval,
- To ensure the announcement of annual strategic targets approved by the Board of Directors to Bank employees,
- To ensure that the annual strategic targets are turned into process targets in a balanced manner,
- To observe and evaluate the realization of annual strategic targets and budget targets through the related departments and submit reports on their actualization to the Board,
- To determine the revision need of the targets and budget depending on the general economic conjuncture within the year and present it to the Board's approval.
- To work according to other matters stated on the budgeting procedures.

D) WORKING PRINCIPLES OF THE COMMITTEE

- The Committee convenes at least four times a year. The committee makes the decisions in written form and these are signed by the participants. The committee takes the decisions by the majority of votes. In case of tie of votes, decision is taken in the direction of the president's vote side.

Note: The Strategic Planning Committee convened 5 times in 2011. All committee members attended all of the meetings.

6. ASSET and LIABILITY MANAGEMENT COMMITTEE

A) PURPOSE

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 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 our customers, readily available, and peruse the factors that could affect our Bank's profitability. The committee also ensures the measures to be taken as a result of its evaluations, perusals and examinations are executed.

B) ORGANIZATION OF THE COMMITTEE

The Committee consists of Assistant General Manager and concerned Department Managers under the presidency of the General Manager.

Current Members of the Asset and Liability Committee:

- Fahrettin YAHŞI (General Manager)
- Mehmet Ali VERÇİN (Assistant General Manager)
- Bülent TABAN (Assistant General Manager)
- Temel HAZIROĞLU (Assistant General Manager)
- Nihat BOZ (Assistant General Manager)
- Turgut SİMİTÇİOĞLU (Assistant General Manager)
- Melikşah UTKU (Assistant General Manager)
- Mahmut Esfa EMEK (Assistant General Manager)
- Ayhan KESER (Assistant General Manager)
- Ahmet OCAK (Financial Affairs Senior Manager)
- Hüseyin TUNÇ (Corporate Credits Senior Manager)
- Osman ÇELEBİ (Commercial Credits Manager)
- Kemal YAYLA (Risk Follow-up Manager)
- Ömer Lütfi TAMA (Retail Marketing Manager)
- Salih UZUN (Retail Credits Manager)
- İhsan Fehmi SÖZKESEN (Treasury and Financial Institutions Manager)
- Volkan EVCİL (Head of Risk Management)
- Hasan ALTUNDAĞ (Transformation Office Manager)
- Ali KUDEN (Credit Administration and Monitoring Manager)
- Osman BAYRAKTAR

Committees and Committee Meetings Attendance

C) FUNCTIONS OF THE COMMITTEE

- To evaluate the asset and liability composition of the Bank's balance sheet,
- To assess the Bank's resources, as well as the areas and activities in which they are used.
- To evaluate general economic data, current and likely political and economic developments,
- To analyze 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,
- To assess the credit risks that could affect asset quality,
- Evaluating Bank's capital adequacy, liquidity and foreign exchange position as well as efficiency of utilization of resources.
- To ensure that the resources required for the products and services extended to our customers are readily available with best cost and quality,
- To examine the factors that could affect profitability of our Bank, including operational risks,
- To make sure that the actions required for restoring the findings of its evaluations are executed.

D) WORKING PRINCIPLES OF THE COMMITTEE

- It convenes at least once a week.
- Weekly resource development and activity report, fund utilisation report, position and risk report, branch activity summary report, weekly collection and default report and the report assessing the weekly economic and political developments are prepared by the related departments for each meeting.
- The decisions of the meeting are recorded and forwarded to the concerned departments and followed up by a committee member appointed by the General Manager or his deputies.

Note: The members who could not attend some meetings have been represented by their deputies.

7. CONSULTANCY COMMITTEE

A) PURPOSE

Consultancy committee was founded in order to audit Albaraka Türk's banking activities whether they are comply with interest free banking model, on the 6th May 11 with 957 number decision of the Board of Directors.

B) ORGANIZATION OF THE COMMITTEE

Consist of four members including president, one inspector and two observers.

C) Current Members Of The Consultancy Committee:

President: Abdul Sattar Abu Guddah

Member : Ahmed Mohyuiddin Ahmed

Member : Hayrettin Karaman

Member : Hamdi Döndüren

Note: Committee convened 2 times in 2011. It is expected that committee convenes four times a year.

Assessment of Internal Control, Internal Audit and Risk Management Systems by the Audit Committee

In order to monitor and control risks faced, Albaraka Türk has formed a sufficient and efficient structure of internal systems, consistent with the scope and structure of activities, accommodating the dynamic environment, covering all the branches and divisions, within the framework of the methods and principles as highlighted in the related regulations.

The units within the scope of the Internal Systems are the Board of Inspectors, Presidency of Internal Control and Presidency of Risk Management. All the three units operate under the auspices of the Board Member Responsible for Internal Systems and Board of Directors. The Board of Inspectors carries out the function of audit that is inclusive of all the activities of the Bank, in which respect, the Board executes the processes of audit, inspection, investigation and inquiry at all the head-office divisions and branches of the Bank.

The Board of Inspectors functions with an understanding of risk-focused audit. During the process of audit, for which all available technologies are utilized, all activities are audited in conformance with both external and internal regulations.

Presidency of Internal Control conducts risk-oriented and interactive audits that ensure the regular, effective and safe performance of bank activities in the general management units and branches.

The findings, opinions and suggestions of these internal control activities are initially shared and evaluated by those that perform audited activities. This way, not only are the necessary complementary and preventive measures adopted and implemented in a fast manner, but also proper and applicable solutions that promote the processes and activities are put into practice. All these tasks are monitored and evaluated closely and constantly by those members of the staff that carry out the activities as well as the internal controllers.

Presidency of Risk Management carries out the activities of measurement, observation, control and reporting of the risks our bank is exposed to. For the purpose of internal ratings-based measurement of credit risk which was the most serious risk exposed among the functional activities, studies started together with consultancy firm are in completed and the model covers small enterprises, commercial and corporate segment firms.

Additionally, risk measurement models are used for test- purpose in order to calculate market risk with other than Standard method which is currently used for measuring and reporting market risk. With backtesting applications, deviations between actual values and daily VaR values, predicted by risk measurement models, are determined for the purpose of testing accuracy and performance of these models. Potential strength of portfolio against to unexpected risks is measured with stress tests including stress scenarios. It is monitored that whether market risk of our Bank is within in the legal limits or not.

Our Bank which is conscious of building a strong structure in terms of asset quality, liquidity, capital adequacy, risk management and internal control, is carrying on its activities planned in its road map according to road map of Banking Regulation and Supervision Agency (BDDK) for transition to Basel II. The developments in this regard have been sent to BDDK as progress report.

The staff appointed units within the scope of internal systems, who perform their task independently and impartially, have sufficient professional knowledge and experience.

The activities of the units within internal systems are evaluated periodically by the Audit Committee and the Board of Directors.



Mitat AKTAŞ
Member of Audit Committee



Hamad Abdulla A. EQAB
Head of Audit Committee



Hood Hashem Ahmed HASHEM
Member of Audit Committee

Managers of Internal Audit Systems

Information concerning the professional experience, duration of service in their positions at our Bank and educational background of the managers of the units within Internal Systems of our Bank is given below:

Name-Surname	Professional Experience (Years)	Duration of Services at Albaraka Türk		Education	Field of Responsibility
		(Years)	Length of Services in His Area (Years)		
İsmail KÜÇÜKERDOĞAN	27	16	9	Bachelors Degree	Inspection
Volkan EVCİL	21	19	10	Bachelors Degree	Risk Management
İlhami ÖZDEMİR	15	10	10	Bachelors Degree	Internal Control

Support Services Providers

Companies providing support services in accordance with the regulations on the provision of support services to banks and the authorization of support service providers are listed below:

(Support services are provided from institutions or persons outside the bank in areas such as maintenance of ATM,POS devices and similar movables, maintenance and support of software programs, couriers and cargo support)

Firm	Services
1 SWIFT SCRL	Money Transfer
2 Tümsaş Teknolojik Endüstriyel Bilgisayar Ürünleri, Mühendislik ve Pazarlama A.Ş.	Purchasing Kiosk Device Used at Branches, Hardware and Software Support
3 OD Yazılım Enstitüsü Kurumsal Çözümler ve Dan. Tic.Ltd.Şti	Providing All Bulk and Password SMS Sending
4 OD Yazılım Enstitüsü Kurumsal Çözümler ve Dan. Tic.Ltd.Şti	Providing All Password SMS Sending and Security
5 FOREKS Bilgi İletişim Hizmetleri A.Ş.	Providing Data for Investment Process
6 Acer Pro Bilişim Çözümleri Yazılım ve Danışmanlık İç ve Dış Tic. Hiz. Ltd. Şti	Application and Development of Insurance Management Program
7 Eastern Networks Çözümleri Tic. A.Ş.	SWIFT Alliance Support Service
8 Eczacıbaşı Bilişim San. ve Tic. A.Ş.	E-Foreclosure Administration System and Contract of E-Signature Library Software License
9 Global Bilişim Bilgisayar Yazılım Dan. San. Tic. Ltd. Şti.	EFT Online Interface Software and Transfer of SKAY/400 Program To Albaraka Türk
10 Türkiye Finans Katılım Bankası A.Ş.	Safe-Deposit Box Contract, Stored Backups and Cartridge of Information Systems
11 C/S Enformasyon Teknolojileri Ltd. Şti	Bill Payment System
12 Synturk Bilgisayar System Yönetimi ve Müşavirlik Tic. Ltd. Şti.	Security Screening
13 Acerpro Bilişim Çözümleri Yazılım ve Danışmanlık Hizm. İç ve Dış Tic. Ltd. Şti.	Preparation of Insurance Management System Software
14 Kibele İletişim Sistem ve Servisleri Tic. Ltd. Şti.	Infrastructure Services Are Used For Jobs Other Than The Main Banking Operations
15 ICS Financial Systems Ltd.	Erbil Banking Package
16 ACERPRO Bilişim Çözümleri Yazılım ve Danışmanlık Hizm. ve Dış Tic. Ltd. Şti.	Infrastructure Support For Information Systems
17 Method Research Company	Customer Research and Satisfaction
18 Birleşik Araştırmacılar Danışmanlık ve Reklam Hizmetleri Ticaret Ltd. Şti.	Customer Research
19 Luckyeye Bilgisayar Tanıtım Hizmetleri Yayıncılığı ve Tic. A.Ş.	Marketing of Individual Products Via The Internet
20 Foreks Bilgi İletişim Hizmetleri A.Ş.	Infrastructure Support For Information Systems
21 Kartek Kart ve Bilişim Teknolojileri Ticaret Ltd. Şti. (Smartsoft)	Instant Card Printing Service
22 Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.	Shipments Delivery Service
23 Provus Bilişim Hizmetleri A.Ş.	Card Package, Card Personalization, Domestic-Abroad Exchange and Provision Services
24 Aktif İleti ve Kurye Hizmetleri A.Ş.	Shipments Delivery Service
25 Bilişim Bilgisayar Hizmetleri Ltd. Şti. (Banksoft)	The Right of IT Software Package Using License
26 Reuters Ltd. Thomson Reuters Co	Webcast-Teleconference Service
27 Tayburn Uluslararası Danışmanlık ve İletişim Hizmetleri Ltd. Şti.	Preparing and Publishing of Annual Report
28 SGS Supervise Gözetme Etüd Kontrol Servisleri A.Ş.	ISO 9001:2008 Quality Management System Certification
29 Koza Güvenlik Sistemleri San. Tic. Ltd. Şti.	Renovation Identity of The Security Guards Training
30 Koza Güvenlik Sistemleri San. Tic. Ltd. Şti.	Training of Service-In Shot of The Security Guards
31 REED Business Information Limited	Guide To Online Banking
32 Standard&Poors	Credit Rating
33 Thomson Reuters Enformasyon Ltd. Şti.	Online Transaction Processing and Data Service
34 Matriks Bilgi Dağıtım Hizmetleri A.Ş.	Online Transaction Processing and Data Service

Transactions of the Bank with the Risk Group of Which the Bank is a Member

Transactions of the Bank that are carried out with its Risk Group of which it is a member includes all banking operations under market conditions and in normal bank-to-client affairs, compatible with the prevailing Bank's Act. Detailed explanation can be found in Section 5 of "31 December 2011 - Unconsolidated Financial Statements and Independent Auditor's Report", under footnote – VII.

Corporate Governance Compliance Report

1. Declaration of Compliance to Corporate Governance Principles

Albaraka Türk Participation Bank (Albaraka Türk) complies with the Corporate Governance Principles which were adopted and declared by the Capital Markets Board (CMB) to the general public under Decision Nr. 35/835, dated 04 July 2003 and observes these principles. The Bank has enriched the contents of its annual report and its web site in compliance with the framework of these principles.

Shareholders have gained the opportunity to benefit from the Albaraka Türk's website more comprehensively.

Activities that are related to the framework of Corporate Governance Principles were also included in this web site.

PART I - SHAREHOLDERS

2. Investor Relations Unit

Investor Relations Unit was established in 2007 to respond to the inquiries of the shareholders in a correct and timely fashion. The Unit operates Corporate Governance Committee. The staff and contact information are given at the table below.

Name Surname	Title	Telephone Number	E-mail Address
Adem KARAKELLE	Acting Manager	+90 (216) 666 0193	akarakelle@albarakaturk.com.tr
Seyfullah DEMİRLEK	Associate	+90 (216) 666 0562	sdemirlek@albarakaturk.com.tr
Mücahit ÖZDEMİR	Associate	+90 (216) 666 0591	mucahitozdemir@albarakaturk.com.tr

All inquiries whose answers do not fall under the category of commercial secret are handled by this unit, keeping in mind the principle of equality among shareholders and thus, a continuous line of communication is maintained between the management and the shareholders.

Financial tables mentioned in the legislation were collected from the relevant departments on a quarterly basis and within the time limits specified by the law and were disclosed primarily through the Capital Markets Board (CMB), the Public Disclosure Platform (PDP) and Istanbul Stock Exchange (ISE).

Press releases are prepared in relation to the quarterly period for which the financial tables are published and presentations are prepared for the purpose of informing the investors. These are subsequently published on the web site.

A total of nineteen special material disclosures were made to the ISE, and the same have been published on PDP in transition stage.

A total of eleven investors' visits, six of which were abroad, were conducted by the participation of Investor Relations Unit staff and the senior management in 2011.

Within 2011, a total of forty-five meetings were made both with domestic investment companies and international investment funds. Additionally, inquiries from investors and analysts, which were amounted around 540, were replied via telephone and e-mail correspondence.

3. Shareholders' Right to Access Information

The Bank protects the rights of the shareholders related to information access, investigation, participation in general assemblies, voting, obtaining dividends and minority rights. No discrimination is made among the shareholders in relation to the utilization of information access rights of the shareholders in accordance with the Turkish Banking Law and related legislation. All kinds of information necessary for an equal treatment of all shareholders, their ability to exercise their rights and to make their investment decisions are availed.

All sorts of inquiries related to Albaraka Türk are answered by the Investor Relations Unit through e-mail and telephone correspondence and through conducting of one-to-one or group meetings with existing or potential investors and bank analysts.

Albaraka Türk has two separate Investor Relations web pages, both in English and Turkish. These internet sites are accessible from the URL's below:

- Turkish investor relations site http://www.albarakaturk.com.tr/yatirimci_iliskileri/anasayfa.aspx?
- English investor relations site http://en.albarakaturk.com.tr/investor_relations/homepage.aspx?

Corporate Governance Compliance Report

The website provides information regarding the shares, introductory corporate data, periodically released financial tables and annual reports, social responsibility projects, electronic presentations explaining the developments in the Bank, and announcements about the latest developments related to the Bank.

Special material declarations related to changes related to the rights of the shareholders are submitted to the ISE and PDP.

Appointment of special auditors as an individual right has not been established in the Articles of Incorporation of the Bank and no request has been received until this time related to any such special auditor appointment.

4. Information on General Shareholders' Assembly

The General Shareholders' Assemblies are conducted within the framework of the Banking Law, the Turkish Commercial Law and Capital Markets Law. The Ordinary General Shareholders' Assembly was convened on 30 March 2011. The Ordinary General Shareholders' Assembly was convened with a representation of 63.59 % and all shareholders expressing their intention to participate in these meetings were able to do so.

The invitations to shareholders to participate in the General Shareholders' Assemblies are published at the Istanbul Stock Exchange and PDP, the Trade Registry Gazette as well as newspapers distributed all over Turkey two weeks before the assemblies; and data has been entered in Central Record Office for the blockages the shareholders that are traded at the exchange will place to be able to attend the general assembly.

Additionally, the invitations are published at the Bank's web site and are also sent by registered mail to shareholders available in the share register and to shareholders who have previously presented documents certifying their share ownership and addresses, along with the newspapers where the meeting agenda and announcement were published.

The shareholders can exercise their right to make inquiries at the General Shareholders' Assemblies and all such inquiries are handled. There is no limitation in the Articles of Incorporation related to the adoption of decisions for purchasing, selling or renting properties in the General Shareholders' Assemblies.

According to the provisions of the Articles of Incorporation, voting by proxy is possible. According to article 29 of the Articles of incorporation, shareholders can either exercise their right of voting directly at the General Shareholders' Assemblies or can exercise this right through another person who is not necessarily a shareholder.

Decisions adopted at the General Shareholders' Assemblies are announced to the shareholders through the Bank web site. Duties related to compliance with the Articles of Incorporation and internal regulations of the Bank while exercising shareholder rights and ensuring the exercise of such rights are performed by the Investor Relations Unit.

An invitation would be sent to press and stakeholders enable them to participate in General Assembly Meeting.

5. Voting Rights and Minority Rights

There are no privileges vested in the shares of the Bank. The distribution of capital as of 31 December 2011 is as follows:

Capital Distribution of the Bank as of 31 December 2011

Shareholder Type	Share Amount (TL)	Share (%)
Foreign Shareholders	356,591,886	66.16%
Albaraka Banking Group	291,373,378	54.06%
Islamic Development Bank	42,265,852	7.84%
Alharthy Family	18,629,256	3.46%
Other	4,323,400	0.80%
Local Shareholders	59,625,782	11.06%
Public Shares	122,782,332	22.78%
Total	539,000,000	100.00%

Corporate Governance Compliance Report

The capital structure is published on the web site of the Bank. There is no provision enabling the exercise of cumulative voting right in our Articles of Incorporation as of now. All of the shares of our Bank have been recorded at Central Record Office A.Ş. ("MKK").

6. Profit Distribution Policy and Time Schedule

There is no privilege in relation to profit distribution to the shareholders. Every shareholder gets his/her dividend from the distributed profits in proportion to his/her own share. The profit distribution is handled in accordance with the Turkish Commercial Law and relevant regulations of the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board (CMB). The profit distribution takes place within the time schedule specified by the law.

Dividend policy of our Bank which was presented to General Shareholders' Assembly is published in our internet web site.

7. Transfer of Shares

According to the article 11 of the Articles of Incorporation, registered shares can be transferred without the approval of the Board of Directors in accordance with the Capital Markets Law, the Banking Law, the Turkish Commercial Law, and Central Registry Agency regulations. Transfer of shares that require approval by Banking Regulation and Supervision Agency (BRSA) in accordance with the Banking Law can be transferred only after obtaining this approval. Share transfers that are made without obtaining the necessary approvals will not be registered in the share register. In case no approval is obtained from aforementioned Board, the partners acquiring such shares cannot benefit from any right other than dividend payments.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

Our bank acts within the framework of principles of fairness, correctness, neutrality, coherence and timing with respect to disclosure of information to shareholders and other stakeholders.

Disclosures and announcements as part of this policy are promptly made for all developments concerning our Bank's rights and benefits and for developments that might cause important changes in the financial situation and/or activities of our Bank.

However disclosed information can not include any information that might have negative consequences on the Bank, our shareholders and other stakeholders by hindering competition and cannot be in the context of commercial secret.

Public disclosure can also be conducted, not only through special material disclosures, but also through press statements in times of need. Information and meeting requests of the shareholders and other stakeholders are assessed within the framework of our Bank's information policy and all information shared in this way could only be within the scope of previously disclosed public information.

The bank's financial tables are announced in accordance with regulations of the CMB and the BRSA.

Financial table announcements and special material disclosures are handled by Investor Relations Unit.

9. Special Material Disclosures

In accordance with the CMB's "Communiqué Related to the Disclosure of Special Events to the Public", nineteen such disclosures were made. Neither the CMB nor the ISE requested any additional explanation regarding these announcements. The Investor Relations website has a separate section for special material disclosures.

No sanctions have been made by the CMB due to not disclosing required information or late disclosure.

Corporate Governance Compliance Report

10. Website of the Company and Its Contents

Albaraka Türk Participation Bank has two separate websites, one in Turkish and the other in English. The websites are accessible from www.albarakaturk.com.tr

All information required by CMB Principles of Corporate Governance, Part II, Article 1.11.5 is disclosed on our website.

Within the framework of public disclosure and information policies, our Bank's website provides easily accessible information under the section of Investors Relations.

Under the Investors Relations title; Corporate Information (history, trade registry information, shareholders information, articles of incorporation), Corporate Governance (our vision and mission, core values, board of directors and audit committee, top management, corporate governance principles, ethic principles for banking, information policies, profit distribution policy, list of information access, organizational structure), General Assembly (announcement information document for ordinary annual general meeting, participation procedure, minutes of the meeting, list of attendants, sample power of attorney), Financial Tables and Rating Reports (annual reports, independent auditors report, rating reports, IFRS reports, financial tables and other), Presentations, Stock Information (upper managements transactions, dividend distribution, capital increase, analyst reports), Stock Performance, Investor Relations Contact and Financial News.

The necessary security measures have been taken against making changes on the information published on the internet site and precautions against potential threats are constantly updated.

11. Disclosures of Real Person(s) Holding Controlling Shares

No real person holding controlling shares exist among the shareholders of the Bank. No real person shareholder holds more than 5% of the Bank. Shareholding structure is given both in the annual reports and on our website.

12. Public Disclosure of People Who Have Access to Insider Information

The List of People Who have Access to Insider Information is kept in line with the 16th article of Serial VIII, No: 54 Notification of Principles Concerning Disclosure of Special Situations to Public and the current form of the list is published in the Investor Relations section on our internet site.

PART III - STAKEHOLDERS

13. Informing Stakeholders

Stakeholders of Albaraka Türk receive information on issues that may be of interest to them. This information is provided through special event announcements sent to the ISE and KAP, newspaper announcements, meetings, Q&A and the Bank's website.

14. Participation of Stakeholders in Management

The principle adopted for the participation of stakeholders in management is to make arrangements parallel to the related legal provisions.

Our staff shares their opinions with Senior Management of the Bank through conducted surveys and proposal system.

Our customers can convey their opinions to the Senior Management of the Bank through internet web site and complaint/suggestion boxes available in our branches.

15. Human Resources Policy

The purpose of the human resources policy is to ensure the employment, development of the qualifications and the stability of the qualified and skilled personnel which have the qualifications needed at the national and international level and specialized in their fields in order for the Bank's operations to be performed according to its purpose, vision, mission and corporate values, in an effective, fast, reliable and productive manner. The Bank's human resources policy is determined and established by any General Management.

Corporate Governance Compliance Report

For the application, improvement and following up of the human resources policy firstly the Assistant General Management responsible for human resources is responsible. This responsibility also belongs to the related Managers in the fields they are responsible for.

Basic principles of the human resources policy are the following:

- Respecting the personality of the employee, ensuring that his rights regarding the work relationship are protected,
- Sharing the corporate culture and establishing commitment to the corporate culture and ensuring that all personnel come together around common targets.
- Realizing the employment of the necessary and adequate number of personnel suitable for the work to be done; having the intellectual, professional knowledge and skills and ensuring that the personnel work with commitment other than the highest productivity and profitability targets,
- To provide professional training, development and improvement means for all personnel according to the work to be done,
- To provide environments which will encourage the personnel to innovative, enterprising thinking and producing new ideas and products,
- Making an effort to place employees from within the Bank for managerial and authorized positions and giving the priority to personnel developed from within the Bank for appointments to be made to vacant positions.
- To inform the personnel in matters of interest to the personnel, to development communications methods and tools to ensure that the Personnel easily inform the Managers of their opinions and ideas,
- To create a working environment which would increase the job motivation of the personnel and making an effort for the development of social relations,
- Encouraging the personnel to be successful, developing applications related to this, awarding personnel who have shown outstanding achievement.

16. Information on Relations with Customers and Suppliers

Albaraka Türk always aims at achieving customer satisfaction with the products and services it provides. In order to achieve high quality of products and services; work flow charts, work process definitions, and instructions have been set up and announced to all employees through the bank's intranet.

Customers can submit their complaints and questions about Albaraka Türk's products and services via:

- Calling our call center on 444 5 666
- Using 'You Ask, We Solve' Module on the website (www.albarakaturk.com.tr)
- Sending e-mails to soruncozelim@albarakaturk.com.tr
- Filling the Customer Forms available at all the branches
- Sending faxes to +90 (216) 666 16 10
- Writing directly to the Head Office

All complaints and suggestions from our customers are assessed by customer relations department and all the customers replied. Furthermore, all customer complaints are categorized and reported to Senior Management regularly.

Another performance criteria designated stakeholders' group by Albaraka Türk is the suppliers. When selecting the suppliers of outsourced products and services the Bank takes into account the factors mentioned below:

- References
- Examples from the suppliers' previously conducted work.
- Proficiency and technical efficiency of supplier at its profession
- Cost

The Bank shares its performance criteria with its suppliers so as to establish a mutual understanding. The bank provides equal opportunities to all suppliers and it also follow up the suppliers' performance whether they comply with the social standards.

The bank keeps the information of its customers and suppliers within the context of trade secrets.

Corporate Governance Compliance Report

17. Social Responsibility

Giving great importance to the support of cultural publications and preparation of new cultural publications, Albaraka Türk has continued its efforts in this area in 2011. Albaraka Türk has continued to give support to the one of the most valuable traditional art, namely Calligraphy in some aspects. Also the Bank decided to support new generation artist in this field in order to move the art to the future. New "Calligraphy Room" was founded at the Head Office to preserve the new generation artist's works like at the museum. These new room has comprehensive technical equipment ranking from humidity device and air condition units. We are planning to finish the project started in 2011 regarding to preserve "Albaraka Calligraphy Collection" in 2012.

On the other hand, Albaraka Collection is composed by 66 pieces of Alparslan Babaoğlu's works were exhibited at Cemal Reşit Rey foyer.

Albaraka Türk announced the third Calligraphy Contest in September to bring the respectability it deserves to the art of calligraphy. Participants will compete at five categories, competition will be finalized in the second quarter of year and award ceremony will be held within June.

Albaraka Türk will complete to republish the Endülüs book including rich visual content and Hejaz Railway Photo Album shows the history of the railway with the enriched content.

Donations are given every year by our Bank to Bereket Foundation that gives scholarship to undergraduate, graduate and doctorate students.

PART IV – THE BOARD OF DIRECTORS

18. Formation and Structure of the Board of Directors and Independent Members

The Board of the Bank consists of Chairman Adnan Ahmed Yusuf ABDULMALEK, Vice Chairman Yalçın ÖNER, Resident Executive Member Osman AKYÜZ, Member İbrahim Fayez Humaid ALSHAMSI, Member Hood Hashem Ahmed HASHEM, Member Khalifa Taha HAMOOD, Member Ekrem PAKDEMİRLİ, Member Mitat AKTAŞ, Member Hamad Abdulla A.EQAB, Member Fahad Abdullah A. ALRAJHİ, Resident Executive Member and General Manager Fahrettin YAHŞİ.

Board Members are elected for a term of maximum three years according to Article 15 of the Articles of Incorporation. Members whose office terminates can be elected again. General Manager of the Bank is a natural member of the Board.

The Board Members are restricted with the rules stipulated in Turkish Commercial Law and relevant charters and regulations with respect to their working for and running other operations or businesses outside the Bank. The Bank abides by these principles.

19. Qualifications of Board Members

The minimum requirements for electing Board Members of the Bank are in compliance with Chapter IV of the Corporate Governance Principles of the Capital Market Board, articles 3.1.1, 3.1.2 and 3.1.5. Rules on this subject can be found in the Articles of Incorporation of our Bank. The Bank does not have any Board member who is not in compliance with the minimum qualifications that were listed in the said Corporate Governance Principles.

20. Strategic Targets, Mission and Vision of the Bank

Our Board has clearly established the mission, vision and strategic targets of Albaraka Türk as specified in its internet web site and annual report.

In the Articles of Incorporation of our Bank, it is written that the duties and responsibilities of Board members are specified in accordance with articles of the Turkish Commercial Law and the Banking Law.

Our Board monitors the development of the Bank to see if these are in line with the strategic targets of the Bank, and evaluates the performance of the Bank. Annual budget and strategic plan of the Bank is approved by the Board. The Board closely monitors the budget and compares it with actual performance, collects information about the deviations and follows up decisions taken. If there are important deviations from budget given changes in the market conditions, the budget is revised and submitted to the approval of the Board again.

Corporate Governance Compliance Report

21. Risk Management and Internal Control Mechanism

The Board has a responsibility of establishing and providing compatible, adequate and effective systems on internal control, risk management and internal auditing as foreseen by the Banking Law for the purpose of monitoring and controlling risks emerging from operations.

The Board is responsible for establishing risk management policies and strategies. These policies are revised and evaluated periodically in Board meetings according to prevailing market conditions.

The General Manager is responsible from ensuring that departments of Bank operate in accordance with the specified policies and strategies about risk management as determined by the Board.

Necessary controls are also made to ensure competency with the policies and strategies by means of regular internal control and audit.

The Board of Albaraka Türk Participation Bank takes an important part in the processes of risk management by tracing policies and strategies on consolidated and unconsolidated basis, setting up limit systems and procedures in the bank.

22. Authorities and Responsibilities of Board Members and the Top Management

Bank Management is detailed in the second part of the Articles of Incorporation of the Bank. In this section authorities and responsibilities of managers and Board members (directors) are described. According to this section;

The Board, which has the authority to administer (manage) and represent the Bank with respect to the Banking Law, the Capital Market Law, the Turkish Commercial Law and other related legislations, as well as the Articles of Incorporation of the Bank, can take decisions on every matter which does not specifically require the resolution of the General Shareholders' Assembly.

23. Basis of Board Operations

The board holds its meeting in the Bank headquarters upon the invitation of the chairman. Every member can request the invitation of the board to the meeting in writing from the chairman. The board meeting can be held in a location other than the Bank headquarters or outside of Turkey on exceptional cases on condition that at least two thirds of the member number is present in person.

About matters which are explained in the Chapter-IV article- 2.17.4 of the Corporate Governance Principles of the Capital Market Board, its members must attend to the meetings personally. If legal quorum is provided, decisions are given by the majority of the members present. Every member opposing to the decision can demand their opposing opinion to be recorded on the decision.

According to the Banking Act, the Capital Market Law, the Commercial Codes and related legislations, Board decisions must be signed by the members attending the meeting, within one month, and must be saved in a book having sequentially numbered pages, with the date and number of the meeting, leaving no gaps or bulges between the lines of the resolutions. The said book must have been stamped according to rules on registration books as defined in the Turkish Commercial Law.

There is a Secretariat in our Bank to inform members of the Board of Directors and provide communication.

24. Prohibition of Transactions with and Competition against the Company

In order to do the activities mentioned in the articles 334 and 335 of the Turkish Commercial Law, permission from the General Assembly is necessary for the Chairman and members of the Board about competing against the Company or having transactions with it, excluding prohibited matters that were explained in the Banking Act and the Turkish Commercial Law.

Corporate Governance Compliance Report

25. Rules of Ethics

With the Board decision number 693, our Bank has adopted the "Ethical Rules for Banks" approved by the Association of Participation Banks, in our operations.

The Bank conducts its operations with respect to operational principles of the Bank that conform to the said ethical rules in its relations and transactions with all stakeholders. The details of the Bank's seven main principles of ethical business (i.e. honesty, impartiality, reliability, transparency, observing public interest and environment, anti money-laundering, preventing insider trading) are published on its web site.

26. Number, Structure and Independence of Committees under the Board of Directors

In compliance with the legislation, there is an Audit Committee in Albaraka Türk Participation Bank which consists of three non-executive Board members. This committee reports to the Board and assists the Board in accomplishing its auditing and controlling functions. It is responsible of monitoring the operations of internal systems, accounting and reporting systems of the Bank.

Parallel to the common legal practice in the banking industry there is a Credit Committee in the Bank which consists of the General Manager and two Board members, in charge of the credit approval process. The Credit Committee is the last level of credit allocation process in the Bank which decides for credits by analyzing the proposals according to criteria given in the legislations, banking practices, targets and credit policies of the Bank, after the approval of General Management.

There is a Corporate Governance Committee which consists of the two Board members. This committee monitors, assesses the bank's compliance with corporate governance principles and offers suggestions to the Board of Directors. The committee ascertains that the Bank conforms to the corporate governance principles. If conflicts of interests occur due to poor practice of the corporate governance principles, the committee offers suggestions for the solution of the problem to the Board of directors. Moreover, the committee works on setting out strategies for a transparent system in identification and assessment of candidates for the Board of Directors posts.

There is a Remuneration Committee which consists of a chairman and two members reporting to the Board. The committee aims to ensure that the board of directors, the senior management and the bank's employee are awarded in proportion to their contribution to the bank's value addition.

27. Fiscal Rights of the Board

According to article 24 of the Articles of Incorporation, "The General Assembly of Shareholders decides the amount of general allowances, per-diems, wages, bonuses, premiums and other payments to be made to the chairman, vice chairman, and other members of the Board."

Apart from those approved by the General Assembly, there are resolutions about other costs of every Board member to be covered by the Bank like per-diem payable against every meeting attended (the amount of which is determined by the Shareholders' Assembly), and the transportation and full-board accommodation costs in approved hotels.

The Board of Directors has been authorized by the General Assembly to determine the payment of additional fees and the amount of these fees to the Board of Directors members who will be appointed to committees like Audit Committee, Credit Committee formed by the Board of Directors and specific subjects pursuant to the Articles of Incorporation of our Bank.

Financial Information and Assessments on Risk Management

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Evaluation on Financial Position, Profitability and Capability to Pay

Albaraka Türk increased its assets to TL 10,461 million in 2011 with an increase of 24% compared to previous year end despite of the turbulence in the global economy and the strict measures applied by the legal authorities.

Carrying on the support it gives to real sector in 2011 as well, Albaraka Türk increased the funded credits which have the largest share in its assets to TL 7,287 million with an increase of 16% as of 2011 year end compared to the previous year end. Total share of the funded credits in the total asset reached 70%.

The funds collected by the Bank reached TL 8,045 million with an annual increase of 17% as of 2011 year end. Albaraka Türk diversified its funding base with a murabaha syndication of USD 350 million provided from international markets in 2011.

Maintaining its strong capital structure, Albaraka Türk increased its equities to TL 1,004 million with an increase of 18% as of 2011 year end compared to previous year end.

Albaraka Türk has recorded net profit of TL 160 million in 2011 which means an annual increase of 19%. Increasing its operating income to TL 553 million with a rise of 17% as of 2011 year end compared to previous year end. The Bank brought its net fee and commission income to TL 90 million with an increase of 9%, and net profit share income to TL 386 million with an increase of 22%.

Capital adequacy ratio became 12.53 above its legal obligation level as of 2011 year end.

Risk Management

Aiming to ensure capital allocation compatible with the risks of its functional operations and increase the capital yield set according to these risks to the maximum level, Albaraka Türk evaluates risks by classifying them as market risks, liquidity risk, credit risk, operational risk, strategic risk and credibility risk.

The objective of the Risk Management System of our Bank is to ensure the definition, measuring, monitoring and controlling of the encountered risks by means of the policies, implementation methods and limits that have been determined to monitor, control and when necessary change the risk-income structure including the future cash flows and, accordingly, the quality and level of the activities.

The ultimate target of our Risk Management System is to allocate our functional activities sufficient capital (economic capital) consistent with the risks they bear and to maximize capital returns adjusted for risk, thus increasing the value added.

In our Bank's activities for transition into Basel II, the Roadmap of the Banking Regulation and Supervision Agency (BRSA) has been taken as a reference according to which the Roadmap of our Bank has been prepared. It has been aimed that this Roadmap be dynamic and consistent with the updates in the roadmap of BRSA.

Basically being exposed to market, Liquidity and credit risk, strategic risk, credibility risk and operational risk, the Bank determines risk policies and application methods approved by the Board of Directors for the risks exposed that can be digitized. The said limits are monitored and reported by the units within the internal systems and the related organs of the Bank and ensured that the risks remain within determined limits. The Presidency of Risk Management which is organized within the framework of risk management regulations carries out the activities of the measurement, control and reporting of risks.

The Assets/Liabilities Committee (ALCO), which convenes under the General Manager with the participations of the Assistant General Managers and the Managers of the related divisions, manages the structure of the assets vis-à-vis liabilities by evaluating the domestic and global economic conditions concerning collecting and allocating funds in the direction of the risk management policies of our Bank.

Evaluation on Financial Position, Profitability and Capability to Pay

Market Risk

The Market Risk signifies the probability of possible losses that may arise from the effect of the fluctuations in exchange rates to our Bank's assets and liabilities held in different foreign currencies within and off the balance sheet and the probability of loss our Bank is likely to incur due to the price movements in the stocks held by our Bank.

Foreign exchange rate risk or foreign currency position risk portion of our 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 our 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 our 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, our Bank calculates the foreign currency position risk and the security risk, as well as specific risks associated with market risk, by using the Standard approach and reports to it the authorities accordingly on a regular basis. Additionally, for test-purpose, foreign currency position risk of our Bank is measured by internal models. With backtesting applications, deviations between actual values and daily VaR values, predicted by internal models, are observed in order to control accuracy and performance of these models. Potential strength of portfolio against to unexpected risks is measured with stress tests including stress scenarios.

Whether the market risk of our Bank is in conformity with legal regulations and the determined limits is constantly monitored. Our foreign currency risk is discussed and evaluated at every Assets/Liabilities Committee meeting and our foreign currency strategy is based on holding this risk constant by holding to square foreign currency position (i.e. no short or long positions are taken).

Liquidity Risk

The liquidity risk is the situation whereby, as a result of any imbalances in the cash flows, there is a potential for not being able to meet the Participation Funds which have matured or other due liabilities in a timely manner due to shortage of liquid funds.

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis. In order to manage liquidity risk, the Bank monitors the cash flows on a daily basis and takes preventive and improving measures taken so that commitments are met duly in time. The liquidity risk is also evaluated by ALCO on a weekly basis.

Our Bank applies a policy whereby liquid assets are kept in sufficient volumes and qualities in consideration of the minimum liquidity ratios determined by the related regulations and the liquidity experiences of the past in order to meet any liquidity requirement that could arise with unexpected volatilities in the markets.

Credit Risks

Credit risk is defined as the probability of losses to the bank due to customers failing to partially or completely pay their commitments to the bank in a timely manner, in violation of the provisions of their credit contracts. This risk also contains any losses in the market value of the customers due to any deterioration in the financial position of the customer. The definition of credit risk is includes not just the portfolios within the balance sheet, but also those kept off balance sheet.

The authority to approve credits belongs to the Board of Directors at our Bank. The Board of Directors determines the policies concerning the utilization, approval, risk management of the credits and other related management principles. It then ensures the implementation and supervision of these policies, taking required measures when necessary. The Board of Directors has transferred some of its authority in approving credit lines to the Credit Committee and General Management within the framework of the procedures and principles determined by the legal provisions. The General Management uses that authority to utilize credits by means of the credit departments and Bank branches. At our Bank, credit allocations are realized within those limits that are determined on the basis of each debtor and group of debtors. It is systematically not possible for customers to exceed the predetermined and approved limit. Close attention is paid to prevent any sector concentration that might impair the health of the credit portfolio. Utmost care is given to the prevention of risks concentrating on a small number of customers.

Credit risks are constantly monitored and reported by the internal systems units and risk management bodies. Credit risks are ensured to be in conformity to credit risk management policies and implementation methods.

Evaluation on Financial Position, Profitability and Capability to Pay

Operational Risk

At our Bank, an operational risk is a risk of loss caused by insufficient or unsuccessful internal processes, by persons and systems or external events, wherein the legal risks and compliance risks are included while the strategic (making wrong decisions at the wrong time) and reputational risk are excluded.

Operational risk is a type of risk present in all activities of Albaraka Türk. It could arise from errors of the staff or the system, from such transactions as may have been made based on insufficient or incorrect legal information or documents, due to impediments in the flow of information between the divisions in the organizational structure of the Bank, due to uncertainties in the definition of limits of authorities or from structural and/or operational changes, natural disasters, terror and frauds, etc. The Bank classifies operational risks into five groups according to their sources: staff risks, technological risks, organizational risks, legal and compliance risks and external risks. Albaraka Türk also takes required measures to maintain operational risks at acceptable levels.

Other Risks

The other risks that Albaraka Türk could encounter include strategic and reputational risk. In order to avoid and/or control strategic risks, the Bank's Risk Management System is prepared for such changes as may have crucial impact on its activities, Bank's position and strategies, such as changes in the economic, political and socio-political conditions as well as in laws, regulations and similar arrangements. These have been incorporated into the Bank's emergency and business continuity plans.

The reputation risk is defined as events and situations that are likely to negatively affect the trust put in and the image of the Bank, possibly caused by all kinds of services, activities and relations of the Bank.

For the risk of reputation to be avoided and/or controlled by the Bank's Risk Management System, a proactive communication mechanism that gives the customer priority is established any time a condition that could detriment the Bank's reputation or image is detected. Preparations are made for the worst-case scenarios in advance. In the evaluation of the reputation risk, the relationship, level and impact of operational risks to the reputation risk are also taken into account.

Credit Ratings

Ratings Issued by International Rating Agencies to Albaraka Türk

Standard&Poor's results issued in October 2011

Long Term Credit Rating	BB
Short Term Credit Rating	B
Outlook	Negative
Long Term Deposit	BB
Short Term Deposit	B

CMBT Corporate Governance Compliance Ratings Given to Albaraka Türk

JCR Eurasia Rating results issued in October 2011

Corporate Governance Compliance	8.28
Shareholders	7.71
Public Disclosure and Transparency	9.04
Stakeholders	8.10
Board of Directors	7.95

Auditors' Report

İstanbul, 25.02.2012

**TO: PRESIDING COUNCIL OF THE GENERAL ASSEMBLY,
ALBARAKA TÜRK PARTICIPATION BANK A.Ş.**

NAME OF THE COMPANY
HEAD OFFICE
CAPITAL
FIELD OF ACTIVITY

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
İSTANBUL
TL 539,000,000,- (Five Hundred Thirty Nine Million Turkish Lira)
Collecting participation funds; disbursing credits in line with the banking regulations; executing all banking services defined in related regulations and its Articles of Incorporation

Name(s) of auditor(s); his/their term of office; whether he is shareholder or not

Arif VURAN (not shareholder),
İlhan İMİK (shareholder),
Seyfettin YENİDÜNYA (not shareholder)
(They were appointed by the General Assembly on 30.03.2011 for a term of office of 3 years.)

Total number of meetings held among auditors, and the Board meetings participated to

10 (ten)

Depth and dates of audits conducted : on the books, documents and accounts of the Company; findings and results

On certain days of every month cash, cheques and receipts have been counted. Entries and documents were scanned on random sampling basis. We did not encounter with any misdeed. There was not any issue evoking criticism.

Total number of counts of liquid assets that were present in the mail cash-box of the company according to Turkish Commercial Law article-353, para-1, section-3; and findings

14 (fourteen) times we have conducted them, and found no misdeed at all.

Dates of audits conducted in accordance with Turkish Commercial Law nr.353 Para-1, section-4;and findings;

On certain days of every month books of the company were audited. All types of valuable documents and negotiable instruments were found to be consistent with the records of the company.

Complaints and misdeeds relayed, and actions taken

We have not received any complaint or claim of misdeed.

We have examined the accounts and transactions of Albaraka Türk Participation Bank A.Ş. for the period between 01.01.2011 and 31.12.2011, in accordance with generally accepted principles and standards of accounting.

It is our opinion that the attached Balance-Sheet of the company as of 31.12.2011, the contents of which are approved by us, and the Profit & Loss Statement for the period between 01.01.2011-31.12.2011 do reflect the true results of activities of this company.

We recommend that the Balance-Sheet and the Profit & Loss Statement of this company should be approved and the members of its Board of Directors acquitted.

Respectfully submitted,

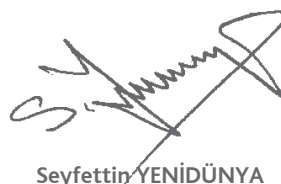
COMMITTEE OF AUDITORS



Arif VURAN



İlhan İMİK



Seyfettin YENİDÜNYA

Albaraka Türk Katılım Bankası Anonim Şirketi

Independent Auditors' Report for the Year Ended December 31, 2011

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish
see section three Note XXIII)

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, 2011 and the unconsolidated statements of income, unconsolidated statement of income and expense items accounted under equity, unconsolidated cash flows and unconsolidated 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.

Albaraka Türk Katılım Bankası Anonim Şirketi

Independent Auditors' Report for the Year Ended December 31, 2011

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish
see section three Note XXIII)

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, 2011 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 25 , 2012
Istanbul, Turkey

Albaraka Türk Katılım Bankası Anonim Şirketi

Unconsolidated Financial Report as of and for the Year Ended December 31, 2011

Address of the Bank's headquarter : Saray Mah. Dr. Adnan Büyükdenez Cad. No: 6 34768 Ümraniye/İstanbul

Bank's phone number and facsimile : 00 90 216 666 01 01 - 00 90 216 666 16 00

Bank's website : www.albarakaturk.com.tr

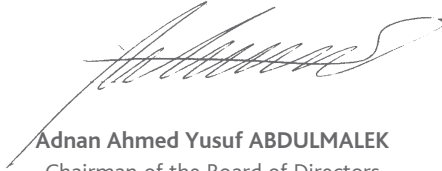
Electronic mail contact info : albarakaturk@albarakaturk.com.tr

The unconsolidated 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 CORRESPONDING ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL POSITION OF THE BANK
- 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.

25 Şubat 2012



Adnan Ahmed Yusuf ABDULMALEK
Chairman of the Board of Directors



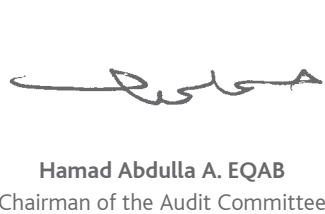
Fahrettin YAŞI
General Manager



Ayhan KESER
Assistant General Manager



Ahmet OCAK
Financial Affairs 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/Financial Affairs Vice Manager

Telephone : 00 90 216 666 02 35

Facsimile : 00 90 216 666 16 11

Albaraka Türk Katılım Bankası Anonim Şirketi

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Albaraka Türk Katılım Bankası Anonim Şirketi

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Albaraka Türk Katılım Bankası Anonim Şirketi

Notes Related to Unconsolidated Financial Statements as at December 31, 2011

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)
(Currency - Thousand Turkish Lira)

Section one

General information

I. History of the Bank including its incorporation date, initial legal status and amendments to legal status:

Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating 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 the Bank' 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 122 local branches and 1 foreign branch and with 2.601 staff as of December 31, 2011.

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, 2011, 54,06% of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 22,78% of the shares are publicly traded and quoted on the Istanbul Stock Exchange.

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes Related to Unconsolidated Financial Statements as at December 31, 2011

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

(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 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	(*) 0,0000
	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 and Retail Marketing	Bachelor	-
	Nihat BOZ	Legal Affairs	Bachelor	0,0048
	Temel HAZIROĞLU	Human Resources, Training and Organization Department	Bachelor	0,0342
	Bülent TABAN	Corporate Loans, Commercial Loans and Retail Loans, Credit Management & Monitoring Department	Master	-
	Turgut SİMİTCİOĞLU	Risk Follow up and Administrative Affairs	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 Affairs and Financial Institutions & Fund Management	Bachelor	-
Audit Committee	Hamad Abdulla A. EQAB	Chairman of Audit Committee	Bachelor	(*) 0,0000
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Bachelor	(*) 0,0000
	Mitat AKTAŞ	Member of Audit Committee	Master	(*) 0,0000
Auditors	Seyfettin YENİDÜNYA	Auditor	Bachelor	-
	Prof. Dr. Arif Ateş VURAN	Auditor	Doctorate	-
	İlhan İMİK	Auditor	Bachelor	(*) 0,0000

(*) The share amounts of these persons are between TL 1-6 (full).

(**) İlhan İMİK has resigned as of January 18, 2012.

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%).

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes Related to Unconsolidated Financial Statements as at December 31, 2011

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

(Currency - Thousand Turkish Lira)

IV. Information on the Bank's qualified shareholders:

The Bank's paid in capital amounting to TL 539.000 consists of 539.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 291.373 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	291.373	54,06%	291.373	-

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.

Albaraka Türk Katılım Bankası Anonim Şirketi

Notes Related to Unconsolidated Financial Statements as at December 31, 2011

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

(Currency - Thousand Turkish Lira)

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 equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows
- VII. Statement of profit appropriation

Albaraka Türk Katılım Bankası Anonim Şirketi

Balance Sheet (Statement of Financial Position)

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

ASSETS	Notes	THOUSAND TURKISH LIRA					
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	292.927	758.273	1.051.200	284.190	416.791	700.981
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (net)	(2)	4.802	-	4.802	4.562	-	4.562
2.1 Trading Financial Assets		4.802	-	4.802	4.562	-	4.562
2.1.1 Public Sector Debt Securities		-	-	-	-	-	-
2.1.2 Equity Securities		4.802	-	4.802	4.562	-	4.562
2.1.3 Derivative Financial Assets Held for Trading		-	-	-	-	-	-
2.1.4 Other Marketable Securities		-	-	-	-	-	-
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)	409.667	897.805	1.307.472	566.652	164.315	730.967
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS-AVAILABLE FOR SALE (net)	(4)	84.540	1.340	85.880	54.544	36	54.580
5.1 Equity Securities		-	1.340	1.340	-	36	36
5.2 Public Sector Debt Securities		84.540	-	84.540	54.544	-	54.544
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(5)	6.567.141	697.669	7.264.810	5.843.577	427.318	6.270.895
6.1 Loans and Receivables		6.554.087	697.669	7.251.756	5.816.247	427.318	6.243.565
6.1.1 Loans to Risk Group of The Bank		187	-	187	104	-	104
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		6.553.900	697.669	7.251.569	5.816.143	427.318	6.243.461
6.2 Non performing loans		169.477	2.459	171.936	185.281	5.569	190.850
6.3 Specific Provisions (-)		156.423	2.459	158.882	157.951	5.569	163.520
VII. INVESTMENTS HELD TO MATURITY (net)	(6)	411.785	19.077	430.862	360.674	15.530	376.204
VIII. INVESTMENTS IN ASSOCIATES (net)	(7)	3.000	-	3.000	2.000	-	2.000
8.1 Accounted for under Equity Method		-	-	-	-	-	-
8.2 Unconsolidated Associates		3.000	-	3.000	2.000	-	2.000
8.2.1 Financial Associates		3.000	-	3.000	2.000	-	2.000
8.2.2 Non-Financial Associates		-	-	-	-	-	-
IX. SUBSIDIARIES (net)	(8)	50	-	50	-	-	-
9.1 Unconsolidated Financial Subsidiaries		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)	22.150	-	22.150	25.920	-	25.920
11.1 Finance Lease Receivables		27.298	-	27.298	29.849	-	29.849
11.2 Operational Lease Receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned Income (-)		5.148	-	5.148	3.929	-	3.929
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)	229.071	2.078	231.149	192.324	-	192.324
XIV. INTANGIBLE ASSETS (net)	(13)	4.798	549	5.347	2.173	-	2.173
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		4.798	549	5.347	2.173	-	2.173
XV. INVESTMENT PROPERTY (net)	(14)	-	-	-	-	-	-
XVI. TAX ASSET	(15)	9.865	-	9.865	7.677	-	7.677
16.1 Current Tax Asset		1.262	-	1.262	-	-	-
16.2 Deferred Tax Asset		8.603	-	8.603	7.677	-	7.677
XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (net)	(16)	25.372	-	25.372	18.070	-	18.070
17.1 Assets Held for Sale		25.372	-	25.372	18.070	-	18.070
17.2 Assets of Discontinued Operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(17)	18.276	650	18.926	18.919	1.029	19.948
TOTAL ASSETS		8.083.444	2.377.441	10.460.885	7.381.282	1.025.019	8.406.301

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi

Balance Sheet (Statement of Financial Position)

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

LIABILITIES		Notes	THOUSAND TURKISH LIRA					
			CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
			TL TL	FC FC	Total Total	TL TL	FC FC	Total Total
I.	FUNDS COLLECTED	(1)	4.797.751	3.246.996	8.044.747	4.358.934	2.522.656	6.881.590
1.1	Funds from Risk Group of The Bank		242.951	109.056	352.007	205.019	162.841	367.860
1.2	Other		4.554.800	3.137.940	7.692.740	4.153.915	2.359.815	6.513.730
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	-	-	-	-	-
III.	FUNDS BORROWED	(3)	-	1.053.290	1.053.290	-	374.807	374.807
IV.	BORROWINGS FROM MONEY MARKETS		-	-	-	-	-	-
V.	SECURITIES ISSUED (net)		-	-	-	-	-	-
VI.	MISCELLANEOUS PAYABLES		169.276	7.726	177.002	162.084	9.760	171.844
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)	104.193	42.000	146.193	82.238	19.519	101.757
10.1	General Provisions		61.164	11.774	72.938	48.447	11.154	59.601
10.2	Restructuring Reserves		-	-	-	-	-	-
10.3	Reserve for Employee Benefits		14.307	-	14.307	11.576	-	11.576
10.4	Insurance Technical Reserves (net)		-	-	-	-	-	-
10.5	Other Provisions		28.722	30.226	58.948	22.215	8.365	30.580
XI.	TAX LIABILITY	(8)	35.401	1	35.402	23.668	-	23.668
11.1	Current Tax Liability		35.401	1	35.402	23.668	-	23.668
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)	1.004.251	-	1.004.251	852.635	-	852.635
14.1	Paid-In Capital		539.000	-	539.000	539.000	-	539.000
14.2	Capital Reserves		35.330	-	35.330	31.109	-	31.109
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Marketable Securities Revaluation Reserve		(1.438)	-	(1.438)	2.364	-	2.364
14.2.4	Revaluation Reserve on Tangible Assets		36.874	-	36.874	28.745	-	28.745
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	Revaluation Reserve on Assets Held For Sale and Assets of Discontinued Operations		-	-	-	-	-	-
14.2.10	Other Capital Reserves		(64)	-	(64)	-	-	-
14.3	Profit Reserves		269.051	-	269.051	148.147	-	148.147
14.3.1	Legal Reserves		39.160	-	39.160	32.441	-	32.441
14.3.2	Status Reserves		-	-	-	-	-	-
14.3.3	Extraordinary Reserves		229.891	-	229.891	115.706	-	115.706
14.3.4	Other Profit Reserves		-	-	-	-	-	-
14.4	Profit or Loss		160.870	-	160.870	134.379	-	134.379
14.4.1	Prior Periods Profit/(Loss)		715	-	715	335	-	335
14.4.2	Current Period Profit/(Loss)		160.155	-	160.155	134.044	-	134.044
14.5	Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES			6.110.872	4.350.013	10.460.885	5.479.559	2.926.742	8.406.301

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi

Statement of Off-Balance Sheet Commitments

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

		THOUSAND TURKISH LIRA					
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
	Notes	TL	FC	Total	TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	3.071.946	2.513.747	5.585.693	2.732.206	1.760.866	4.493.072
I.	GUARANTEES AND SURETIES	2.685.935	2.512.179	5.198.114	2.436.598	1.759.362	4.195.960
1.1.	Letters of Guarantees	2.676.710	1.857.501	4.534.211	2.433.598	1.253.503	3.687.101
1.1.1.	Guarantees Subject to State Tender Law	150.781	60.412	211.193	227.770	23.333	251.103
1.1.2.	Guarantees Given for Foreign Trade Operations	-	847.504	847.504	-	556.637	556.637
1.1.3.	Other Letters of Guarantee	2.525.929	949.585	3.475.514	2.205.828	673.533	2.879.361
1.2.	Bank Loans	-	43.986	43.986	-	20.651	20.651
1.2.1.	Import Letter of Acceptances	-	43.986	43.986	-	20.651	20.651
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letter of Credits	-	506.178	506.178	-	470.805	470.805
1.3.1.	Documentary Letter of Credits	-	-	-	-	-	-
1.3.2.	Other Letter of Credits	-	506.178	506.178	-	470.805	470.805
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	225	83.488	83.713	-	-	-
1.7.	Other Collaterals	9.000	21.026	30.026	3.000	14.403	17.403
II.	COMMITMENTS (1),(3)	386.011	1.568	387.579	295.608	1.504	297.112
2.1.	Irrevocable Commitments	386.011	1.568	387.579	295.608	1.504	297.112
2.1.1.	Forward Asset Purchase Commitments	-	-	-	-	-	-
2.1.2.	Share Capital Commitment to Associates and Subsidiaries	1.000	-	1.000	2.000	-	2.000
2.1.3.	Loan Granting Commitments	18.278	-	18.278	13.395	1.504	14.899
2.1.4.	Securities Underwriting Commitments	-	-	-	-	-	-
2.1.5.	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.6.	Payment Commitment for Checks	190.160	-	190.160	181.529	-	181.529
2.1.7.	Tax And Fund Liabilities from Export Commitments	576	-	576	503	-	503
2.1.8.	Commitments for Credit Card Expenditure Limits	173.723	-	173.723	98.162	-	98.162
2.1.9.	Commitments for Promotions Related with Credit Cards and Banking Activities	45	-	45	19	-	19
2.1.10.	Receivables From Short Sale Commitments	-	-	-	-	-	-
2.1.11.	Payables for Short Sale Commitments	-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments	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	-	-	-	-	-	-

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi

Statement of Off-Balance Sheet Commitments

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

THOUSAND TURKISH LIRA							
Notes	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)			Total
	TL	FC	Total	TL	FC	Total	
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	14.444.231	1.853.449	16.297.680	10.778.808	1.097.661	11.876.469	
IV. ITEMS HELD IN CUSTODY	1.130.822	659.393	1.790.215	503.678	290.870	794.548	
4.1. Assets Under Management	-	-	-	-	-	-	-
4.2. Investment Securities Held in Custody	-	-	-	-	-	-	-
4.3. Checks Received for Collection	397.679	42.873	440.552	332.317	45.136	377.453	
4.4. Commercial Notes Received for Collection	245.203	9.456	254.659	170.451	12.658	183.109	
4.5. Other Assets Received for Collection	105	-	105	125	-	125	
4.6. Assets Received for Public Offering	-	-	-	-	-	-	-
4.7. Other Items Under Custody	72	262.032	262.104	72	177.716	177.788	
4.8. Custodians	487.763	345.032	832.795	713	55.360	56.073	
V. PLEDGED ITEMS	13.313.409	1.194.056	14.507.465	10.275.130	806.791	11.081.921	
5.1. Marketable Securities	231.595	35.609	267.204	43.530	5.770	49.300	
5.2. Guarantee Notes	976.112	156.319	1.132.431	670.980	107.971	778.951	
5.3. Commodity	427.087	251.412	678.499	341.662	139.913	481.575	
5.4. Warranty	-	-	-	-	-	-	-
5.5. Properties	11.244.768	502.327	11.747.095	9.186.963	524.031	9.710.994	
5.6. Other Pledged Items	413.604	221.105	634.709	13.615	10.934	24.549	
5.7. Pledged Items-Depository	20.243	27.284	47.527	18.380	18.172	36.552	
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-	-	-	-	
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)	17.516.177	4.367.196	21.883.373	13.511.014	2.858.527	16.369.541	

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi

Statement of Income

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

INCOME AND EXPENSE ITEMS		THOUSAND TURKISH LIRA	
		CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
	Notes		
I. PROFIT SHARE INCOME	(1)	769.727	666.507
1.1 Profit Share on Loans		718.310	611.458
1.2 Income Received from Reserve Deposits		-	-
1.3 Income Received from Banks		593	7.347
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		48.545	43.253
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		7.207	4.827
1.5.4 Investment-Held for Maturity		41.338	38.426
1.6 Finance Lease Income		2.265	4.449
1.7 Other Profit Share Income		14	-
II. PROFIT SHARE EXPENSE	(2)	384.079	350.349
2.1 Expense on Profit Sharing Accounts		359.921	347.360
2.2 Profit Share Expense on Funds Borrowed		18.370	2.989
2.3 Profit Share Expense on Money Market Borrowings		5.788	-
2.4 Expense on Securities Issued		-	-
2.5 Other Profit Share Expense		-	-
III. NET PROFIT SHARE INCOME (I – II)		385.648	316.158
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		90.332	82.916
4.1 Fees and Commissions Received		110.625	92.930
4.1.1 Non-Cash Loans		59.740	51.605
4.1.2 Other	(12)	50.885	41.325
4.2 Fees and Commissions Paid		20.293	10.014
4.2.1 Non-Cash Loans		424	340
4.2.2 Other	(12)	19.869	9.674
V. DIVIDEND INCOME	(3)	-	302
VI. TRADING INCOME/LOSS(net)	(4)	21.224	16.016
6.1 Capital Market Transaction Income/(Loss)		346	1.292
6.2 Income/(Loss) from Derivative Financial Instruments		-	-
6.3 Foreign Exchange Income/(Loss)		20.878	14.724
VII. OTHER OPERATING INCOME	(5)	55.460	56.861
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		552.664	472.253
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	106.341	105.106
X. OTHER OPERATING EXPENSES (-)	(7)	244.160	201.471
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		202.163	165.676
XII. AMOUNT IN EXCESS 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)	202.163	165.676
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(42.008)	(31.632)
16.1 Provision for Current Taxes		(44.263)	(36.193)
16.2 Provision for Deferred Taxes		2.255	4.561
XVII. NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	160.155	134.044
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)	160.155	134.044
23.1 Group's Income/Loss		160.155	134.044
23.2 Minority Interest		-	-
Earnings Per Share (Full TL)		0,297	0,249

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi

Statement of Income and Expense Items Accounted Under Shareholders' Equity

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	THOUSAND TURKISH LIRA	
	CURRENT PERIOD (01/01-31/12/2011)	PRIOR PERIOD (01/01-31/12/2010)
I. ADDITIONS FROM MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(4.753)	197
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	11.400	23.185
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(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	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	-	-
IX. DEFERRED TAX ON VALUATION DIFFERENCES	1.329	(4.676)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	7.594	18.706
XI. PROFIT/LOSS	160.155	134.044
11.1 Change in Fair Value of Marketable Securities (Transfer To Profit/Loss)	-	-
11.2 Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	-	-
11.3 Transfer of Hedge of Net Investments in Foreign Operations to Income Statement	-	-
11.4 Other	160.155	134.044
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	167.749	152.750

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi

Statement of Changes in Shareholders' Equity

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

CHANGES IN SHAREHOLDERS' EQUITY		Notes (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves
PRIOR PERIOD (31/12/2010)							
I.	Beginning balance	(V)	539.000	-	-	-	27.160
Changes In Period							
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Revaluation Differences		-	-	-	-	-
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		-	-	-	-	-
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		-	-	-	-	-
XVII.	Period Net Income/(Loss)		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	5.281
18.1	Dividends Distributed		-	-	-	-	-
18.2	Transfers To Reserves		-	-	-	-	5.281
18.3	Other		-	-	-	-	-
Closing Balance (I+II+III+...+XVI+XVII+XVIII)			539.000	-	-	-	32.441
CURRENT PERIOD (31/12/2011)							
I.	Beginning balance	(V)	539.000	-	-	-	32.441
Changes In Period							
II.	Increase/Decrease Related to Merger		-	-	-	-	-
III.	Marketable Securities Revaluation Differences		-	-	-	-	-
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		-	-	-	-	-
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		-	-	-	-	-
XVII.	Period Net Income/(Loss)		-	-	-	-	-
XVIII.	Profit Distribution		-	-	-	-	6.719
18.1	Dividends Distributed		-	-	-	-	-
18.2	Transfers To Reserves		-	-	-	-	6.719
18.3	Other		-	-	-	-	-
Closing Balance (I+II+III+...+XVI+XVII+XVIII)			539.000	-	-	-	39.160

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi

Statement of Cash Flows

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

		THOUSAND TURKISH LIRA	
STATEMENT OF CASH FLOWS		CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
	Notes		
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes In Operating Assets And Liabilities	326.132	241.330
1.1.1	Profit Share Income Received	705.931	623.797
1.1.2	Profit Share Expense Paid	(368.685)	(347.739)
1.1.3	Dividend Received	-	302
1.1.4	Fees and Commissions Received	138.702	143.266
1.1.5	Other Income	43.395	50.582
1.1.6	Collections from Previously Written Off Loans	(V-I-5,h2) 30.960	49.671
1.1.7	Payments to Personnel and Service Suppliers	(141.882)	(118.140)
1.1.8	Taxes Paid	(19.042)	(44.181)
1.1.9	Others	(V-VI-3) (63.247)	(116.228)
1.2	Changes in operating assets and liabilities	(313.501)	(404.825)
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets	(240)	(1.525)
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	(221.744)	(116.255)
1.2.4	Net (Increase) Decrease in Loans	(876.994)	(1.667.793)
1.2.5	Net (Increase) Decrease in Other Assets	(65.124)	(12.639)
1.2.6	Net Increase (Decrease) in Funds Collected From Banks	-	-
1.2.7	Net Increase (Decrease) in Other Funds Collected	860.521	1.417.320
1.2.8	Net Increase (Decrease) in Funds Borrowed	-	-
1.2.9	Net Increase (Decrease) in Due Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	(V-VI-3) (9.920)	(23.933)
I.	Net Cash Flow From Banking Operations	12.631	(163.495)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash flow from investing activities	(95.260)	(115.183)
2.1	Cash Paid for Purchase Jointly Controlled Operations, Associates and Subsidiaries	(1.000)	-
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries	-	4.000
2.3	Fixed Assets Purchases	(72.138)	(73.922)
2.4	Fixed Assets Sales	17.698	21.120
2.5	Cash Paid for Purchase of Financial Assets Available for Sale	(30.000)	(25.000)
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) (50.000)	(275.000)
2.8	Cash Obtained from Sale of Investment Securities	(V-I-6,4) 40.180	233.619
2.9	Other	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flow from financing activities	653.315	348.816
3.1	Cash Obtained from Funds Borrowed and Securities Issued	1.038.612	359.597
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(371.822)	-
3.3	Capital Increase	-	-
3.4	Dividends Paid	(13.475)	(10.781)
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) 52.392	(13.307)
V.	Net (Decrease)/Increase in Cash and Cash Equivalents	623.078	56.831
VI.	Cash and Cash Equivalents at the Beginning of the Period	(V-VI-i) 1.142.913	1.086.082
VII.	Cash and Cash Equivalents at the End of the Period	(V-VI-ii) 1.765.991	1.142.913

The accompanying explanations and notes are an integral part of these financial statements.

Albaraka Türk Katılım Bankası Anonim Şirketi

Statement of Profit Appropriation

(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

	THOUSAND TURKISH LIRA	
	CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
I. Distribution of current year income		
1.1. Current year income	202.164	165.676
1.2. Taxes and duties payable (-)	42.009	31.632
1.2.1. Corporate tax (Income tax)	44.263	36.193
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities (**)	(2.254)	(4.561)
A. Net income for the year (1.1-1.2)	160.155	134.044
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	6.719
1.5. Other statutory reserves (-)	-	-
B. Distributable net period income [(A-(1.3+1.4+1.5))]	160.155	127.325
1.6. First dividend to shareholders (-)	-	13.475
1.6.1. To owners of ordinary shares	-	13.475
1.6.2. To owners of preferred stocks	-	-
1.6.3. To owners of preferred stocks (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 stocks	-	-
1.9.3. To owners of preferred Stocks (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	-	114.185
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 stocks	-	-
2.3.3. To owners of preferred stocks (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 stocks (***)	0,297	0,249
3.2. To owners of stocks (%)	29,7	24,9
3.3. To owners of preferred stocks	-	-
3.4. To owners of preferred stocks (%)	-	-
IV. Dividend per share		
4.1. To owners of stocks	-	0,025
4.2. To owners of stocks (%)	-	2,5
4.3. To owners of preferred stocks	-	-
4.3. To owners of preferred stocks (%)	-	-

(*) General Assembly of the Bank is 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 cannot be added into profit distribution, thus it is classified under extraordinary reserves.

(***) Calculated by using the number of share certificates as of year end.

The accompanying explanations and notes are an integral part of these financial statements.

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(Convenience translation of a report and financial statements originally issued in Turkish - See section three Note XXIII)

(Currency - Thousand Turkish Lira)

Section three

Accounting policies

I. Explanations on basis of presentation:

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents:

The 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 year end financial statements are consistent with those adopted in the preparation of the financial statements as of December 31, 2010. TAS/TFRS changes (TFRIC 14 (Change) "Prepayments of a Minimum Funding Instrument"; TAS 32 (Change), "Classification on Rights Issue"; TFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments; TAS 24 (Revision), "Related Party Disclosures" and Improvements to TFRS 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 01.01.2013. 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 February 10, 2007 and numbered 26430.

The amendments of TAS and TFRS, except TFRS 9 "Financial Instruments", which have been effective as of reporting date, have no impact on the accounting policies, financial condition and performance of the Bank. 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.

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.

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II. Explanations on strategy of using financial instruments and foreign currency transactions:

The Bank manages its strategies on financial instruments depending on 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 specific provision for foreign currency non-performing loans and receivables originated from profit sharing accounts of which the risk belongs to the Bank in full, 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 instruments into Turkish Lira are included in the income statement.

The monetary 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. The non monetary balance sheet items and 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 exchange rate of gold ruling 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 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.

There are no embedded derivatives separated from the host contract and no derivatives that are designated as hedging instruments.

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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 in 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.

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 classified as 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 and subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

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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, 2011, 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 Revaluation 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 revaluation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

Loans and receivables:

Loans and receivables are non-derivative financial assets whose payments are fixed or can be determined, are not traded in an active market and are not classified as trading assets, financial assets at fair value through profit or loss and financial assets available for sale.

Loans and receivables are carried initially at cost; including the transaction costs; 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 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 (loss event) of one or more than one event (or occurrence) subsequent to initial recognition of that asset or group of assets; and such loss event 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 the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate with the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

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If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value of 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 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 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.

In the case that the Bank has not disposed of the real-estate and commodities that were received due to receivables and debtors' obligations to the Bank within a year of receipt or failed to produce a solid plan for sale of the assets, the aforementioned assets are amortized and classified as fixed assets rather than assets held for sale.

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.

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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 adopted revaluation model for buildings 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, 2011 the Bank has revalued its buildings 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 of the revaluation fund 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

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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.

If the recoverable amount (the higher of value in use and fair value) of a tangible asset is less than its carrying value, impairment loss is provided in accordance with TAS 36 'Impairment of Assets' and the carrying value is written down to its recoverable amount.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale of and the net book value of the related asset.

The repair costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair costs are expensed.

XIII. Explanations on leasing transactions:

Transactions as a lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee 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 or 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 Assets".

Provisions are accounted if; there is a legal or contractual obligation as of the balance sheet date or originating from past, there is a possibility of outflow of the economic resources and a reliable estimate for the liability amount 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.

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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 not terminated due to retirement, resignation or misconduct.

The retirement pay provision recognized in the financial statements, is calculated based on TAS 19 "Employee Benefits" by using the "projection method" and based on upon factors derived using the experience of the retiring personnel, eligibility to receive retirement pay 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 when they qualify and 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.

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 within 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.

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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 relevant 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 subject to deductions in means 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:

The Bank has not issued share certificates in the current period.

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.

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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 information is available.

Segment reporting is disclosed in Section Four, Note IX.

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 position

I. Explanations on capital adequacy standard ratio:

The capital adequacy standard ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" and Communiqué on "Shareholders' Equity of Banks". In the calculation of capital adequacy standard ratio, data prepared in accordance with the legislation related to account and record is used. As of December 31, 2011, the Bank's capital adequacy ratio is 12,53% (December 31, 2010 – 14,09%).

The risk calculation methods used in the calculation of capital adequacy standard ratio includes determination of risk weighted assets and non-cash loans in line with the relevant banking regulation and measuring the market risk and operational risk in line with the same regulation.

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Information on capital adequacy standard ratio: Thousand TL, %

	Risk Weights					
	Bank					
	0%	20%	50%	100%	150%	200%
Amount Subject to Credit Risk						
Balance Sheet Items (Net)	1.635.543	1.260.942	2.735.507	3.013.594	2.672	102
Cash and Cash Equivalents	237.315	-	-	-	-	-
Matured Marketable Securities	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	351.187	-	-	-	-	-
Domestic Banks, Foreign Banks, Foreign Head Offices and Branches	-	1.247.195	-	60.277	-	-
Money Market Placements	-	-	-	-	-	-
Receivables From Reverse Repurchase Transactions	-	-	-	-	-	-
Reserve Deposits	377.670	-	-	-	-	-
Loans	224.613	13.211	2.586.644	2.536.322	2.672	102
Non-performing Loans (Net)	-	-	-	12.528	-	-
Financial Lease Receivables	1.438	-	9.464	9.630	-	-
Available-for-Sale Financial Assets	-	-	-	-	-	-
Held to Maturity Investments	409.400	-	-	9.400	-	-
Receivables from Term Sales of Assets	-	-	-	4.321	-	-
Miscellaneous Receivables	-	-	-	1.063	-	-
Accrued Profit Share and Income Accruals	21.592	536	139.399	126.889	-	-
Investment in Associates, Subsidiaries and Joint Ventures (Business Partnerships) (net)	-	-	-	3.050	-	-
Tangible Assets	-	-	-	239.035	-	-
Other Assets	12.328	-	-	11.079	-	-
Off-Balance Sheet Items	130.712	22.676	614.935	2.188.607	-	-
Guarantees and Commitments	130.712	22.676	614.935	2.188.607	-	-
Derivative Financial Instruments	-	-	-	-	-	-
Non Risk Weighted Accounts	-	-	-	-	-	-
Total Risk-Weighted Assets	1.766.255	1.283.618	3.350.442	5.202.201	2.672	102

Summary information related to capital adequacy ratio:

	Current Period	Prior Period
Total Risk Weighted Assets (TRWA)	7.138.358	5.308.734
Amount Subject to Market Risk (ASMR)	87.200	39.100
Amount Subject to Operational Risk (ASOR)	738.014	617.328
Shareholders' Equity	997.782	840.250
Shareholders' Equity/(TRWA + ASMR + ASOR) *100	12,53	14,09

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Details of shareholders' equity accounts:

	Current Period	Prior Period
CORE CAPITAL		
Paid-in Capital Subordinated to All Other Receivables in Case of Liquidation of the Bank	539.000	539.000
Nominal Capital	539.000	539.000
Capital Commitments (-)	-	-
Inflation Indexation Difference on Paid-in Capital Subordinated to All Other Receivables in Case of the Liquidation of the Bank	-	-
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	39.160	32.441
First Legal Reserve (Turkish Commercial Code 466/1)	32.006	25.287
Second Legal Reserve (Turkish Commercial Code 466/2)	7.093	7.093
Other Legal Reserve Per Special Laws	61	61
Status Reserves	-	-
Extraordinary Reserves	229.827	115.706
Reserves Allocated by the General Assembly	229.891	115.706
Retained Earnings	-	-
Accumulated Losses (*)	(64)	-
Foreign Currency Share Capital Exchange Difference	-	-
Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	160.870	134.379
Current Period Net Profit	160.155	134.044
Prior Years' Profits	715	335
Provision for possible losses up to 25% of the core capital	2.976	90
Gains on Sale of Associates and Subsidiaries and Properties to be Added to Capital	-	-
Primary Subordinated Loans on Conditions not Exceeding the Limits Specified in the Regulations	-	-
Losses that cannot be Covered by Reserves (-)	-	-
Current Period Net Loss	-	-
Prior Years' Loss	-	-
Operational Leases Improvement Costs(-)	17.516	8.501
Prepaid Expenses (-) (**)	-	6.188
Intangible Assets (-)	5.388	2.173
Deferred Tax Asset Exceeding 10% of the Core Capital (-)	-	-
Excess Amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
Total Core Capital	948.929	804.754

(*) The balance represents the foreign currency translation difference of the Bank's foreign branch's income statement.

(**) In accordance with the "Communiqué Related to Changes in Communiqué on Own Funds of Banks" published in the Official Gazette dated March 10, 2011 and numbered 27870, prepaid expenses are not deducted from the core capital any more.

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	Current Period	Prior Period
SUPPLEMENTARY CAPITAL		
General Loan Loss Reserves	34.096	21.637
45% of the Revaluation Reserve for Movable Fixed Assets	(10)	-
45% of the Revaluation Reserve for Properties	16.718	12.935
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	(1.438)	1.064
Associates and Subsidiaries	-	-
Available for Sale Securities	(1.438)	1.064
Indexation Differences For Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
Total Supplementary Capital	49.366	35.636
CAPITAL	998.295	840.390
DEDUCTIONS FROM THE CAPITAL	513	140
Shareholdings of Unconsolidated Banks and Financial Institutions (Domestic, Foreign) from which the Bank Keeps Ten Percent or More of Capitals	-	-
Shareholdings of Unconsolidated Banks and Financial Institutions (Domestic, Foreign) from which the Bank Keeps Less than Ten Percent of Capitals 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	224	140
Securitization Positions Preferred to be Deducted from Equity rather than to be subjected to 1250% Risk Weighted Resulting from the Law numbered 45 on Principles and Procedures in Calculating the Capital Adequacy	-	-
Other	289	-
TOTAL SHAREHOLDERS' EQUITY	997.782	840.250

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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 belongs to the Board of Directors and in accordance with the authority given by the Board of Directors the risk limits of the Bank have been determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee exercises the loan assignment authority via units of the Bank or branches. Proposal for loans are presented in a written format to 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 for each individual customer, company, group of companies, risk groups separately. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated.

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 considers distributing the credit risk evenly and following the companies operating in risky sectors.

The credibility of the debtors of loans and other receivables are monitored periodically in accordance with related legislation. The financial documents for loans are compiled as stated 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 worthiness of corporate and individual loans according to 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.

(2) The Bank does not have derivative financial instruments like options, forward exchange.

(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 business operations of those customers are analyzed systematically while 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 for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

(4) The Bank has credit lines in different countries within framework of its banking activity and due inquiries (economic, cycles etc.) are carried out during the allocation and revision of credit lines.

For the banks where correspondent activity and international commodity transactions are intended to be carried out, credit limits are set by the related credit committees; taking into account the size of the addressee bank and the Bank itself to avoid concentration of risk. The Bank does not carry any serious risk in this respect.

(5) As of December 31, 2011, share of cash receivables of the Bank from its top 100 cash loan customers in total cash loans is 37% (Prior period - 43%).

As of December 31, 2011, share of non-cash receivables of the Bank from its top 100 non-cash loan customers in total non-cash loans is 46% (Prior period - 48%).

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As of December 31, 2011, share of cash and non-cash receivables of the Bank from its top 100 loan customers in total of balance sheet and non-cash loans is 33% (Prior period - 36%).

(6) As of December 31, 2011 the Bank's general provision amount for its credit risk is TL 72.938 (Prior period - TL 59.601).

Distribution of credit risk by types of borrowers and geographical concentration:

	Loans to individuals and corporates		Balances with banks and other financial institutions		Marketable securities (*)		Other loans (**)	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
Distribution of credit risk by type of borrowers								
Private Sector	6.319.763	5.633.690	-	103.362	-	-	4.997.595	4.313.199
Public Sector	1.209	1.552	-	-	505.968	423.072	-	-
Banks	-	-	-	993	9.434	7.676	107.354	15.208
Retail Customers	952.934	529.888	-	-	-	-	97.486	172.910
Equity Securities	-	-	-	-	6.142	4.598	-	-
Total	7.273.906	6.165.130	-	104.355	521.544	435.346	5.202.435	4.501.317

Information according to geographical concentration

Domestic	7.019.650	6.038.003	-	103.362	512.110	427.670	4.943.726	4.411.236
European Union (EU) Countries	48.552	23.973	-	-	-	-	32.505	10.846
OECD Countries (***)	-	-	-	-	-	-	-	216
Off-Shore Banking Regions	95.882	20.383	-	-	9.434	7.676	8.678	11.097
USA, Canada	19.690	3.873	-	-	-	-	-	-
Other Countries	90.132	78.898	-	993	-	-	217.526	67.922
Total	7.273.906	6.165.130	-	104.355	521.544	435.346	5.202.435	4.501.317

(*) Includes financial assets at fair value through profit or loss, financial assets available-for-sale and investments held-to-maturity.

(**) Includes transactions defined as credit as per the Article 48 of the Turkish Banking Law No 5411 and not covered in the first three columns above.

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

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Geographical concentration:

	Assets	Liabilities	Non-cash Loans	Capital Expenditures	Net Profit (*)
Current Period					
Domestic	9.948.849	7.991.164	4.939.404	-	160.965
EU countries	150.658	244.970	32.505	-	-
OECD countries (**)	4.511	985	-	-	-
Off-shore banking regions	110.745	596.940	8.678	-	-
USA, Canada	91.395	2.511	-	-	-
Other countries	151.677	620.064	217.527	-	(810)
Associates, subsidiaries and jointly controlled entities	3.050	-	-	-	-
Unallocated assets/liabilities (***)	-	-	-	-	-
Total	10.460.885	9.456.634	5.198.114	-	160.155
Prior Period					
Domestic	8.174.575	6.855.504	4.105.879	-	134.044
EU countries	58.822	12.479	10.846	-	-
OECD countries (**)	8.710	1	216	-	-
Off-shore banking regions	28.033	437.628	11.097	-	-
USA, Canada	53.480	319	-	-	-
Other countries	80.681	247.735	67.922	-	-
Associates, subsidiaries and jointly controlled entities	2.000	-	-	-	-
Unallocated assets/liabilities (***)	-	-	-	-	-
Total	8.406.301	7.553.666	4.195.960	-	134.044

(*) Geographical distribution has not been performed.

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

(***) Assets, liabilities and equity items that cannot be allocated on a consistent basis.

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Sectoral distribution of cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	81.054	1,24	1.681	0,24	144.793	2,49	729	0,17
Farming and stockbreeding	49.574	0,76	1.681	0,24	81.171	1,40	-	-
Forestry	28.726	0,44	-	-	58.741	1,01	-	-
Fishery	2.754	0,04	-	-	4.881	0,08	729	0,17
Manufacturing	2.806.707	42,82	181.072	25,96	2.222.483	38,21	120.510	28,20
Mining	97.515	1,49	29.774	4,27	50.123	0,86	49.818	11,66
Production	2.480.140	37,84	124.370	17,83	2.056.275	35,35	69.321	16,22
Electricity, gas, water	229.052	3,49	26.928	3,86	116.085	2,00	1.371	0,32
Construction	1.794.858	27,39	361.049	51,75	1.458.425	25,08	233.774	54,71
Services	1.317.421	20,09	120.781	17,31	1.199.204	20,60	52.836	12,36
Wholesale and retail trade	839.093	12,80	-	-	751.916	12,93	-	-
Hotel, food and beverage services	53.960	0,82	-	-	61.358	1,05	-	-
Transportation and telecommunication	206.736	3,15	101.564	14,56	107.692	1,85	51.843	12,13
Financial institutions	67.017	1,02	19.217	2,75	105.438	1,81	993	0,23
Real estate and renting services	53.928	0,82	-	-	53.038	0,91	-	-
Self-employment services	9.741	0,15	-	-	12.359	0,21	-	-
Education services	37.173	0,57	-	-	36.897	0,63	-	-
Health and social services	49.773	0,76	-	-	70.506	1,21	-	-
Other	554.047	8,46	33.086	4,74	791.342	13,62	19.469	4,56
Total	6.554.087	100,00	697.669	100,00	5.816.247	100,00	427.318	100,00

The table below shows the maximum exposure to credit risk for the components of the financial statements:

	Current period	Prior period
Central Bank of the Republic of Turkey	813.885	578.815
Trading financial assets	-	-
Due from banks	1.307.472	730.967
Available-for-sale financial assets	84.540	54.544
Loans	7.264.810	6.270.895
Held to maturity investments	430.862	376.204
Finance lease receivables	22.150	25.920
Other assets	4.321	8.245
Total balance sheet items subject to credit risk	9.928.040	8.045.590
Contingent liabilities	5.198.114	4.195.960
Commitments	387.579	297.112
Total off-balance sheet items subject to credit risk	5.585.693	4.493.072
Total credit risk exposure	15.513.733	12.538.662

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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 said 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	18,47%	24,13%
Average	77,25%	62,02%
Below average	4,28%	13,85%

III. Explanations on market risk:

Amount subject to market risk is calculated by using Standard Measurement Method of Market Risk described in the third chapter of the Communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette No. 26333 dated November 1, 2006 and reported on a monthly basis.

a) Information related to market risk:

	Amount
(I) Capital requirement to be employed for general market risk - standard method	660
(II) Capital requirement to be employed for specific risk - standard method	206
(III) Capital requirement to be employed for currency risk - standard method	6.110
(IV) Capital requirement to be employed for commodity risk - standard method	-
(V) Capital requirement to be employed for exchange risk - standard method	-
(VI) Capital requirement to be employed for market risk of options - standard method	-
(VII) Capital requirement to be employed for market risks of banks using risk measurement model	-
(VIII) Total capital requirement to be employed for market risk (I+II+III+IV+V+VI)	6.976
(IX) Amount subject to market risk (12,5 X VIII) or (12,5 x VII)	87.200

b) Average Market Risk Table of Calculated Market Risk for Period Ends:

	Current period			Prior period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	1.847	3.613	-	1.315	1.950	638
Share Certificates Risk	6.812	8.713	5.938	4.946	6.013	4.025
Currency Risk	50.064	76.375	35.300	35.021	44.175	25.725
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value Subject to Risk	58.723	88.701	41.238	41.282	52.138	30.388

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IV. Explanations on operational risk:

The "Basic indicator method" is used in the operational risk calculation of the Bank. The amount subject to the operational risk is calculated through the use of the gross income of the Bank in 2010, 2009, and 2008 in accordance to the "Calculation of the Operational Risk" applicable from June 1, 2007 which is the 4th part of the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio" published in the Official Gazette No.26333 dated November 1, 2006. In the scope of "Capital adequacy ratio" stated in Note I of this section, amount subject to operational risk is TL 738.014, capital requirement of operational risk is TL 59.041.

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, 2011 - Balance sheet evaluation rate	1,880	2,440
As of December 30, 2011	1,880	2,430
As of December 29, 2011	1,913	2,467
As of December 28, 2011	1,905	2,470
As of December 27, 2011	1,890	2,468
As of December 26, 2011	1,883	2,462

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 1,858 for 1 USD (December 2010 – full TL 1,511), full TL 2,447 for 1 EURO (December 2010 – full TL 1,997) and full TL 2,430 for 100 JPY (December 2010 – full TL 1,809).

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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 increase/decrease 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	2.783	1.840	(382)	-
USD	10% decrease	(2.783)	(1.840)	382	-
EURO	10% increase	199	(29)	-	-
EURO	10% decrease	(199)	29	-	-

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Information on currency risk of the Bank:

Current Period	EUR	USD	JPY	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	209.348	322.000	-	226.925	758.273
Banks	398.054	392.507	132	107.112	897.805
Financial assets at fair value through profit and loss	-	-	-	-	-
Money market placements	-	-	-	-	-
Available-for-sale financial assets	43	-	-	1.297	1.340
Loans and financial lease receivables(**)	799.449	1.907.069	-	-	2.706.518
Subsidiaries, associates and joint ventures	-	-	-	-	-
Held-to-maturity investments	-	19.077	-	-	19.077
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible assets	-	2.042	-	36	2.078
Intangible assets	-	461	-	88	549
Other assets (***)	391	2.455	-	-	2.846
Total assets	1.407.285	2.645.611	132	335.458	4.388.486
Liabilities					
Current account and funds collected from banks via participation accounts	77.666	135.427	-	280	213.373
Other current and profit sharing accounts	848.536	1.858.430	4	326.653	3.033.623
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	473.104	580.186	-	-	1.053.290
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	2.372	5.355	-	-	7.726
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	3.618	38.382	-	-	42.000
Total liabilities	1.405.296	2.617.780	4	326.933	4.350.012
Net balance sheet position	1.989	27.831	128	8.525	38.474
Net off balance sheet position	703.997	1.799.721	466	7.995	2.512.179
Derivative financial instruments assets	-	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-	-
Non-cash loans (****)	703.997	1.799.721	466	7.995	2.512.179
Prior Period					
Total assets	1.049.496	1.846.612	85	50.471	2.946.664
Total liabilities	1.049.784	1.828.210	2	48.746	2.926.742
Net balance sheet position	(288)	18.402	83	1.725	19.922
Net off balance sheet position	508.337	1.244.782	829	5.414	1.759.362
Derivative financial instruments assets	-	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-	-
Non-cash loans	508.337	1.244.782	829	5.414	1.759.362

(*) TL 129.983 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 98.323 of the balance in Banks in other FC column represent precious metals accounts with banks, TL 324.813 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 2.008.849 (Prior period- TL - 1.917.083)

(***) Foreign currency indexed receivables from credit sale of assets amounting to TL 2.068 (Prior period- TL 4.471) and foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 128 (Prior period- TL 91) is included in other assets.

(****) Does not have any effect on the net off-balance sheet position.

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VI. 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 the depositors are not guaranteed to receive the balance they have deposited in case of losses of the projects funded from these accounts. Accordingly, the Bank's assets and liabilities are consistent with profit share ratios.

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 notice to keep the assets in short term liquid assets and prolong average maturity of the liabilities.

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, 2011 and December 31, 2010 are as follows:

Current 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

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	258,17	258,19	116,94	128,65
Maximum (%)	340,40	319,69	177,04	173,53
Minimum (%)	145,18	203,29	80,44	100,12

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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	588.502	462.698	-	-	-	-	-	1.051.200
Banks	1.270.872	36.600	-	-	-	-	-	1.307.472
Financial Assets at Fair Value Through Profit and Loss	4.802	-	-	-	-	-	-	4.802
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	1.340	-	26.226	25.000	33.314	-	-	85.880
Loans	5.981	778.431	1.000.984	2.759.432	2.603.912	125.166	-	7.273.906
Held-To-Maturity Investments	-	-	296.462	75.000	59.400	-	-	430.862
Other Assets	-	293	933	2.006	1.089	-	302.442	306.763
Total Assets	1.871.497	1.278.022	1.324.605	2.861.438	2.697.715	125.166	302.442	10.460.885
Liabilities								
Current account and funds collected from banks via participation accounts	74.507	58.444	106.302	10.299	-	-	-	249.552
Other current and profit sharing accounts	1.777.836	1.959.278	682.367	3.031.427	344.287	-	-	7.795.195
Funds provided from other financial institutions	-	221.017	99.282	732.991	-	-	-	1.053.290
Money Market Borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	65.074	9.569	-	-	-	102.359	177.002
Other liabilities	-	19.651	15.751	-	-	-	1.150.444	1.185.846
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)	-
Prior period								
Total Assets	1.197.224	904.873	859.011	2.402.278	2.692.358	89.280	261.277	8.406.301
Total Liabilities	1.166.313	3.455.739	988.093	1.726.521	7.155	-	1.062.480	8.406.301
Net Liquidity Gap	30.911	(2.550.866)	(129.082)	675.757	2.685.203	89.280	(801.203)	-

(*) 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 and non-allocable provisions.

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Analysis of financial liabilities based on the remaining contractual maturities:

The table below is prepared taking into consideration undiscounted contractual maturities of the financial liabilities of the Bank. 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	1.852.343	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
Prior period							
Funds Collected	1.166.313	3.373.460	982.948	1.351.714	7.155	-	6.881.590
Funds Borrowed from Other Financial Institutions	-	-	5.366	382.824	-	-	388.190
Borrowings from Money Markets	-	-	-	-	-	-	-
Total	1.166.313	3.373.460	988.314	1.734.538	7.155	-	7.269.780

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 (*)	2.166.745	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
Prior Period								
Letters of guarantee (*)	1.803.928	158.442	331.558	714.572	568.014	110.587	-	3.687.101
Bank acceptances	20.098	553	-	-	-	-	-	20.651
Letters of credit	421.878	22.900	90	20.570	5.367	-	-	470.805
Other commitments and contingencies	-	17.403	-	-	-	-	-	17.403
Total	2.245.904	199.298	331.648	735.142	573.381	110.587	-	4.195.960

(*) 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.

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VII. 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 carrying and 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 the funds collected approximates their fair value.

	Carrying value		Fair value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Money market placements	-	-	-	-
Banks	2.121.357	1.309.782	2.121.357	1.309.782
Financial assets at fair value through profit and loss	4.802	4.562	4.802	4.562
Financial assets available for sale	85.880	54.580	85.880	54.580
Held to maturity investments	430.862	376.204	430.270	378.229
Loans and financial lease receivables	7.273.906	6.269.485	7.128.165	6.252.393
Financial Liabilities				
Funds collected from banks via current accounts and profit sharing accounts	249.552	276.793	249.552	276.793
Other current and profit sharing accounts	7.795.195	6.604.797	7.795.195	6.604.797
Funds provided from other financial institutions	1.053.290	374.807	1.053.290	374.807
Marketable securities issued	-	-	-	-
Miscellaneous payables	177.002	171.844	177.002	171.844

b. Information on fair value calculations accounted 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 calculations. Aforesaid fair value hierarchy is determined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level I);
- 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);
- Data not based on observable data regarding assets and liabilities (Level III).

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Fair value classification 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	4.802	-	-	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	-	-	-	-
Prior period	Level I	Level II	Level III	Total
Financial assets				
Financial assets at fair value through profit and loss	4.562	-	-	4.562
Public sector debt securities	-	-	-	-
Equity securities	4.562	-	-	4.562
Derivative financial assets held for trading	-	-	-	-
Other	-	-	-	-
Financial assets- available for sale	-	54.544	-	54.544
Equity securities	-	-	-	-
Public sector debt securities	-	54.544	-	54.544
Other marketable securities	-	-	-	-
Financial liabilities				
Derivative financial liabilities held for trading	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-

VIII. 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 faith based transactions.

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IX. Explanations on business segments:

The Bank operates in retail, commercial and corporate banking fields via profit/loss sharing method in accordance with its mission.

Current Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
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

Prior Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Net profit share income/(expense)(*)(**)	(208.837)	466.184	58.811	-	316.158
Net fees and commissions income/(expense)	962	73.388	472	8.094	82.916
Other operating income/(expense)	(6.595)	(39.040)	478	(188.241)	(233.398)
Profit before tax	(214.470)	500.532	59.761	(180.147)	165.676
Provision for tax	-	-	-	(31.632)	(31.632)
Net profit for the period	(214.470)	500.532	59.761	(211.779)	134.044

(*) 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.

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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	49.197	58.135	38.212	36.245
CBRT	243.730	570.155	245.978	332.837
Other (*)	-	129.983	-	47.709
Total	292.927	758.273	284.190	416.791

(*) Includes precious metals amounting to TL 129.983 as of December 31, 2011 (Prior period- TL 47.709).

b) Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	243.730	107.457	245.605	91.884
Unrestricted time deposit	-	-	-	-
Restricted time deposit (*)	-	462.698	373	240.953
Total	243.730	570.155	245.978	332.837

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2005/1", banks operating in Turkey are required to maintain reserves in CBRT in TL for TL liabilities and in USD or Euro for foreign currency liabilities. With the changes made in the "Communiqué Regarding the Reserve Requirements" during the year; up to 40% of the reserve requirement for TL liabilities can be held as foreign currency and up to 10% as standard gold, the reserve requirement for precious metal account in foreign currency liabilities can be held as standard gold and up to 10% of the reserve requirement for foreign currency liabilities can be held as 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 2011 (31 December 2010: 6% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 6% and 11% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2011 (31 December 2010: 11% for all foreign currency liabilities).

(*) As of December 31, 2011, the reserve requirement held in standard gold is TL 96.627.

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.

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3. a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	409.667	662.939	566.652	70.392
Abroad	-	234.866	-	93.923
Foreign head offices and branches	-	-	-	-
Total	409.667	897.805	566.652	164.315

b) Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	98.373	-	33.708	-
USA and Canada	71.705	-	49.607	-
OECD Countries (*)	4.511	-	8.710	-
Off-shore banking regions	5.463	-	-	-
Other	54.814	-	1.898	-
Total	234.866	-	93.923	-

(*) Countries other than USA, Canada and OECD countries.

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	85.226	54.544
Quoted on a stock exchange(*)	85.226	54.544
Unquoted	-	-
Share certificates	1.340	36
Quoted on a stock exchange	-	-
Unquoted	1.340	36
Impairment provision (-)	686	-
Total	85.880	54.580

(*) Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

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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	13.341	41.215	21.017	63.532
Corporate shareholders	11.914	41.215	20.964	63.532
Real person shareholders	1.427	-	53	-
Indirect loans granted to shareholders	118	38.037	51	27.442
Loans granted to employees	3.743	-	2.020	-
Total	17.202	79.252	23.088	90.974

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	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
Cash loans				
Loans	6.818.605	125.282	258.039	49.830
Financing commodity against document	-	-	-	-
Export loans	102.743	400	-	285
Import loans	1.046.088	6.204	2.355	4.917
Business loans	3.615.391	105.073	190.162	37.481
Consumer loans	921.023	3.362	11.985	998
Credit cards	53.664	-	322	-
Profit and loss sharing investment (*)	89.656	-	23.246	-
Precious metals loans	-	-	-	-
Loans given to financial sector	-	-	-	-
Loans given to abroad	243.660	1.796	8.781	-
Other	746.380	8.447	21.188	6.149
Other receivables	-	-	-	-
Total	6.818.605	125.282	258.039	49.830

(*) The Bank has 9 profit and loss sharing investment projects which are real estate development projects in various regions of Istanbul and Ankara. The Bank estimates the completion periods of such projects as: 2012 for TL 27.947, 2013 for TL 34.955, 2014 for TL 30.000, and 2015 for TL 20.000. 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.

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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 May 28, 2011 and numbered 27947, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (last installment dates and principal amounts are taken into the account):

Number of changes in the payment plan	0-1 month	1-3 months	3-6 months	6 months - 1 year	1- 5 years	Over 5 years	TOTAL
1	2.539	80	1.296	1.849	11.979	-	17.743
TOTAL	2.539	80	1.296	1.849	11.979	-	17.743

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, 2011, the Bank has loan receivables amounting to TL 280 arising from rescheduled loans within the scope of related communiqué.

c) Maturity analysis of cash loans:

Cash Loans	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
Short term loans and other receivables	2.555.141	22.935	31.779	15.969
Loans	2.555.141	22.935	31.779	15.969
Other receivables	-	-	-	-
Medium and long-term loans and other receivables(*)	4.263.464	102.347	226.260	33.861
Loans	4.263.464	102.347	226.260	33.861
Other receivables	-	-	-	-
Total	6.818.605	125.282	258.039	49.830

(*) Loans with original maturities longer than a year are classified as "Medium and Long Term Loans".

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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	10.855	921.519	932.374
Housing loans	2.938	838.511	841.449
Vehicle loans	1.132	30.692	31.824
Consumer loans	2.298	2.122	4.420
Other	4.487	50.194	54.681
Consumer loans-FC indexed	-	3.274	3.274
Housing loans	-	2.974	2.974
Vehicle loans	-	135	135
Consumer loans	-	-	-
Other	-	165	165
Consumer loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	12.936	607	13.543
With installment	3.630	607	4.237
Without installment	9.306	-	9.306
Retail credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	989	731	1.720
Housing loans	-	437	437
Vehicle loans	12	228	240
Consumer loans	977	64	1.041
Other	-	2	2
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	1.934	89	2.023
With installment	769	89	858
Without installment	1.165	-	1.165
Personnel credit cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft account-TL(real person)	-	-	-
Overdraft account-FC(real person)	-	-	-
Total	26.714	926.220	952.934

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d) Information on commercial loans with installments and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial installment loans-TL	213.153	125.300	338.453
Business loans	51.546	85.098	136.644
Vehicle loans	61.772	30.818	92.590
Consumer loans	5	-	5
Other	99.830	9.384	109.214
Commercial installment loans-FC indexed	128.087	17.317	145.404
Business loans	51.621	9.831	61.452
Vehicle loans	14.183	2.132	16.315
Consumer loans	-	-	-
Other	62.283	5.354	67.637
Commercial installment Loans-FC	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	37.821	599	38.420
With installment	5.795	599	6.394
Without installment	32.026	-	32.026
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (legal entity)	-	-	-
Overdraft account-FC (legal entity)	-	-	-
Total	379.061	143.216	522.277

e) Allocation of loans by customers:

	Current Period	Prior Period
Public	1.209	1.552
Private	7.250.547	6.242.013
Total	7.251.756	6.243.565

f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	6.997.519	6.115.472
Foreign loans	254.237	128.093
Total	7.251.756	6.243.565

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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 collectibility	15.253	18.329
Loans and receivables with doubtful collectibility	16.133	22.930
Uncollectible loans and receivables	122.722	117.767
Total	154.108	159.026

In addition to specific provision for loans amounting TL 154.108 (Prior period – TL 159.026), provision amounting to TL 4.774 have been provided for fees and commissions and other receivables with doubtful collectibility which sums up to total TL 158.882 (Prior period- TL 163.520). Specific provision for loans amounting to TL 121.865 (Prior period- TL 109.981) 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 Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period			
(Gross amount before specific provisions)	-	-	252
Restructured loans and other receivables	-	-	252
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before special provisions)	-	-	205
Restructured loans and other receivables	-	-	205
Rescheduled loans and other receivables	-	-	-

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h.2) Movements of non-performing loans:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Closing balance of prior period	33.832	26.366	126.158
Additions in the current period (+)	39.024	2.680	3.780
Transfers from other categories of non-performing loans (+)	-	50.287	52.669
Transfers to other categories of non-performing loans (-)	50.287	52.669	-
Collections in the current period (-)	5.678	4.748	17.007
Write offs (-)	138	384	36.723
Corporate and commercial loans	114	369	29.293
Retail loans	24	15	7.008
Credit cards	-	-	422
Other	-	-	-
Closing balance of the current period	16.753	21.532	128.877
Specific provisions (-)	15.254	16.132	122.722
Net balance at the balance sheet	1.499	5.400	6.155

Non-performing loans and receivables in the amount of TL 167.162 (Prior period- TL 186.356) comprise TL 123.621 (Prior period- TL 122.055) 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 4.774 (Prior period- TL 4.494). In the current period, collections from fees, commissions and other receivables with doubtful collectibility amounted to TL 3.527.

h.3) Non-performing loans and other receivables in foreign currencies:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current period(net):			
Period end balance	-	-	2.459
Specific provision (-)	-	-	2.459
Net balance on balance sheet	-	-	-
Prior period:			
Period end balance	-	-	5.569
Specific provision (-)	-	-	5.569
Net balance on balance sheet	-	-	-

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h.4) Gross and net non-performing loans and other receivables per customer categories:

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current 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)	-	-	-
Prior period (net)	15.503	3.436	8.391
Loans to individuals and corporates (gross)	33.832	26.366	120.836
Specific provision (-)	18.329	22.930	112.445
Loans to individuals and corporates (net)	15.503	3.436	8.391
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	5.322
Specific provision (-)	-	-	5.322
Other loans and receivables (net)	-	-	-

i. Liquidation policy for uncollectible loans and receivables:

Loans and other receivables determined as uncollectible are liquidated through starting legal follow up and by converting the guarantees into cash.

i. Information on "Write-off" policies:

The write-off policy of the Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of Bank management.

Loans and other receivables, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated November 01, 2006, have been written-off per the decision of the Bank management. In 2011, non-performing loans amounting to TL 37.245 were written-off (2010 – TL 17.157).

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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	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

Prior Period	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	121.998	38.346	13.159	-	173.503
Consumer Loans	31.605	8.061	1.823	-	41.489
Credit Cards	4.946	131	13	-	5.090
Total	158.549	46.538	14.995	-	220.082

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 (*)	430.862	376.204
Total	430.862	376.204

(*) Consists of Sukook certificates issued by the Central Bank of Bahrain amounting to TL 9.435 (Prior period- TL 7.676) and income indexed bonds issued by the Undersecretariat of Treasury of Turkey amounting to TL 421.427 (Prior period- TL 368.528).

6.3. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	430.862	376.204
Quoted on a stock exchange(*)	421.427	368.528
Unquoted	9.435	7.676
Impairment provision(-)	-	-
Total	430.862	376.204

(*) Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

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6.4. Movement of held-to-maturity investments:

	Current Period	Prior Period
Balance at beginning of period	376.204	296.007
Foreign currency differences on monetary assets	3.500	390
Purchases during period	50.000	275.000
Disposals through sales and redemptions	(40.180)	(233.619)
Impairment provision (-)	-	-
Income accruals	41.338	38.426
Closing balance	430.862	376.204

7. Associates (net):

a) Information on unconsolidated associates:

At the Board of Directors meeting held on July 17, 2009 it was decided to participate in Kredi Garanti Fonu A.Ş. up to TL 4.000. Regarding the capital increase of Kredi Garanti Fonu AŞ on September 11, 2009, the Bank has paid TL 2.000 of its capital commitment at October 15, 2009. The Bank has paid TL 1.000 of its capital commitment at July 29, 2011 regarding the Board of Directors Meeting of Kredi Garanti Fonu A.Ş. on May 24, 2011.

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

Name	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara/Turkey	1,67	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2010.

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
128.275	113.763	3.249	-	-	(1.608)	(6.375)	-

b) Information about consolidated associates:

The Bank does not have consolidated associates as of the balance sheet date.

8. Information on subsidiaries (net):

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).

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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	18,260	15,256	20,108	17,067
1 to 4 years	8,921	6,793	9,741	8,853
More than 4 years	117	101	-	-
Total	27,298	22,150	29,849	25,920

b) Information on net investments through finance lease:

	Current Period	Prior Period
Gross finance lease receivables	27,298	29,849
Unearned finance lease receivable (-)	5,148	3,929
Net receivable from finance leases	22,150	25,920

c) General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease Act numbered 3286. There is no constraint due to finance lease contracts, any renewal or contingent rent payments that materially affect the financial statements.

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Receivables from finance lease	Restructured or rescheduled	Receivables from finance lease	Restructured or rescheduled
Finance lease receivables (Net)	14,835	4,172	150	2,993

11. Information on derivative financial assets for hedging purposes:

The Bank does not have any derivative financial assets for hedging purposes.

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12. Information on tangible assets:

Current period	Land and buildings	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 funds	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

Prior period	Land and buildings	Leased tangible assets	Vehicles	Other	Assets Held for sale	Total
Cost						
Opening balance-January 1, 2010	114.397	1.464	4.047	58.683	11.834	190.425
Additions	23.777	-	272	17.184	1.401	42.634
Revaluation funds	23.148	-	-	-	-	23.148
Disposals	(2.483)	-	(1.166)	(6.095)	(5.241)	(14.985)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	455	455
Transfers	-	(476)	-	476	2.535	2.535
Ending balance: December 31, 2010	158.839	988	3.153	70.248	10.984	244.212
Accumulated depreciation(-)						
Opening balance-January 1, 2010	9.819	684	2.498	37.143	227	50.371
Depreciation expense	1.209	164	607	6.912	167	9.059
Reversal of depreciation of the disposed assets	(506)	-	(1.087)	(5.891)	(58)	(7.542)
Transfers	-	(338)	-	338	-	-
Ending balance: December 31, 2010	10.522	510	2.018	38.502	336	51.888
Total cost at the end of the year	158.839	988	3.153	70.248	10.984	244.212
Total accumulated depreciation at the end of the year	10.522	510	2.018	38.502	336	51.888
Closing net book value	148.317	478	1.135	31.746	10.648	192.324

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As of December 31, 2011 the Bank has revalued its buildings and revaluation fund of TL 37.150 (Prior period- TL 28.745) net of deferred tax and depreciation, has been reflected in the financial statements. The carrying value of the aforesaid buildings would have been TL 116.006 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	11.123	6.269
Accumulated depreciation(-)	5.776	4.096
Total (net)	5.347	2.173

b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
Opening balance	2.173	1.577
Additions	4.859	1.695
Disposals (-), net	-	-
Depreciation expense (-)	1.685	1.099
Closing net book value	5.347	2.173

14. Information on investment property:

The Bank does not have investment property.

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15. Information related to deferred tax asset:

As of December 31, 2011, the Bank presented the deferred tax asset of TL 18.213 (Prior period- TL 15.947) and deferred tax liability of TL 9.610 (Prior period- TL 8.270) calculated on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods as net in the accompanying financial statements.

	Current Period	Prior Period
Difference of carrying value and taxable value of tangible assets	369	356
Provisions for impairment	144	142
Provisions for retirement and vacation pay liabilities	2.861	2.315
Discount on profit share and deferred commission income	14.062	13.084
General reserves for possible losses	595	18
Other	182	32
Deferred tax asset	18.213	15.947
Revaluation reserve of buildings	9.287	7.186
Marketable securities revaluation reserve	(360)	591
Discount on profit share	325	210
Other	358	283
Deferred tax liability	9.610	8.270
Deferred tax asset (net)	8.603	7.677

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	18.070	4.902
Additions	31.731	29.593
Disposals	(9.334)	(13.676)
Transfers (*)	(15.321)	(2.535)
Impairment Provision(-)/Reversal of Impairment Provision	226	(214)
Net closing balance	25.372	18.070

(*) 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 18.926 (Prior period- TL 19.948) and does not exceed 10% of balance sheet total.

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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	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

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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	213.254	-	-	-	-	-	-	-	213.254
II. Real Persons Participation Accounts Non-Trade TL	-	1.942.220	325.516	70.301	-	75.856	436.329	-	2.850.222
III. Current Account other-TL	452.198	-	-	-	-	-	-	-	452.198
Public Sector	10.240	-	-	-	-	-	-	-	10.240
Commercial Institutions	430.334	-	-	-	-	-	-	-	430.334
Other Institutions	8.815	-	-	-	-	-	-	-	8.815
Commercial and Other Institutions	321	-	-	-	-	-	-	-	321
Banks and Participation Banks	2.488	-	-	-	-	-	-	-	2.488
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	2.488	-	-	-	-	-	-	-	2.488
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	357.659	41.556	11.997	-	23.312	408.736	-	843.260
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	343.230	32.550	5.508	-	19.940	406.159	-	807.387
Other Institutions	-	14.429	7.818	6.489	-	342	2.575	-	31.653
Commercial and Other Institutions	-	-	-	-	-	-	2	-	2
Banks and Participation Banks	-	-	1.188	-	-	3.030	-	-	4.218
V. Real Persons Current Accounts Non- Trade FC	188.036	-	-	-	-	-	-	-	188.036
VI. Real Persons Participation Accounts Non-Trade FC	-	780.187	179.203	48.806	-	129.934	220.124	-	1.358.254
VII. Other Current Accounts FC	265.163	-	-	-	-	-	-	-	265.163
Residents in Turkey-Corporate	217.749	-	-	-	-	-	-	-	217.749
Residents abroad-Corporate	8.816	-	-	-	-	-	-	-	8.816
Banks and Participation Banks	38.598	-	-	-	-	-	-	-	38.598
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	11.634	-	-	-	-	-	-	-	11.634
Participation Banks	26.964	-	-	-	-	-	-	-	26.964
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other- FC	-	190.793	179.227	141.928	-	11.073	140.523	-	663.544
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	161.353	47.752	1.386	-	27	136.889	-	347.407
Other Institutions	-	13.298	19.630	46.117	-	12	2.066	-	81.123
Commercial and Other Institutions	-	1.443	-	-	-	514	1.568	-	3.525
Banks and Participation Banks	-	14.699	111.845	94.425	-	10.520	-	-	231.489
IX. Precious Metals Deposits	47.659	-	-	-	-	-	-	-	47.659
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)	1.166.310	3.270.859	725.502	273.032	-	240.175	1.205.712	-	6.881.590

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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 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	1.556.243	1.603.778	1.701.920	1.458.233
Foreign currency accounts	598.409	473.746	1.326.994	1.127.965
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 with a limit of maximum of TL 50 opened on behalf of a real person (including both capital and profit shares) for each 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	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	5.673	1.770
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	-	-

2. Information on derivative financial liabilities held for trading:

The Bank has no derivative financial liabilities held for trading.

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3. Information on borrowings:

The Bank has obtained a Syndicated Murabaha Loan in two portions amounting to USD 202.500.000 and EUR 103.300.000 with a maturity of one year. The loan agreement has been signed on September 12, 2011.

As of December 31, 2011, the Bank has wakala borrowings in the amount of USD 104.534.953 and EUR 89.538.801 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	-	-	-	-
Loans from foreign banks, institutions and funds	-	1.053.290	-	374.807
Total	-	1.053.290	-	374.807

b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	1.053.290	-	374.807
Medium and Long-Term	-	-	-	-
Total	-	1.053.290	-	374.807

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.

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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	14.406	11.085
1 to 4 years	41.865	32.107
Over 4 years	39.233	30.210
Total	95.504	73.402

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	72.938	59.601
I. Group loans and receivables	57.181	48.688
Participation Accounts' Share	34.711	35.840
Bank's Share	22.470	12.848
Others	-	-
II. Group loans and receivables	5.559	2.769
Participation Accounts' Share	4.131	2.125
Bank's Share	1.428	644
Others	-	-
Non-cash loans	10.198	8.144
Others	-	-

b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2011, provision for foreign exchange losses on foreign currency indexed loans amounting to TL 5.644 (Prior period- TL 10.793) has been offset with the loans included in the assets of the balance sheet.

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c) Information on specific provisions for non-cash loans that are not indemnified or converted into cash:

As of December 31, 2011, the Bank has provided specific provisions amounting to TL 9.879 for non-cash loans that are non-funded and unindemnified non –cash loans (Prior period – TL 5.966).

ç) Other provisions:

ç.1) Information on general reserves for possible losses:

	Current Period	Prior Period
General Reserves for Possible Losses	2.976	90
Total	2.976	90

ç.2) Information on account name and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provision for unindemnified non-cash loans	9.880	5.966
Payment commitments for checks	1.970	1.871
Provisions allocated from profit shares to be distributed to profit sharing accounts(*)	43.998	22.582
Provision for promotions related with credit cards and promotion of banking services	124	71
General reserves for possible losses	2.976	90
Total	58.948	30.580

(*) 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 10.602 (Prior period- TL 8.856) and vacation pay liability amounting to TL 3.705 (Prior period- TL 2.720), totaling to TL 14.307 (Prior period- TL 11.576). 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 (%)	10,0	10,0
Estimated increase rate of salary ceiling (%)	5,1	5,1
Rate used in relation to possibility of retirement (*)	77,29	78,78

(*) The rate has been calculated depending on the years of service of the employees, and represents the average rate.

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Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	8.856	6.449
Provisions charged in the period	3.729	4.423
Actuarial gain/(loss)	(639)	(1.298)
Paid during the period	(1.344)	(718)
Balance at the end of the period	10.602	8.856

8. Information on taxes payable

a) Explanations on current tax liability:

a.1) As of December 31, 2011, the Bank's corporate tax payable is TL 15.750 (Prior period- TL 9.320) after offsetting prepaid corporate tax.

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	15.750	9.320
Taxation on securities income	5.082	4.839
Taxation on real estate income	260	191
Banking insurance transaction tax	5.783	3.419
Foreign exchange transaction tax	-	-
Value added tax payable	310	395
Other	3.709	2.880
Total	30.894	21.044

a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	2.007	1.148
Social security premiums-employer	2.077	1.234
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	141	80
Unemployment insurance-employer	282	162
Other	-	-
Total	4.507	2.624

b) Information on deferred tax liability:

The Bank does not have net deferred tax liability as of the balance sheet date.

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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	539.000	539.000
Preferred stock	-	-

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank 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	539.000	-

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 at 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) The effects of anticipations based on the financial figures for prior periods regarding the Bank's income, profitability and liquidity, and the anticipations regarding the uncertainty of these indicators on the shareholders' equity:

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 utilized in liquid and profitable assets.

f) Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

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g) Information on marketable securities revaluation reserve:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference (*)	(1.438)	-	2.364	-
Foreign exchange difference	-	-	-	-
Total	(1.438)	-	2.364	-

(*) Deferred tax liability is netted off.

12. Information on minority interest:

None (Prior Period – None).

III. Explanations and notes related to off-balance sheet commitments and contingencies:

1. Explanations on off balance sheet commitments:

a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Asset Purchase-Sale Commitments	-	-
Time Deposit Purchase-Sale Commitments	-	-
Share capital commitment to associates and subsidiaries	1.000	2.000
Loan granting commitments	18.278	14.899
Commitments for credit card limits	173.723	98.162
Commitments for promotions related with credit cards and banking activities	45	19
Payment commitments for checks	190.160	181.529
Tax and funds liabilities arising from exporting commitments	576	503
Other irrevocable commitments	3.797	-
Total	387.579	297.112

b) Type and amount of possible losses and commitments arising from off-balance sheet items:

b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Letters of guarantees	4.534.211	3.687.101
Acceptances	43.986	20.651
Letters of credit	506.178	470.805
Other guarantees	113.739	17.403
Total	5.198.114	4.195.960

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b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	4.534.211	3.687.101
Long standing letters of guarantees	2.866.374	2.756.981
Temporary letters of guarantees	514.815	361.017
Advance letters of guarantees	316.178	253.924
Letters of guarantees given to duties	191.214	176.240
Letters of guarantees given for obtaining cash loans	645.630	138.939
Sureties and similar transactions	113.739	17.403
Total	4.647.950	3.704.504

c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Guarantees given for obtaining cash loans	645.630	138.939
With original maturity of 1 year or less	420.991	75.934
With original maturity of more than 1 year	224.639	63.005
Other non-cash loans	4.552.484	4.057.021
Total	5.198.114	4.195.960

c.2) Sectoral risk concentration of non-cash loans:

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	62.105	2,31	7.701	0,31	77.953	3,20	10.745	0,61
Farming and stockbreeding	54.032	2,01	941	0,04	14.108	0,58	4.944	0,28
Forestry	8.064	0,30	6.760	0,27	63.819	2,62	5.706	0,32
Fishery	9	0,00	0	0,00	26	-	95	0,01
Manufacturing	720.975	26,84	1.032.790	41,12	615.230	25,25	787.439	44,76
Mining	11.854	0,44	38.135	1,52	18.461	0,76	9.793	0,56
Production	529.404	19,71	638.029	25,40	509.820	20,92	587.531	33,39
Electricity, gas and water	179.717	6,69	356.626	14,20	86.949	3,57	190.115	10,81
Construction	1.201.297	44,73	671.679	26,74	1.101.072	45,19	520.591	29,59
Services	410.950	15,30	420.471	16,73	378.921	15,55	210.814	11,98
Wholesale and retail trade	125.595	4,68	103.355	4,11	128.059	5,26	84.551	4,81
Hotel, food and beverage services	6.032	0,22	62.422	2,48	8.304	0,34	40.801	2,32
Transportation and telecommunication	28.549	1,06	30.314	1,21	36.132	1,48	22.158	1,26
Financial Institutions	77.291	2,88	129.033	5,14	51.508	2,11	43.769	2,49
Real estate and renting services	52.593	1,96	33.653	1,34	23.648	0,97	11.697	0,66
Self-employment services	12.364	0,46	13.383	0,53	17.606	0,72	217	0,01
Education services	14.702	0,55	856	0,03	12.360	0,51	734	0,04
Health and social services	93.824	3,49	47.455	1,89	101.304	4,16	6.887	0,39
Other	290.608	10,82	379.538	15,10	263.422	10,81	229.773	13,06
Total	2.685.935	100,00	2.512.179	100,00	2.436.598	100,00	1.759.362	100,00

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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				
Letters of guarantee	2,611.104	1.828.624	65.606	28.877
Bank acceptances	-	43.986	-	-
Letters of credit	-	505.815	-	363
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	9.225	104.514	-	-

2. Explanations on derivative transactions:

The Bank does not have any derivative financial instruments.

3. Explanations on contingent assets and liabilities:

The Bank has provided provision amounting to TL 147 for the lawsuits against the Bank charged by various real persons and legal entities with high probability of occurrence and presented under Section Five Note II.7.ç. Although there are other ongoing lawsuits charged against the Bank, the Bank does considers as remote the probability of a negative result in ongoing litigations resulting in cash outflows.

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

5. Other:

In accordance with the letter sent by BRSA to the Participation Banks Association of Turkey regarding "Loan assignment limits" at April 28, 2011, credit limits granted but not made available and not qualify as commitments have been carried to other off balance sheet items.

IV. Explanations and notes related to the statement of income:

I. Information on profit share income:

1. a) Information on profit share income received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share received from loans (*)	677.115	41.195	592.855	18.603
Short Term Loans	259.730	8.390	215.944	8.679
Medium and Long Term Loans	407.934	32.404	367.487	9.539
Loans Under Follow up	9.451	401	9.424	385
Premiums Received from Resource Utilization Support Fund	-	-	-	-

(*) Includes fees and commission income on cash loans.

Albaraka Türk Katılım Bankası Anonim Şirketi

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b) Information on profit share income received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	-	-	7.295	-
Domestic Banks	593	-	52	-
Foreign Banks	-	-	-	-
Head Offices and Branches Abroad	-	-	-	-
Total	593	-	7.347	-

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	7.207	-	4.827	-
From held-to-maturity investments	40.659	679	37.850	576
Total	47.866	679	42.677	576

ç) Information on profit share income received from associates and subsidiaries:

The Bank has not received profit share income from associates and subsidiaries.

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	-	18.370	-	2.989
CBRT	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	18.370	-	2.989
Head offices and branches abroad	-	-	-	-
Other institutions	-	-	-	-
Total	-	18.370	-	2.989

Albaraka Türk Katılım Bankası Anonim Şirketi

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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:

Account name	Profit sharing accounts					More than 1 year	Accumulated profit sharing account	Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year			
TL								
Funds collected from banks through current and profit sharing accounts	-	85	-	-	138	110	-	333
Real persons' non-trading profit sharing accounts	95.811	16.546	4.207	-	2.110	99.477	-	218.151
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	9.634	7.880	3.805	-	1.212	37.401	-	59.932
Other institutions profit sharing accounts	846	643	164	-	7	1.172	-	2.832
Total	106.291	25.154	8.176	-	3.467	138.160	-	281.248
FC								
Banks	584	3.786	2.712	-	371	639	-	8.092
Real persons' non-trading profit sharing accounts	17.129	5.798	1.324	-	2.844	23.533	-	50.628
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	1.650	1.715	73	-	-	12.331	-	15.769
Other institutions profit sharing accounts	100	274	2.054	-	10	1.746	-	4.184
Precious metals deposits	-	-	-	-	-	-	-	-
Total	19.463	11.573	6.163	-	3.225	38.249	-	78.673
Grand total	125.754	36.727	14.339	-	6.692	176.409	-	359.921

Albaraka Türk Katılım Bankası Anonim Şirketi

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3. Information on dividend income:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	-	-	302	-
From financial assets at fair value through profit and loss	-	-	-	-
From available for sale financial assets	-	-	-	-
Other	-	-	-	-
Total	-	-	302	-

4. Explanations on trading income/loss (net):

	Current Period	Prior Period
Income	2.532.463	1.689.424
Income from capital market transactions	346	1.292
Income from derivative financial instruments	-	-
Foreign exchange income	2.532.117	1.688.132
Loss (-)	2.511.239	1.673.408
Loss on capital market transactions	-	-
Loss on derivative financial instruments	-	-
Foreign exchange losses	2.511.239	1.673.408
Trading income/loss (net)	21.224	16.016

5. Explanations related to other operating income:

	Current Period	Prior Period
Provision for communication expenses	997	885
Provision for bank statement expenses	1.167	1.104
Reversal of prior year provisions	44.942	44.573
Income from sale of assets	6.648	8.865
Cheque book charges	656	814
Other income	1.050	620
Total	55.460	56.861

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6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
Specific provisions for loans and other receivables	58.038	68.026
Loans and receivables in III. Group	35.705	46.836
Loans and receivables in IV. Group	8.393	4.000
Loans and receivables in V. Group	11.671	14.286
Doubtful commission, fee and other receivables	2.269	2.904
General provision expenses	20.834	13.970
Provision expenses for possible losses	2.906	42
Impairment losses on marketable securities	186	80
Financial assets at fair value through profit and loss	186	80
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	24.377	22.988
Total	106.341	105.106

TL 42.507 (Prior period- TL 44.046) of the total specific provisions provided for loan and other receivables amounting to TL 58.038 (Prior period- TL 68.026) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 7.064 (Prior period- TL 11.579) of the total general loan loss provisions provided for loan and other receivables amounting to TL 20.834 (Prior period- TL 13.970) is the participation accounts portion of general loan loss provision provided for loans and other receivables.

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7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	141.882	117.292
Provision for retirement pay liability	1.746	3.255
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	13.530	8.892
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	1.685	1.099
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	237	22
Depreciation expenses of assets to be disposed	278	167
Impairment expenses of assets held for sale and assets of discontinued operations	31	240
Other operating expenses	53.035	42.381
Financial leasing expenses	19.617	16.053
Maintenance expenses	3.007	1.902
Advertisement expenses	6.155	3.963
Other expenses	24.256	20.463
Loss on sale of assets	391	796
Other	31.345	27.327
Total	244.160	201.471

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 22% compared to prior period and is realized as TL 202.164. Income before tax comprises net profit share income in the amount of TL 385.647 and fees and commission income in the amount of TL 90.336. Total other operating expenses amount to TL 244.160.

	Current period	Prior period
Income before tax	202.164	165.676
Tax calculated with tax rate of 20%	40.433	33.135
Other additions and disallowable expenses	3.574	1.940
Deductions	(1.999)	(3.443)
Tax calculated	42.008	31.632

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9. Explanations on tax provision for continued and discontinued operations:

As the Bank does not have any discontinued operations, the Bank has no tax provision for discontinued operations.

a. Explanations on current and deferred tax income or expense:

As of December 31, 2011, the Bank's current tax expense is TL 44.263 and deferred tax income is TL 2.254. As of December 31, 2011, deferred tax accounted in equity amounts to TL 8.927.

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 160.155 (Prior period – TL 134.044) by deducting tax provision expense amounting to TL 42.009 (Prior period – TL 31.632) from profit from continued operations amounting to TL 202.164 (Prior period – TL 165.676).

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 in income statement which constitute at least 20% of the total of other items if these items exceed 10% of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS	28.572	21.785
Commissions on money orders	4.440	4.376
Credit cards commissions and fees	43	75
Other	17.830	15.089
Total	50.885	41.325

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Other Fees and Commissions Paid	Current Period	Prior Period
Clearing room	4.540	93
Funds borrowed	4.911	1.201
Member firm-POS	5.449	5.097
Credit cards commissions and fees	2.615	1.934
Other	2.354	1.349
Total	19.869	9.674

V. Explanations and notes related to the statement of changes in shareholders' equity:

a) There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation 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) In current year, the Bank has paid dividend amounting to TL 13.475 to its shareholders.

c) "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Marketable securities revaluation reserve" account under equity, until the financial assets are sold, disposed of or impaired.

d) 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.

e) Foreign exchange differences arising from translation of income statement of foreign branch of the Bank are accounted in other capital reserves

Albaraka Türk Katılım Bankası Anonim Şirketi

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VI. Explanations and notes related to the cash flows statement:

1. Information on cash and cash equivalents:

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 maturity less than three months.

(i). Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
Cash	411.946	478.141
Cash in TL/foreign currency	74.457	97.977
Cash in transit	-	-
CBRT	337.489	380.164
Cash equivalents	730.967	607.941
Domestic banks	637.044	425.741
Foreign banks	93.923	182.200
Total cash and cash equivalents	1.142.913	1.086.082

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(ii). Cash and cash equivalents at the end 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

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 (-) 63.247 (Prior period- TL 116.228) 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 (-) 9.920 (Prior period- TL 23.933) 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 52.392 as of December 31, 2011 (Prior period- TL 13.307).

Albaraka Türk Katılım Bankası Anonim Şirketi

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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 period	-	-	5	-	99	27.442
Balance at the end of the period	-	-	8	-	179	38.037
Profit share and commission income received	-	-	-	-	5	100

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	-	-	3	-	82.063	9.840
Balance at end of period	-	-	5	-	99	27.442
Profit share and commission income received	-	-	-	-	974	53

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	-	-	775	1.180	367.085	210.155
Balance at the end of period	-	-	1.360	775	350.647	367.085
Profit share expense	-	-	51	238	21.195	18.141

(*) As of December 31, 2011 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 104.534.953 and EURO 70.538.802. The profit share expense relating to such borrowings for the period between January 1, 2011 – December 31, 2011 is TL 2.597.

None.

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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 the independent auditors' report:

The Bank's unconsolidated financial statements as of and for the period ended December 31, 2011 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 25, 2012 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors:

None.

Directory

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Faks: (0216) 666 17 94

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Faks: (0216) 666 17 18

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34672 Üsküdar/İSTANBUL
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Faks: (0216) 666 18 04

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Faks: (0216) 666 17 21

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Faks: (0216) 666 18 03

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Faks: (0216) 666 18 15

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Faks: (0216) 666 17 59

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Faks: (0216) 666 17 74

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Faks: (0216) 666 18 00

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Melih Gökçek Bulv. No: 18/3
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Faks: (0216) 666 18 07

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Faks: (0216) 666 17 03

İZMİT BRANCH

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Faks: (0216) 666 17 19

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Kıbrıs Meydanı No: 114
46100 KAHRAMANMARAŞ
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Faks: (0216) 666 18 05

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Faks: (0216) 666 17 76

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