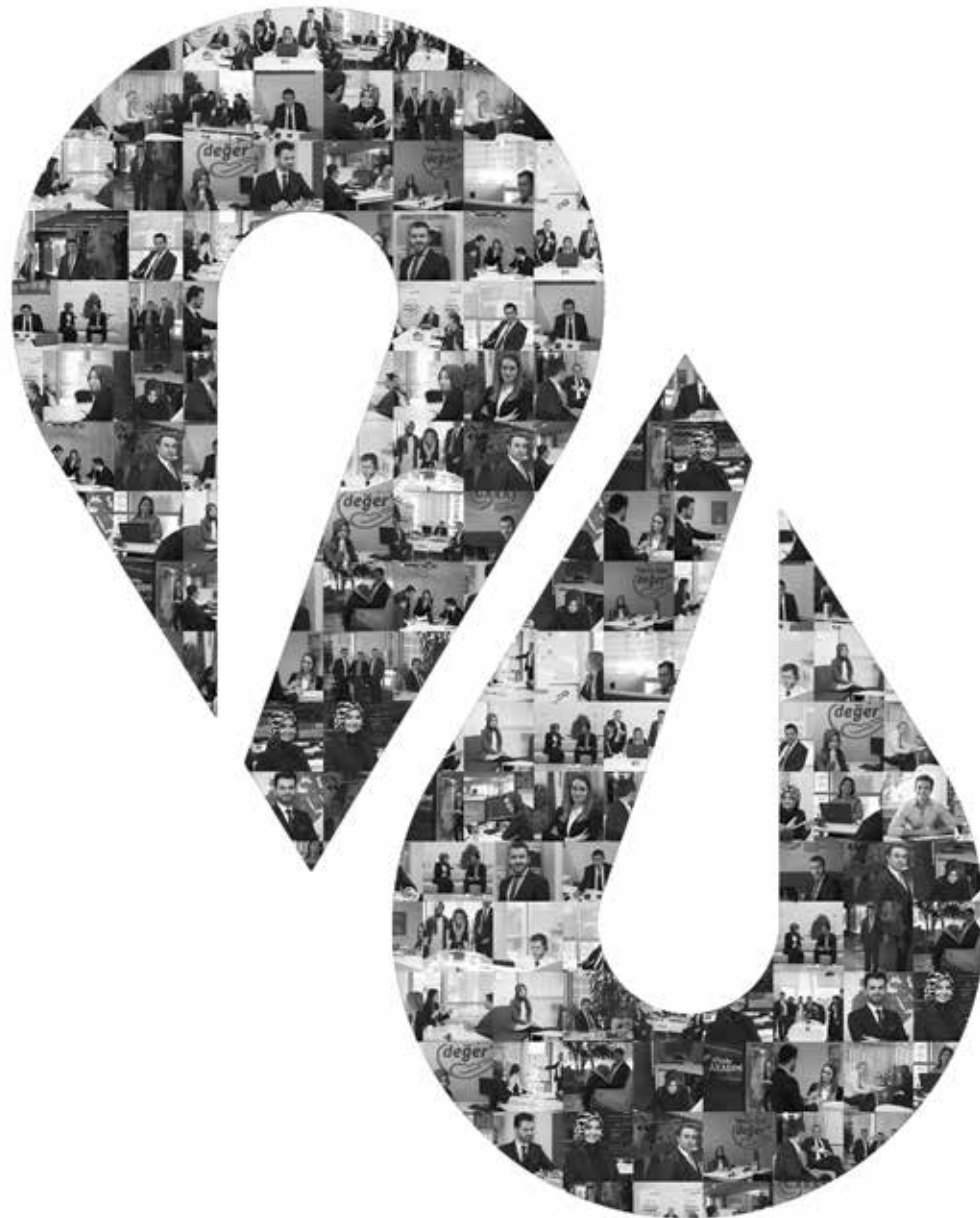


# those who add value on value



Our greatest asset is our customers...

We firmly embraced our core values and became the best participation bank in Turkey. Now we have an even bigger target: Becoming the best participation bank in the world...

We know very well that this ambitious goal is possible only by delivering the highest quality services to our customers, while ensuring that they derive the maximum benefit from these services.

We always stand by our customers, and we're confidently moving forward by providing them a unique interest-free banking experience.

# our main competitive advantages

SUCCESS FORMULA:

## EXPERIENCE + PERFORMANCE + RELIABILITY

### Strong Shareholder Structure

Albaraka Türk is quickly moving forward thanks to its main shareholder Albaraka Banking Group's experience and expertise in international banking.

### Superior Quality Standards

Holding ISO 9001: 2008 Quality Management Systems and 22301 Business Continuity Certifications, Albaraka Türk executes its services in accordance with international banking standards.

### Widespread Service Network

Boasting a widespread service network composed of 220 branches and alternative distribution channels, Albaraka Türk is focused on adding continuous value to its shareholders and Turkey's economy.

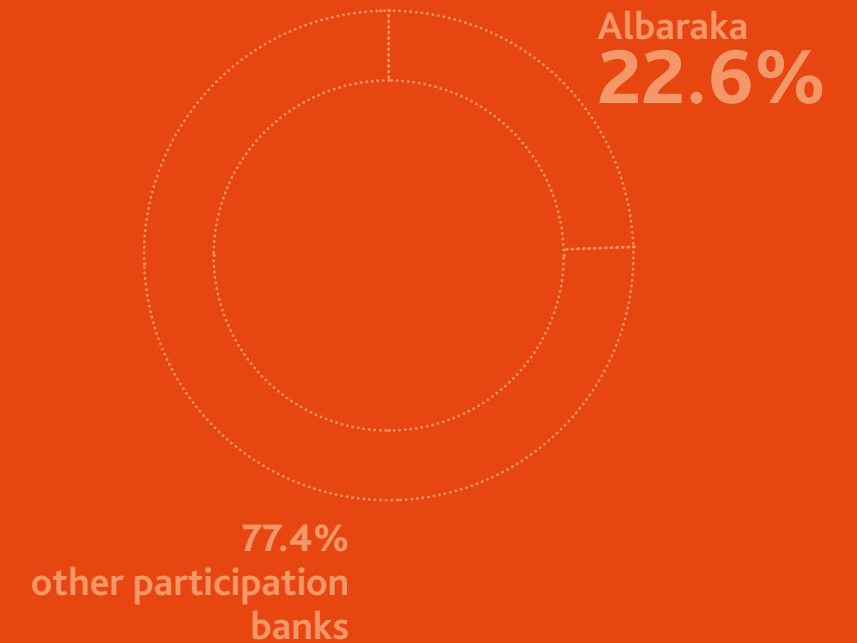
### Most Experienced Player in the Participation Banking Sector

With more than 30 years of experience and vision, expert human capital, and advanced technological capabilities, Turkey's first participation bank Albaraka Türk is the strongest representative of participation banking in the country.



# Our achievements in fiscal year 2017

**22.6%**  
market share  
in assets among  
participation  
banks



some indicators  
point to  
**a strong**  
future

our SME  
customer base  
expanded to **30,219**

our total  
shareholders'  
equity reached  
**TL 2,482**  
million

Our capital  
adequacy ratio stands at  
**17.1%**

We became the symbol of  
**trust with**  
our **2.0%**  
net NPL ratio

In 2017,  
our credit cards  
issued totaled  
**151,308**

some figures

indicate that

our values

are meaningful



sincerity

focused on  
customer  
satisfaction

3,899

smiling

faces

We add value to our customers, always deliver friendly and sincere services, and develop the most suitable products and services to ensure their happiness.



**focusing**

# 17 million banking transactions

completed at 220 branches and  
over the internet

We work with all our attention,  
energy and enthusiasm to  
make a positive contribution  
to our customers' lives, and we  
aim to transform our resources  
into social value.





**social  
responsibility**



we saved

238 trees

with our  
recycling efforts

With our “Green Building LEED Gold Certified” headquarters, we have demonstrated our respectful attitude toward the environment. We continued to allocate resources to key areas, such as education, culture, and classical arts.



collaboration  
and reliability

# 9 new advanced technology initiatives that will change financial life

With our various collaborations, we continue to earn the trust of our industry and entrepreneurs as much as our employees and customers. We launched “Albaraka Garaj” – the world’s first Startup Acceleration Center established by a participation bank.

# ANNUAL GENERAL MEETING AGENDA

## BOARD OF DIRECTORS RESOLUTION

**SESSION NO** : 1780  
**DATE** : February 23, 2018  
**PARTICIPANTS** : The members undersigned.  
**ABSENTEES** : None

The Board of Directors of Albaraka Türk Participation Bank has adopted the following resolutions:

### RESOLUTIONS:

1. The Board of Directors (BoD) DECIDED that the ordinary Annual General Assembly of Albaraka Turk Participation Bank (ABAT) shall be held on 28 March 2018 (Wednesday), at 10:00, in the Company Head Office, located in Istanbul at Saray Mah, Dr. Adnan Büyükdenez Cad. No:6, Ümraniye 34768, in order to discuss the issues in its Agenda as inscribed here below.
2. Also, the Information Document on 2017 General Assembly and the Procedures on Participation to General Assembly, as prepared by ABAT Head Office, have been APPROVED for announcement to shareholders through our web page.

### AGENDA:

1. Inauguration; formation of Presiding Council.
2. Authorizing the Presiding Council to sign the general assembly minutes of meeting.
3. Reading and discussing the Annual Report of the BoD about the fiscal year 2017.
4. Reading and discussing Auditor reports.
5. Reading, discussing and approving the Financial Statements.
6. Acquitting the Members of the BoD.
7. Acquitting the Auditor.
8. Discussing the BoD proposal about the utilization and distribution of the annual profit and dividends (ratios of sharing).
9. Discussing the fiscal rights and benefits of the Board members like salary & wages, perdiems, bonus & premiums and alike.
10. Electing the Auditor.
11. Permitting members of the BoD with respect to articles 395 and 396 of Turkish Commercial Code.
12. Presenting information to General Assembly about operations effected in scope of the Buy-back Program for bank's own shares in 2017,
13. Approving the new repurchase program prepared by the Board of Directors for authorizing the Board of Directors in order for our Bank to acquire/accept as pledge its own shares.
14. Submitting the "Aid & Donation Policy" of our Bank for information and approval of the General Assembly, in accordance with the Capital Markets Board "Corporate Governance Principles", and presenting information to the General Assembly about the donations made by the Bank in 2017.
15. Submitting the "Ethics Policy & Anti-Bribery and Anti-Corruption Policy" of our Bank for information and approval of the General Assembly, in accordance with the Capital Markets Board "Corporate Governance Principles".
16. Remarks and requests.

In their own language, above resolutions have been read to the undersigned foreign members. Resolutions have been agreed upon with no objection.

**SESSION NO** : 1780  
**DATE** : February 23, 2018

Adnan Ahmed Yusuf ABDULMALEK  
Chairman

Yalçın ÖNER  
Vice Chairman

Hamad Abdulla Ali ALOQAB  
Board Member

Osman AKYÜZ  
Board Member

Hood Hashem Ahmed HASHEM  
Board Member

Kemal VAROL  
Board Member

Ibrahim Fayez Humaid ALSHAMSI  
Board Member

Bekir PAKDEMİRLİ  
Board Member

Fahad Abdullah A. ALRAJHI  
Board Member

Mustafa BÜYÜKABACI  
Board Member

Muhammad Zarrug M. RAJAB  
Board Member

Khaled Abdulla Mohamed ATEEQ  
Board Member

Melikşah UTKU  
Board Member and General Manager



# 2017

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OUR VISION

becoming  
the best participation  
bank  
in the world





## OUR MISSION

To remain committed to the principles of interest-free banking, our core 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 employees who are well-trained, embrace quality as a way of life and continuously renew themselves:

- » Offer products and services to meet the current and future expectations of our customers;
- » Boost our customer satisfaction through "personalized customer attention" and a "cheerful service" approach;
- » Continuously improve all our business processes as well as our product and service quality;
- » Keep a close watch on technology and business developments and rapidly transform them into added value.

## OUR CORE VALUES

### Partnership

- » Sharing created values with shareholders, employees, customers and society,
- » Establishing strong, long-term relationships with stakeholders,
- » Ensuring continuous development of knowledge and skills of employees, and
- » Supporting growth of the participation banking and banking sector.

### Focus

- » Utilizing our resources in productive projects, and
- » Converting our energy and perseverance into social value and having to make a positive impact on the lives of our customers for the greater good of society.

### Sincerity

- » Valuing our customers and offering them friendly, services, and
- » Providing utmost customer satisfaction through our products and services in line with our customer-oriented approach.

### Solidity

- » Adhering to participation banking principles and banking ethics while allocating resources for the economy, and
- » Managing our customers' financial interests with the highest ethical standards.

### Social Responsibility

- » Supporting economic development to improve society's living standards while moving forward to increase our Bank's value, and implementing legally required and environmentally-friendly policies while also contributing to numerous social and cultural projects.

# becoming a regional financial power

**Albaraka Türk is the first participation bank founded in Turkey.**

#### **Pioneering, strong, forward looking...**

Turkey's first participation bank with more than three decades of experience, forward-looking vision, skilled human resources, and advanced technology leadership, Albaraka Türk is the country's pioneer institution and strongest practitioner of participation banking.

Founded in 1984, Albaraka Türk commenced operations in 1985. Since its inception, the Bank has been the pioneer of interest-free financing and has breathed new life into the Turkish financial sector.

#### **Strong shareholding structure**

Albaraka Türk was founded by Albaraka Banking Group (ABG), one of the most distinguished groups operating in the Middle East financial sector, Islamic Development Bank (IDB), and a Turkish industrial group operating for more than half a century.

Albaraka Banking Group, the main shareholder of the Bank, is the most important guarantee underpinning Albaraka Türk's steady growth. As of December 31, 2017, foreign shareholders own a 65.87% stake, domestic shareholders have 8.97% interest and the free-float ratio is 25.16%.

#### **Extensive service network**

Continuously extending its customer base thanks to its solid reputation and trustworthy brand identity, Albaraka Türk adds value to Turkey and its stakeholders through an extensive service delivery network that includes 220 branches and alternative distribution channels.

In managing its customer relations, Albaraka Türk adheres to a formula that may be summed up as: "Success = Experience + Performance + Trust." Having developed a business model underpinned by trust-based business partnerships, Albaraka Türk further reinforces that approach with superior customer-understanding and solutions-tailoring capabilities.

#### **Support for economic development**

Albaraka Türk contributes to the Turkish economy by delivering modern banking services to savers and investors with its robust capital structure, corporate governance perspective, technological infrastructure and highly educated employees.

Albaraka Türk incorporates the principles of participation banking into its production and trade financing mission in the most effective way possible. The Bank channels

the funds that accumulate in its depositors' current and participation accounts and then channels them to real-sector borrowers for such purposes as personal finance, corporate finance, lease-financing, and project-based profit/loss partnerships. The Bank regards SMEs' development and support for economic development as a top priority.

#### **Well on its way to becoming a regional player**

Powered by its main shareholder Albaraka Banking Group, Albaraka Türk serves as an intermediary that facilitates Turkish industry and investors in opening up to the world.

Albaraka Türk constantly expands and enhances its service and product portfolio in order to meet customers' changing needs and expectations proactively. The Bank delivers top quality services in a cordial and gracious manner.

Albaraka Türk complements its superior service standards with an authentic, friendly service approach. All the Bank's business activities are conducted under the ISO 9001:2008 Quality Management System certification that it was awarded. In 2015, Albaraka Türk took a big step toward ensuring the uninterrupted operation of its business processes when the Bank was audited and received ISO 22301 Business Continuity Management System certification.



### Leading the way in digital transformation

In line with its vision of “Becoming the World’s Best Participation Bank,” Albaraka Türk invests in the future of banking by keeping abreast of developments in the rapidly changing world of finance. The Bank also continues to advance toward its goal of delivering the full range of branch services through end-to-end digital channels.

As the biggest supporter of entrepreneurial activity, Albaraka Türk provides incubation and acceleration opportunities to entrepreneurs with financial technology-based business ideas and projects via Albaraka Garage – a first for Turkish participation banks.

### The Albaraka Banking Group (ABG)

One of the world’s leading proponents of interest-free banking, Albaraka Banking Group provides retail, corporate, and investment banking products and services that are compatible with participation banking principles. ABG’s core strategic objective is to create a shared corporate values system that informs its “One Mission – One Vision – One Identity” approach to service.

Consisting of 12 banks, two representative offices and one investment company, members of the Albaraka Banking Group operate across a broad geographic region spanning 16 countries on three continents. Besides ABG-member banks located in Bahrain, Algeria, South Africa, Lebanon, Egypt, Pakistan, Sudan, Syria, Morocco, Tunisia, Jordan and Turkey, Albaraka Banking Group has an investment firm in Saudi Arabia, a branch in Iraq, and representative offices in Indonesia and Libya. As of end-2017, the Group has a total of 672 branches and 12,795 employees.

At end-2017, Albaraka Banking Group reported total assets of USD 25.5 billion and shareholders’ equity of USD 2.5 billion. The Group posted aggregate net profit of USD 207 million in 2017.

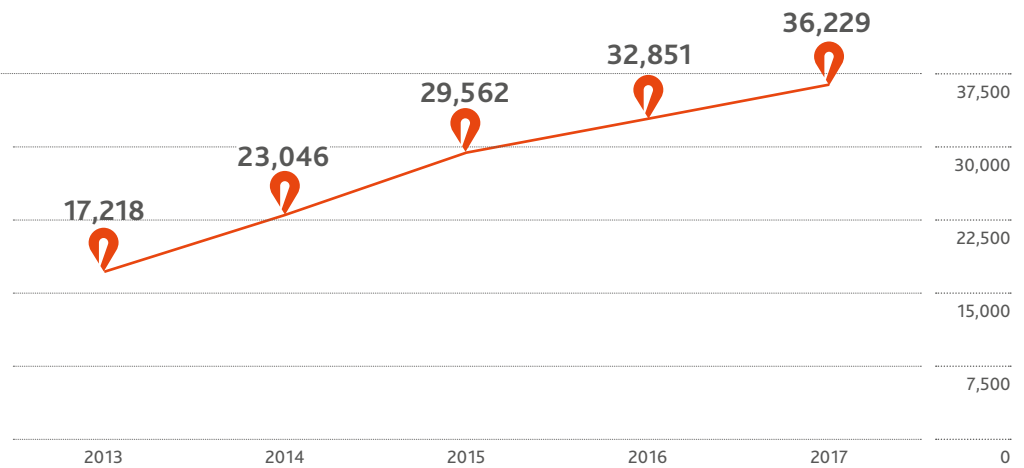
Albaraka Banking Group shares are traded on the Bahrain and NASDAQ Dubai stock exchanges. Standard & Poor’s has assigned ABG credit ratings of BB+ (long-term) and B (short-term).

Five years ago, the Group formalized its corporate social responsibility related activities under the Al Baraka Social Responsibility Program. In 2016, ABG took these efforts one step further and signed the UN Global Compact.

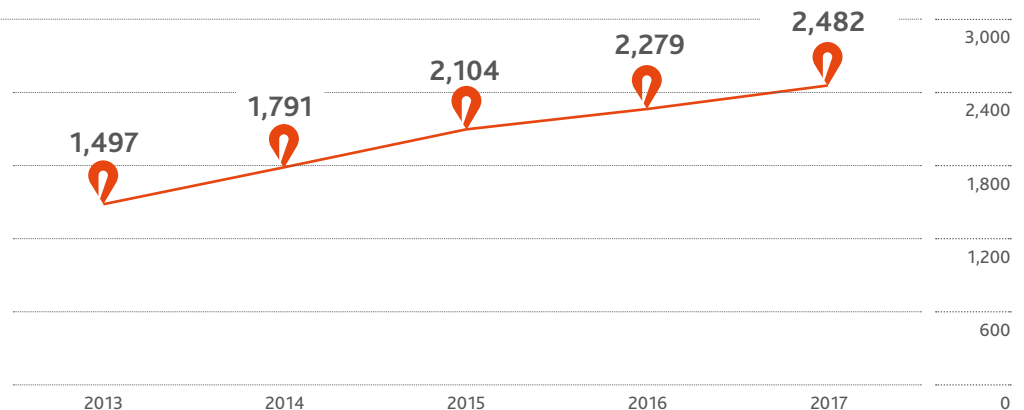
Albaraka  
Banking Group’s  
total assets are  
USD **25.5**  
billion

our sustainable  
**financial**  
**performance**  
made a difference

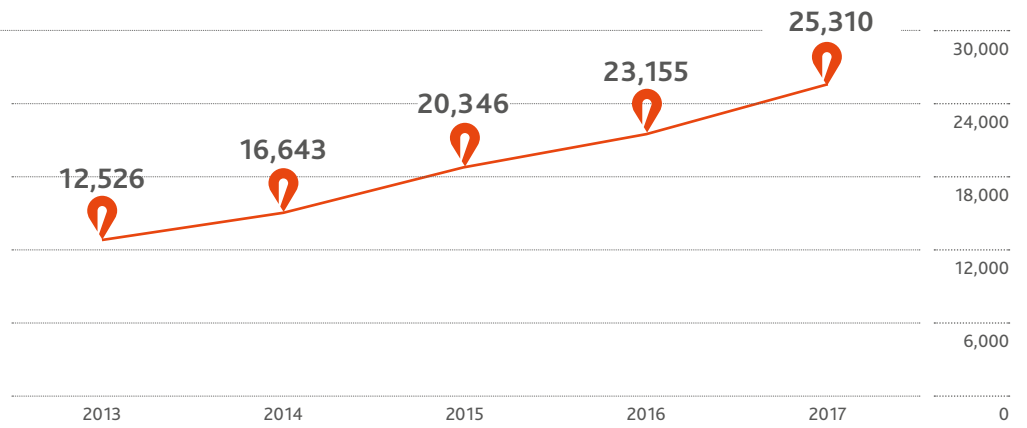
total  
assets reached  
TL **36.2** billion



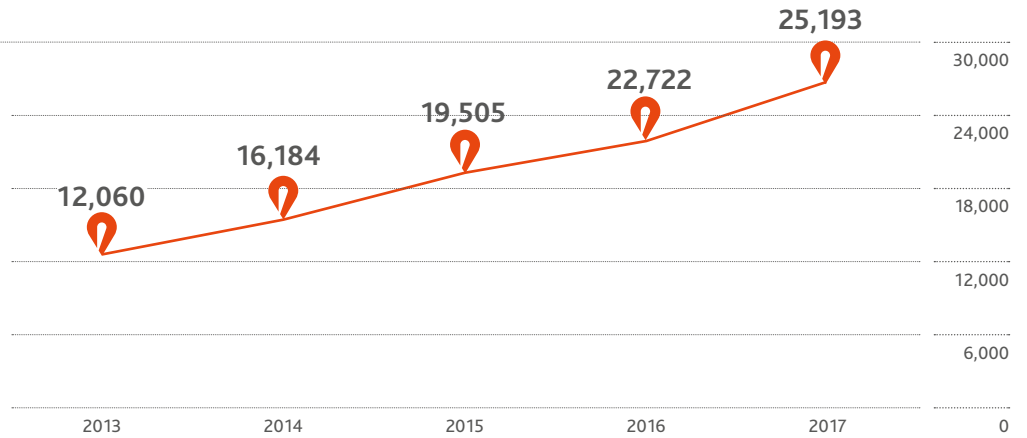
total  
shareholders  
equity increased to  
TL **2.5** billion



**funds**  
collected reached  
TL **25.3** billion

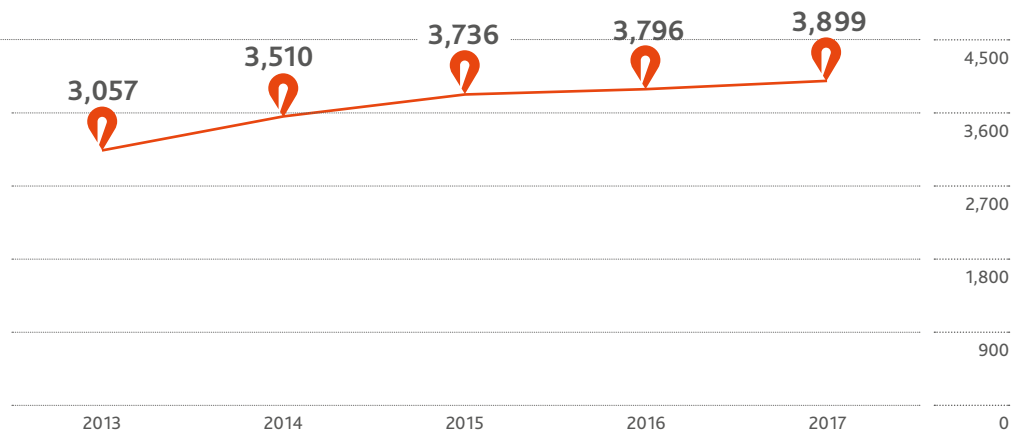


**funded**  
credits increased to  
TL **25.2** billion\*

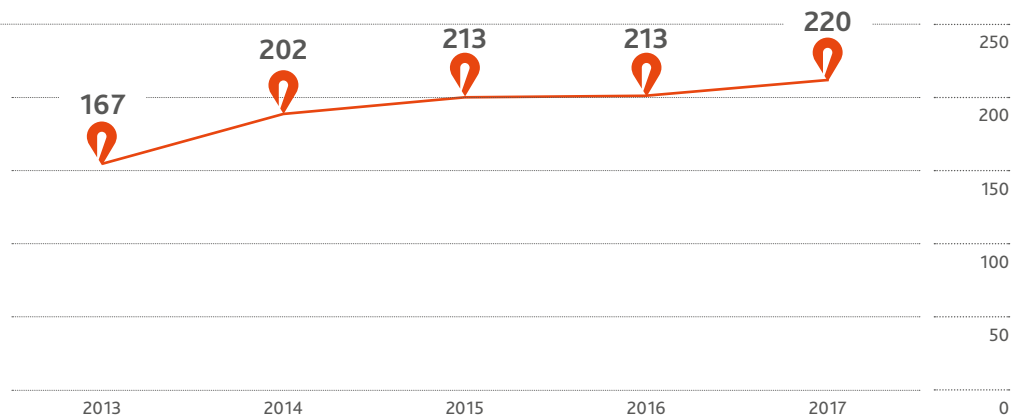


\* Including financial leasing.

the number of  
**personnel** reached  
**3,899**  
in 2017



**220**  
the number of  
**branches**



# capital adequacy ratio is 17.1%

	2013	2014	2015	2016	2017
Funded Credits*/Total Assets	70.0	70.2	66.0	69.2	69.4
Funded Credits*/Collected Funds	96.3	97.2	95.9	98.1	99.5
Collected Funds/Total Assets	72.8	72.2	68.8	70.5	69.7
Return on Equity	17.7	15.4	15.6	9.9	10
Return on Assets	1.6	1.2	1.4	0.9	0.8
NPL Ratio	2.3	2.0	2.4	4.8	4.7
Net NPL Ratio	0.2	0.2	1.0	2.3	2.0
NPL Provisions Ratio	90.6	87.9	59.9	52.3	57.7
CAR	14.9	14.2	15.3	13.5	17.1

\* Including financial leasing.



**CAPITAL AND  
SHAREHOLDING  
STRUCTURE**

31.12.2017



**We** increased  
our total assets to

**TL 36,229** million

In 2017, Albaraka Türk reached all of its strategic objectives and achieved impressive financial results.

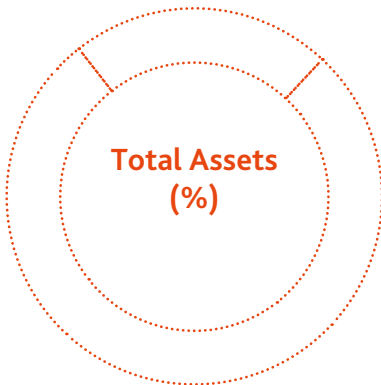
Sectoral Growth (%)	2015-2016			2016-2017		
	Banking Industry	Participation Banks	Banking Industry	Albaraka Türk	Participation Banks	Banking Industry
Total Assets	15.8	15.4	18.2	10.3	20.5	19.3
Loans (Funded Credits)	17.1	16.0	20.3	10.9	26.2	21.1
Deposits (Collected Funds)	16.8	13.3	17.9	9.3	26.6	16.8

Market Shares (%)	2016			2017		
	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	24.7	1.2	4.9	22.6	1.1	4.9
Loans (Funded Credits)	25.7	1.3	4.9	22.2	1.1	5.1
Deposits (Collected Funds)	27.3	1.5	5.5	23.6	1.4	5.9



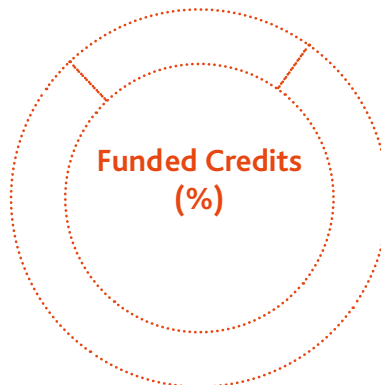
collected  
funds are  
**TL 25.310**  
million

**22.6%**  
Albaraka Türk



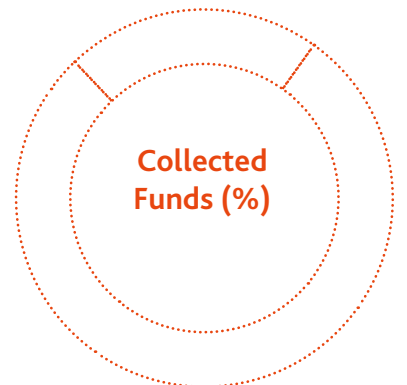
**77.4%**  
Other participation banks

**22.2%**  
Albaraka Türk



**77.8%**  
Other participation banks

**23.6%**  
Albaraka Türk



**76.4%**  
Other participation banks

## BOARD OF DIRECTORS RESOLUTION

### ALBRAKA TÜRK KATILIM BANKASI A.Ş. BOARD OF DIRECTORS' RESOLUTIONS

SESSION NR. : 1783  
DATE : 23 February 2018  
PARTICIPANTS : The members undersigned.  
ABSENTEES : None

The Board of Directors of Albaraka Türk Participation Bank has adopted the following resolutions:

#### RESOLUTION:

It has been DECIDED that the Banking Regulation and Supervision Agency (BRSA) shall be approached concerning the distribution of the profit of the year 2017 as depicted below and the disbursement of the DIVIDEND to the shareholders effective from April 13, 2018, and, to propose to the Annual General Assembly of Shareholders in line with the feedback from BRSA:

Profit of the Year TL	237,092,593.43
Profit of Previous Year TL	0.00
Profit on Balance-Sheet TL	237,092,593.43
First Tier Reserve (-) TL	11,854,629.67
Distributable Net Profit of the Year TL	225,237,963.76
Tier I. Dividends to Shareholders (Gross) TL	45,000,000.00
Tier II. Dividends to Shareholders TL	0
Tier II. Legal Reserve TL	0
Special Reserves (Profit of Real Estate Sales) TL	4,580,115.53
Augmenting to Extraordinary Reserve TL	175,657,848.24

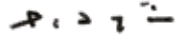
In their own language, above resolutions have been read to the undersigned foreign members. Resolutions have been agreed upon with no objection.


SESSION NR. : 1783  
DATE : 23 February 2018


  
Adnan Ahmed Yusuf ABDULMALEK  
Chairman

  
Yalçın ÖNER  
Vice Chairman

  
Hamad Abdulla Ali ALOQAB  
Board Member

  
Osman AKYÜZ  
Board Member

  
Hood Hashem Ahmed HASHEM  
Board Member

  
Kemal VAROL  
Board Member

  
Ibrahim Fayez Humaid ALSHAMSI  
Board Member

  
Bekir PAKDEMİRLİ  
Board Member

  
Fahad Abdullah A. ALRAJHI  
Board Member

  
Mustafa BÜYÜKABACI  
Board Member

  
Muhammad Zarrug M. RAJAB  
Board Member

  
Khaled Abdulla Mohamed ATEEQ  
Board Member

  
Melikşah UTKU  
Board Member and General Manager

## AMENDMENTS TO THE ARTICLES OF INCORPORATION

The Bank's Annual General Meeting related to the 2016 accounting period was held on March 23, 2017 at 10:00 a.m. at the Company Headquarters at Saray Mah, Dr. Adnan Büyükdeniz Cad. No: 6, Ümraniye 34768, İstanbul. At the Meeting, a decision was reached to amend Article 7 of the Articles of Incorporation.

The old and new texts of the amended Article are as follows:

### **Old Text** **Bank's Capital** **Article 7:**

1. The Bank has accepted the registered capital system pursuant to the provisions of the Capital Market Law and switched to the registered capital system with the permission of the Capital Markets Board dated 06.03.2013 and numbered 7/259.
2. The upper limit of the registered capital of the Bank is TL 2,500,000,000, divided into 2,500,000,000 (two billion five-hundred million) registered nominal shares with a value of TL 1 each.
3. The permission given by the Capital Markets Board in relation to the upper limit of the registered capital shall be in effect for a 5-year period between 2013-2017. Even if the upper limit of the registered capital is not reached until the end of 2017, in order for the Board of Directors to reach a decision to increase the share capital after 2017, it is obligatory to obtain authorization for a new time period not exceeding 5 (five) years from the General Assembly for the previously permitted or a newly determined upper limit of the registered capital, after receiving the permission of the Capital Markets Board. In the event of failure to obtain the said authorization, the Bank shall be deemed to have exited the registered capital system.
4. The Bank's issued share capital is TL 900,000,000, and this amount has been fully paid in cash being free of collusion.
5. The shares representing the capital shall be tracked on the basis of the records within the framework of the principles of dematerialization.

### **New Text** **Bank's Capital** **Article 7:**

1. The Bank has accepted the registered capital system pursuant to the provisions of the Capital Market Law and switched to the registered capital system with the permission of the Capital Markets Board dated 06.03.2013 and numbered 7/259.
2. The upper limit of the registered capital of the Bank is TL 2,500,000,000, divided into 2,500,000,000 (two billion and five-hundred million) registered nominal shares with a value of TL 1 (one) Turkish lira each.
3. The permission given by the Capital Markets Board in relation to the upper limit of the registered capital shall be in effect for a 5-year period between 2017-2021. Even if the upper limit of the registered capital is not reached until the end of 2021, in order for the Board of Directors to reach a decision to increase the share capital after 2021, it is obligatory to obtain authorization for a new time period not exceeding 5 (five) years from the General Assembly for the previously permitted or a newly determined upper limit of the registered capital, after receiving the permission of the Capital Markets Board. In the event of failure to obtain the said authorization, the Bank shall be deemed to have exited the registered capital system.
4. The Bank's issued share capital is TL 900,000,000, and this amount has been fully paid in cash being free of collusion.
5. The shares representing the capital shall be tracked on the basis of the records within the framework of the principles of dematerialization.

ALBARAKA  
TÜRK'S  
MILESTONES

We are  
forging ahead  
towards  
our goals

Albaraka Türk continued its  
successful trajectory in 2017.



**1988**

Leasing operations  
began.



**1985**

Albaraka Türk  
commenced  
operations as  
Turkey's first  
private financial  
institution.



**1992**

The branch network  
expanded to 10  
locations, and total  
assets exceeded USD  
400 million.





## 1984

- » The founding of Albaraka Türk was initiated with the offer from Albaraka, which conducts interest-free banking.

## 1985

- » Albaraka Türk commenced operations as Turkey's first private financial institution.

## 1988

- » Leasing operations began.

## 1992

- » The branch network expanded to 10 locations, and total assets exceeded USD 400 million.

## 1998

- » The number of branches climbed to 22, while Albaraka Türk started offering credit card services after reaching a deal with Visa.

## 2002

- » The branch network reached 24 locations, and shareholder's equity amounted to USD 70 million.

## 2007

- » A total of 24,000 investors submit more than USD 7 billion in demand in Albaraka Türk's IPO, valued at USD 170 million.

## 2011

- » The first foreign branch opened in Erbil, Iraq.
- » Albaraka Türk records the sector's biggest syndicated loan with a USD 350 million murabaha syndication.
- » Albaraka Türk's first wakala transaction.

## 2012

- » The Bank embarked on the SİMURG transition program in line with its vision of being "The Best Participation Bank in the World."

## 2013

- » Domestic branch locations total 166.
- » The Bank provided subordinated loans with the murabaha sukuk method for the first time in Turkey.

## 2014

- » With 35 new branches opened during the year, the Bank broke a record while expanding the branch network to 202 locations.
- » Significant gains started to be realized through the SİMURG program.

## 2015

- » The first subordinated sukuk compliant with Basel III criteria are issued in Turkey.
- » Albatros, a new core banking system that shifts the Bank's focus from operations to customers, launches on June 19, 2015.
- » The Bank's Mobile Branch and Mobile Branch Touch ID projects are completed.

## 2016

- » Four lease certificates (sukuk) in TL are issued for qualified investors.
- » The headquarters building of Albaraka Türk was granted LEED Gold Certification.
- » The Albatross (New Core Banking System) project received the Best Technology Utilization in Retail Banking award at the Banking Technology Awards.
- » The Bank's organizational structure was reconfigured and Mr. Melikşah Utku was appointed to the position of General Director.

## 2017

- » The Bank's domestic branch network expanded to 220 locations.
- » Albaraka Garage was launched, as the first start-up accelerator in the world established by a participation bank.
- » The Bank undersigned major projects for digitization, a strategic priority area for Albaraka Türk.
- » Albaraka Türk was named "Turkey's Best Participation Bank" by Islamic Finance News (IFN) magazine.



## 2012

The Bank embarked on the SİMURG transition program in line with its vision of being "The Best Participation Bank in the World."



## 2017

The Bank's domestic branch network expanded to 220 locations.



change

continues

Turkey maintained its  
strong growth performance  
in 2017.

for the future

Dear Shareholders,

2017 was marked by both political turbulence and economic success across the world. Despite the discontent generated by US President Donald Trump's approach, the Brexit situation, interest rate hikes by the Fed, unfavorable developments in the Middle East, North Korean missile tests, governmental crisis in Europe, and the Al-Quds problem, economy finally seemed to overcome the financial crisis, and continued to expand.

According to the OECD Economic Outlook Report, the global economy expanded 3.6% in 2017. The most developed economies, which have long been recovering from the financial crisis, left behind an especially successful year. In 2017, the US posted 2.2% growth,

the Eurozone recorded a 2.4% expansion and Japan, grappling with recession for many years, grew 1.5%. Meanwhile, the decoupling theory postulated in the aftermath of the crisis, that emerging markets such as China and India will maintain high growth rates despite the recession in developed economies, has been called into doubt. While economic growth in India and China came in at about 6%, Brazil expanded only 0.7% in 2017 following two years of stagnation.

The performance of the world economy in 2018 seems likely to be determined by the trajectory of the price of Brent crude oil, possible developments following the Fed's interest rate hikes, in addition to various political risks that loom larger by the day. We may also add to this list the continuation of a range of geopolitical risks.

However, it is unlikely that the European Central Bank, Bank of England and Bank of Japan will put a brake on quantitative easing in 2018. As a result, international liquidity will remain largely intact in the coming year.

Against this backdrop, forecasts predict that recovery from the crisis, spearheaded by the US economy, will continue to spread across Europe, the UK and Japan at an even faster pace in 2018.



10.3%  
growth in total  
assets

### **A successful year for Turkey...**

After overcoming a heinous coup attempt in 2016, Turkey grappled with numerous problems the following year. These included ongoing adversity stemming from the failed coup, the negative impact of the referendum on the budget, the unchecked rise in inflation, persistently high unemployment figures, and problems in the tourism sector, and the visa dispute with the USA.

Nonetheless, the Turkish economy recorded a robust performance in 2017. After growing 5.3% in the first quarter and 5.4% in the second, Turkey expanded 11.1% in third quarter. Turkey is expected to close the year with 7% annual growth.

Important drivers of this expansion were the effects of the government incentives introduced to counteract the negative economic climate – created by challenging global conditions and turmoil in neighboring countries – and to stimulate the economy.

To this end, the Turkish government facilitated SME and exporter access to financing, and raised the upper limit of the warranties provided by the Credit Guarantee Fund (KGF) in Treasury-backed loans from TL 20 billion to TL 250 billion. The government also established the Portfolio Guarantee System (PGS), which accelerates the guarantee process. In addition, the Treasury extended 85% warranties for non-SMEs, 90% for SMEs and 100% for exporters, depending on the nature of the loan.

To revitalize the construction sector, VAT, stamp tax and title deed fees were revised. Other sectors received a boost as the Special Consumption Tax on white goods and some small household appliances was cut to 0% and VAT on furniture was reduced to 8%.

In addition to the positive economic growth figures, Turkey's public debt to GDP ratio remained at a low 28%. The country's healthy debt structure can be appreciated even more given that this key ratio averages 47.3% among developed countries and is set at 60% in the Maastricht criteria.

In 2018, economic growth is expected to lose some steam. A rise in the Brent crude oil price may widen Turkey's current account deficit, while the Fed's decision to raise interest rates and reduce its balance sheet may make access to external financing more difficult, resulting in increased financing costs.

On the other hand, the ongoing recovery projected for the coming year in developed economies, Europe in particular, is expected to boost the Turkish economy. Continuation of expansionary monetary policies by the European Central Bank and Japan will also bolster capital flows into emerging markets.

The banking industry closed the year with a successful performance due to the government's economic incentives. Total assets of the sector expanded 11.8% over the prior year, loans grew 15%, deposits went up 12% and total securities rose 6.9%, lifting total profit for the sector to TL 50 billion.

### **We continue to power ahead**

Albaraka Türk continued to move forward thanks to a sound financial and organizational structure coupled with the right market strategies and efficient business practices. Albaraka Türk led the industry with its strong partnership structure and access to overseas financing in 2017, much as it has done for the last 30 years.

In 2017, the Bank expanded its product range with innovative products and services, continued its growth via infrastructure investments and newly developed products, and boosted its productivity even further. Another positive impact on our results came from capital investments in advanced technology, especially our upgraded service offering in alternative distribution channels in parallel with digitization trends.

# Albaraka Türk invests in the future of banking by keeping abreast of developments in the rapidly changing financial world as a result of our vision of “Becoming the World’s Best Participation Bank”.

## Digitization tops the agenda

In the coming period, banks will continue their drive to integrate innovation into all their business processes. Wherever possible, banks will focus more and more on digitization. In addition, we will see differentiation among branches and changes in business models in response to developments such as mobility and the Internet of Things (IoT).

Digitization and personalization by customer segment will be a strategic priority at Albaraka Türk in the coming year. The Bank is expending significant efforts to create a model for personalizing the financial services offered to customers. The Bank aims to bolster its leadership position with this digital transformation and the Albaraka Garage Project, developed in line with our vision of “Digital Albaraka.”

The Bank’s strategic objective is to reach out to more SMEs across all channels and with a wider range of products. Thanks to its strong funding capabilities, Albaraka Türk continued to support corporate, commercial and retail customers under all economic conditions in 2017. The Bank targets to provide real added value to SMEs in addition to its financing services.

## A window on the world for participation banks

Islamic Finance News named Albaraka Türk “Turkey’s Best Bank Participation” in 2017, further reinforcing the Bank’s strong reputation internationally.

During the year, Albaraka Türk joined International Finance Institute (IIF), which has nearly 500 members in over 70 countries. The Bank plans to discuss participation banking-related issues with global regulators – such as IAIS, Basel Committee, FSB, IOSCO and IASB – and actively participate in platforms that feature key global and regional policy makers such as G-20 and IMF.

## Adding more value to all values

At Albaraka Türk, we conduct our business activities along the motto “Adding Value to Your Values.” This means the Bank adds value not only to your financial assets, but also to your ethical and spiritual values.

We work tirelessly to make our business socially responsible and environmentally-friendly, from end-to-end. We will continue to take steps to enhance and extend our corporate social responsibility program, which makes valuable contributions toward the sustainable development of our society.

In the coming year, we aim to continue renewing ourselves and preparing for the future, in line with our vision of becoming the world’s best participation bank.

I would like to express my gratitude to our shareholders, business partners and employees who have helped us achieve our strong performance, in addition to our sustainable and profitable growth target, on behalf of myself and the Board of Directors of Albaraka Türk.



**Adnan Ahmed Yusuf ABDULMALEK**  
Chairman of the Board of Directors

# our values are our guide

Albaraka Türk stepped up its sustainable digital banking program. on success

Dear Shareholders,

Albaraka Türk is the pioneer of participation banking, which has grown steadily over the last 30 years. In 2017, the Bank continued to expand with its forward-looking vision, prudent strategies and strong infrastructure.

During the year, we recorded significant breakthroughs and were proud to achieve all our strategic objectives. The following financial indicators confirmed our success.

Our total assets climbed to TL 36.2 billion in 2017, up 10.3% year-on-year. Funds collected went up 9.3% to TL 25.3 billion while total funds extended (including financial leasing) rose to TL 25.2 billion, up 10.9%. The ratio of funds extended to total assets was 69.5%.

While operational income increased 15.7% to TL 3.042 million, our net profit share income amounted to TL 1.268 million, rising 23.9%. Albaraka Türk completed fiscal year 2017 with net profit of TL 237 million and continued to figure among the profitable banks in the sector.

Our shareholders' equity remained strong, reaching almost TL 2.5 billion while return on average equity (ROAE) stood at 10%. Our capital adequacy ratio came in at 17%.

#### **We continue to provide support to the economy**

The key factors underlying Albaraka Türk's achievements include our top quality service approach and our warm, sincere communications with the Bank's customers.

Growing its customer base further, Albaraka Türk expanded its branch network to 220 locations. Delivering services with 3,899 employees, the Bank continued efforts to improve customer experience and enhance customer satisfaction toward our products and services.

We continued to increase our support to the Turkish economy, which has remained resilient and recorded a robust performance despite rising geopolitical risks in 2017. The financial support provided by the Bank to the economy as of end-2017 increased 11% over the prior year.

Albaraka Türk is one of the biggest supporter of Turkey's real economy. Despite the high cost of collecting funds in 2017, the Bank has provided significant support to productive sectors. In particular, we boosted our support to SMEs, which we see as the lifeline of the Turkish economy. Our commitment is demonstrated by the fact SMEs account for 45% of our total loans.

#### **Pioneer of murabaha-based syndication**

In 2017, the total value of funds secured via murabaha syndication to overseas markets by Albaraka Türk – the leader of participation banking in Turkey – amounted to USD 314 million.

After the start of its fund diversification strategy, the Bank executed its first murabaha syndication in 2010, and conducted such transactions once or twice each year thereafter. To extend the murabaha syndication transactions realized in 2015, the Bank secured two murabaha syndication loans for the general purpose use of our clients in 2017: In April a 370-day murabaha syndication worth



USD 213 million and in November a 367-day syndication worth USD 101 million. Meanwhile, our bilateral transaction volume with correspondent banks totaled the equivalent of USD 4.8 billion in 2017, in keeping with the principles of participation banking.

The Bank has successfully rolled over the murabaha syndication transactions secured in the last seven years with the support of leading and participating banks. Although global and regional risk levels have increased, Turkey remains a center of attraction for investors and financial institutions. The most important reason for this is that all the country's financial institutions continue to actively work with world markets in full coordination and cooperation. They also have the support of regulatory agencies, which are focused on developing the finance sector and capital markets.

Albaraka Türk is Turkey's largest real estate portfolio manager. Our real estate investment funds totaled 989 million in 2017. We reaped the rewards of our various projects and financed large projects by turning real estate into a liquid investment channel during the year. Revenue raised from these projects have also helped us attain our overall profitability target.

#### **Awards confirming our success**

We continue to grow by capitalizing on our self-confidence as the pioneer of participation banking in Turkey, our customer-focused growth strategy, advanced technology infrastructure, and our branch and non-branch channels that meet all financial needs of the Bank's clients. The rise in the number of our bank cards issued also confirms this fact.

Albaraka Türk expands its customer base each day thanks to its know-how in participation banking, service quality, and innovative products developed with state-of-the-art technologies. The Bank has proudly crowned these impressive achievements with various awards. Albaraka Türk received the "Bank Increasing Its Bank Cards the Most in Proportional Terms" award at Those Who Make a Difference – MasterCard Banking Awards, organized by the international financial institution MasterCard.

At the ACE (Achievement in Customer Excellence) Awards, held by the web site sikayetvar.com in March, Albaraka Türk was named the number one bank in effective, sophisticated and solution-centered complaints management. Albaraka Türk has received this designation for the third time in a row at the ACE Awards, and figures among Turkey's top 51 brands in terms of customer satisfaction levels.





## For Albaraka Türk, sustainability means protecting the future in all aspects. Therefore, Albaraka Türk expanded its sustainability initiatives by taking a more active approach.

Blazing a trail in the participation banking industry with its 30 years of experience in Turkey, Albaraka Türk added yet another award to its long list of international accolades. At the IFN 2016 Awards, held by Islamic Finance News magazine 2016 to recognize the best corporations in the sector, Albaraka Türk was awarded "Turkey's Best Bank Participation."

### **Support to entrepreneurs, service to Turkey**

Each day, Albaraka Türk expands its customer base by capitalizing on its know-how and service quality, and continues its support to Turkey's development through entrepreneurship projects.

Having introduced numerous "firsts" in participation banking over the years, Albaraka Türk moves forward with confidence to become the innovation and entrepreneurship leader of not only the participation banking sector but the entire financial industry.

One of the major steps to this end was the founding of Albaraka Garage in 2017 – the first start up accelerator established by a participation bank in the world.

During the year, a total of 455 applications from across the country were carefully assessed and Albaraka Garage's first entrepreneurs were selected. The center provides a wide range of services under a single roof to entrepreneurs with finance-based business ideas and innovative projects. Albaraka Garage offers entrepreneurs an acceleration program, seed capital assistance, mentoring and office space, as well as opportunities to develop projects within the Bank to test their products.

### **Albaraka Garage fuels entrepreneurial spirit**

Albaraka Garage has transformed the entrepreneurship breeze gently blowing across Albaraka Türk into a veritable hurricane. The project helped spread entrepreneurial spirit throughout the Bank while also laying the groundwork for the interaction of our employees with top quality, cutting edge initiatives. It also gives the 21<sup>st</sup> century's trending technologies a prominent place on the Bank's agenda.

With Albaraka Garage, the Bank tapped into the energy, dynamism and exciting talent of the start-up community. At meetings, seminars and even in elevators, employees started to discuss various emerging technologies – from chatbots and artificial intelligence, to machine learning and Blockchain. Various Bank departments and enterprises have developed joint projects thanks to Albaraka Garage.

While this interaction and transformation continue at the Bank level, we are also seeking new opportunities for business partnerships with financial technology firms and ventures. We are well aware that our age of technology has also started to shape the financial industry. Under the Fintech Technology Transfer Program that we developed, talks have been held with different finance enterprises from Turkey and abroad. Some of these discussions led to business development projects, including some very ambitious initiatives that we will announce in the coming period.

In addition to Albaraka Garage, our program "Discover" promotes in-house entrepreneurship and has increased interaction of top management with in-house innovation efforts and fostered entrepreneurship spirit across the organization. This forward-looking effort has also yielded a series of innovative, customer-focused solutions.

### **Leaping forward in mobile banking**

The fundamental difference between conventional banking and Islamic banking is that the latter had planned and implemented financial innovation before, not after, the global crisis. In this spirit, Albaraka Türk launched a series of groundbreaking innovations in 2017.

We invest in the future of banking by keeping abreast of developments in the rapidly changing financial world as a result of our vision of "Becoming the World's Best Participation Bank." To this end, Albaraka Türk ramped up its sustainable digital banking program and executed projects under this effort with great success.

Projects realized in this area had a positive impact on cost-revenue ratios while providing advantages in terms of cost optimization and customer access.

In 2017, Albaraka Türk became the first participation bank globally to launch its contactless payment application Albaraka Mobile Wallet simultaneously on Visa and MasterCard. The Bank also made significant investments in mobile banking, which is immensely popular among customers.

A member of the Albaraka Banking family that is actively delivering services in 16 countries, Albaraka Türk has successfully implemented the iAlbatros project, a world-class banking infrastructure, at its overseas branch in Erbil.

### **Employees are our biggest asset**

Our workforce is one of the driving engines in Albaraka Türk's efforts to become the world's best participation bank. The Bank, seeing its employees as an asset rather than a resource, has continued to assign the highest value to its personnel. During the year, employees' side benefits were rendered flexible to boost staff satisfaction. Through the integration of their career paths with the Bank, employees enjoy an environment where they can achieve their personal and professional goals.

We make a point of pioneering best practices in our industry with the aim of providing the best and most healthy working environment for our personnel. These efforts were also confirmed once again with the "Respect for People Award," which we have received ten years in a row. This designation recognizes the meticulous efforts we expend in our recruiting processes and our corporate principles that value people above all else.

During the year, Albaraka Türk also paid increasing attention to cultural and arts activities. We established Albaraka Publications with the awareness that we are indebted to our society and want to give back. Our aim is to play a critical role in the world of culture and arts with the books that we will publish. As an institution fully aware of its rich past and cultural heritage, the Bank stepped up efforts at Albaraka Art Gallery toward making Turkish art more visible and accessible.

### **Support to society, respect for nature**

Sustainability and social responsibility lie at the heart of Islamic banking and finance. Albaraka Türk's Sustainability and Social Responsibility Program embodies these deeply rooted values, our contributions to the real economy, and the impact of these contributions on society.

Albaraka Türk aims to have a positive, sustainable impact on long-term economic growth and social development, and to improve the conditions of disadvantaged people in our society. To achieve these objectives, the Bank focuses on education, health, environment and job creation in its sustainability and social responsibility efforts.

The Bank aims to contribute to the 2030 Sustainable Development Goals of the United Nations. In this effort, we will direct our focus on the goals of "Ending Poverty," "Healthy Individuals," "Quality Education," "Gender Equality," "Accessible and Clean Energy," "Decent Work and Economic Growth" and "Industry, Innovation and Infrastructure."

Albaraka Türk encourages and supports all its staff to participate voluntarily in social responsibility projects and set aside time for such activities. For this purpose, Albaraka Türk's employees have established their first volunteer program: Philanthropy Club. Volunteers support people in need through social responsibility initiatives and philanthropic activities.

Environmental protection is another issue that Albaraka Türk embraces. To this end, the Bank's Headquarters has been designed as a smart building to help protect the environment by saving energy and reducing carbon emissions. Business processes started to be digitized in order to create a paperless office environment. The Bank expended efforts to receive a high score from the Carbon Disclosure Project, receiving a "C" as its first assessment score. Furthermore, work is ongoing to join the BIST Sustainability Index.

### **Goal: Sustainable Development**

At Albaraka Türk, we have made our 2018 forecasts and set our performance targets in parallel with the 15% growth expectation for the Turkish banking industry. In the coming period, our priority will be to manage our risks in a balanced manner and to expand our customer base in line with our strategy.

In 2018, with a view toward achieving sustainable growth, we will focus on boosting our asset quality by reducing risks and acquiring new customers. Our top priorities are increasing the share of our portfolio among existing customers, retaining a higher percentage of customers, and acquiring new customers.

We will also continue the Sustainable Digital Banking Program that we launched in 2017. The Bank aims to complete the first phase of this program with success and proceed to

SMEs  
compose  
45.4%  
of the total loans

the second phase in 2018. We plan to make our banking systems infrastructure, business processes, distribution channels and products fully compatible with the digital ecosystem.

In line with our vision of becoming the world's best participation bank, we will continue to prepare for the future by renewing ourselves.

I would like to extend my sincere thanks to all our stakeholders who have provided their contributions and support in our efforts, and to our customers for their trust and support.

Respectfully yours,



**Melikşah UTKU**  
Board Member and General Manager

# high rate of economic growth

In spite of ongoing instabilities in global markets, Turkey maintained its strong growth momentum in 2017.

## Macroeconomic Outlook

Thanks to the delayed impacts of the expansionary monetary and fiscal policies, 2017 was a relatively positive year in global terms, particularly with the growth momentum that was stronger than expected in Europe. While uncertainties about the Trump administration in the US, and the Brexit in Europe turned out to be more predictable; North Korea-led potential tensions throughout the year kept the agenda busy.

When the growth figures are evaluated, we see a period with the highest growth figures reached globally in the post-crisis period. While the IMF and the World Bank raised their growth estimates one by one; the global growth estimate for 2018 reached 3.9%. In this context, it appears that the expansionary fiscal policies implemented by many major economies in the period after 2009 are beginning to come to an end. At this point, with its balance sheet reduction plan, USA announced that it aims to gradually reduce its balance sheet to USD 2 trillion, which had already reached USD 4.5 trillion in the post-crisis period. On the other hand, the markets anticipate three interest hikes for 2018 while the Fed continues to gradually increase the interest rates. Although this process is slower on the European Union side, it is probable that steps to raise the interest rates and reduce the balance sheet will be taken in 2018 yearend and

in 2019. On the other hand, when only 2018 is assessed, capital flow to developing countries is expected to continue in 2018, despite monetary tightening attempts. In 2018, the developing countries continue to be on the positive side of the capital flow as a consequence of the fact that; i) the tightening steps are taken gradually by the US; ii) the EU and UK are not hasty in taking tightening steps, and; iii) global actors like Japan are to continue expansionary fiscal policies in the foreseeable future.

While EU economies and China, which move the global growth up in 2017, are expected to slow down a bit in 2018, the USA and commodity exporter economies are expected to recover. On the other hand, global inflation, which continues to remain relatively low, is expected to make some progress in the upcoming period with the improving demand conditions and high increases in commodity prices. This indicates that the upward pressure on the global bond yields and thus on the borrowing costs is to continue.

After 2016 which was a very difficult year compared to previous years, 2017 was a scene where Turkey's performance exceeded global expectations. While the global economic institutions were forecasting Turkey's growth rate at 2-3% at the beginning of 2017, recent indicators show that Turkey left behind 2017 with a growth rate higher than 7%. At this

point, 2017 was a year where the negative expectations from 2016 were eliminated, and where a message was given that Turkey's economy was based on strong foundation.

When we assess the Turkey's macroeconomic data for 2017, we see a positive outlook at many points. When we look at the composition of the growth figure, we see a growth realized in the first quarter with the contribution of the public expenditures. Then we see a healthier outlook in the GDP as a consequence of our recovering investment and export figures. Machinery and equipment investments, which increased in particularly the third quarter, was a significant development for healthy and long term growth. On the other hand, last quarter industrial production data also supported this trend. In this context, industrial production, which follows a trend closely related to GDP growth, achieved an annual growth of 8.7% in the last month of the year.

Another point to monitor the recovering economy of Turkey was the export figures. The country's exports, which reached a volume of USD 157 billion in 2017, increased its momentum, and increased by 10.2% compared to the previous year. On the import side, the rise in precious metals - gold in particular- and in energy items, continued to put upwards pressure on the foreign trade deficit. At this point, when we exclude energy and gold so

that we have a healthier view for evaluating the economic activity in the country, the core deficit appears to be at the same level for the last 3 years.

Another item contributing to the improvement of the economic outlook in 2017 was the tourism industry in the service sector. As the very large portion of the terrorist attacks that occurred across the country in 2016 were eliminated, and the problems with Russia, which is Turkey's largest tourism partner, were resolved; 2017 tourism sector was very positive in Turkey. Thus, tourism revenues reached the peak levels of 2014-2015. When we evaluate the figures; we see that the number of tourists visiting Turkey in 2017 increased by 22.8%. On the other hand, tourism sector is expected to break its records in 2018, considering the high demand measured in early reservations.

One of the most important factors in Turkey's performance exceeding expectations in 2017 is undoubtedly the volume created by the Credit Guarantee Fund (CGF). The CGF facilitated the financing means for the real sector while improving the quality of the loans by easing the banks in terms of the process of managing non-performing loans. In this context, "the credit guarantee fund supported by the treasury", which emerged with government incentives at the beginning of the year, generated a volume of TL 250 billion, and approximately TL 200 billion of this amount was used in 2017. The CGF, which is a support mechanism for credit risk management, is to continue on a more limited scale in the upcoming period. Thus, this is considered as a positive factor for the Turkish economy.

Budget and financial balance in Turkey managed to maintain its long-lasting strong structure also in 2017 despite limited worsening. Especially with the final budget equilibrium of the year which was way better than expected, we expect to see Turkey end 2017 with 1.6% Budget Deficit / GDP. Although this ratio is to increase a bit in the next two years, we do not expect to see it higher than 2% which will still be a figure on the safe side compared to the Maastricht criteria of 3%.

Generating employment is one of the macroeconomic indicators of Turkey which is significantly better than the developed countries' figures. However, this situation was not fully reflected in the unemployment figures in the desired level in spite of the growth figures. Referring to the workforce statistics in November 2017, we see that Turkey generated 1.44 million new employment within the year that. At the same time; 1.01 million new workforce joined the system. Thus, decline in unemployment was limited, and decreased

by 1.7% and declined to 10.1% in November compared to the previous year. Although the decline in the unemployment rate was slower than expected, the 5.5% increase in the non-agricultural employment was considered positively in terms of economic growth and domestic demand.

In 2017, current account deficit increased by 42.5% and reached USD 47.1 billion. While the high deficit in foreign trade and primary income balance is the main cause for this increase, the annual increase of 25% in Brent oil put a downward pressure on the current account balance. While the volatility experienced during the year on the FX side had negative impacts, the positive contribution of the tourism & travel income appears to be a factor limiting the increase in the current account deficit. The current account deficit was funded mostly by portfolio investments, just like the previous years. Although the apparent decrease in foreign direct investment is particularly considered as an undesirable situation for Turkish economy, it is expected to change its direction upwards in 2018.

When we assess the inflation rate figures of Turkish economy, especially considering the figures in October 2017, we started to move towards a more stable level with the contribution of the Central Bank's uncompromising tight stance. In this context, we expect to see the downward trend in the inflation rate continue in general in 2018, and we expect to see single digit inflation rate by the end of the year. At this point, the calculations indicate that TL excessively depreciate. Likewise, when a comparison is made between the yields on global scale, the rates offered to investors in Turkey appear to be quite high compared to its peers. Excessive pricing is expected to normalize when the investor perception is improved and inflation rates match those of the developing countries.

Under these circumstances, the growth rate of Turkey's economy is expected to be more moderate, compared to 2017, and reach 4-5% as a result of the government incentives planned in 2018. These forecasts are supported by; particularly the capital flow which is to continue positively towards the developing countries; the confidence and stability environment provided in the country; and the firm relations restored with neighbor countries. In this context, when we look at the overall picture, we believe that 2018 will be more positive for Turkey compared to 2017.

### **Banking Sector Outlook**

As of 2017 yearend, 51 banks carry out activities with 11,585 branches and 208,280 personnel in the Turkish banking sector.

The total assets of the banking sector increased by 19.3% in 2017 and reached to TL 3,258 billion. The loans, which increased by 21.1% compared to 2016 yearend, reached TL 2,182 billion as of 2017 yearend. The share of loans in total assets increased by 1% and reached 67.0% compared to 2016 yearend. Non-performing loans of the sector increased by 10.0% compared to 2016 yearend, and reached TL 63.9 billion as of 2017 yearend.

Deposits, equivalent to 62.3% (the highest share) of the liabilities of the sector, reached TL 1,804.8 billion as of December 2017. Equity of the sector is at TL 359 billion level as of December 2017 while the net profit for the period was TL 49,122 million as of 2017 yearend.

The capital adequacy ratio of the sector was 16.87% as of December 2017 which was well above the legal and target ratios.

Among the developing countries, Turkey has become one of the countries that has increased the Loan / GDP ratio the most since 2009. In the upcoming period, as we expect to see the global volatility continue to increase, the loan growth rate at a reasonable level is expected to contribute to financial stability. Despite the fluctuations seen in the global economy and geopolitical risks, the Turkish Banking Sector left a good year behind in terms of growth and profitability in 2016. The loan growth in the Banking Sector, which accelerated and reached 21% with the recovering domestic demand after the incentives of CGF in 2016, is expected to continue this trend in 2017 as well.

Foreign currency liquid assets in the sector are at a level that cover almost half of the short-term foreign debt. This situation indicates that the sector has a financial structure that is resilient to short-term external shocks. Nevertheless, we observe that the risks arising from the Fed and the domestic markets, are high in 2017 and the CBRT is expected to continue its cautious monetary policy in order to eliminate the impacts of these risks. In this direction, banks are expected to follow a cautious growth strategy in 2018, in a manner that will not weaken their strong liquidity positions.

On the other hand, efficiency and cost management for banks is expected to become even more important in 2018 as the banking sector is expected to grow just like 2017 in terms of branch investments and employment investments.

ASSESSMENT OF  
OUR ACTIVITIES  
IN 2017

new  
individual  
customers 100  
thousand



# fast and flexible solutions in banking

Albaraka Türk makes a  
difference with its innovative  
and integrated products.



### SMEs remain our priority

SMEs are widely considered to be the main growth engine of the global economy. Small and medium enterprises are the foundation of the economy across the developed world as well as in Turkey.

Albaraka Türk has restructured its sales teams and updated its Commercial Sales unit as Commercial and SME Sales. Under this new structure, SMEs are defined as our private customers and marketing activities are carried out accordingly.

Albaraka Türk not only meets the financial needs of SMEs, but also provides them with the best quality service at every stage of their corporate value cycle. The Bank offers SME clients the highest quality service from a single point.

In 2017, significant support was extended to SMEs with KGF's Portfolio Guarantee System. Albaraka Türk figured among the first banks to join the system, which is a new model for a treasury-backed guarantee scheme and KGF guarantee. As a result, the Bank provided significant financial support to SMEs under PGS. This support will continue at increasing volumes in the coming period.

Another product that the Bank rolled out in 2017 was Albaraka Dealer Card. This closed circuit card is used by dealers only in purchasing goods from the main company. The POS device has software that enables only the systemic exchanges between the dealer, the Bank and the primary company. This product boosts the purchasing power of SMEs and meets their financing needs with flexible maturity terms.

### "Global SMEs" web site

Albaraka Türk also supports SMEs with the [www.kureselkobiler.com](http://www.kureselkobiler.com) (Glocal SMEs) web site. Designed specifically for SME users to explore domestic and foreign markets more closely and seize business opportunities there, the full service site includes a comprehensive range of banking products and services.

The Global SMEs platform is designed to help SMEs seeking to grow from local to global with new products and services, a wide international network, consultancy support and the integrated service approach of Albaraka Türk. The web site serves as a consultant for those enterprises that want to explore new business opportunities. It enables SMEs to discover new business opportunities, establish new business relations, become acquainted with international markets and gain a competitive advantage with the Albaraka Trade system.

### Significant growth in 2017

Following the highly fragile and volatile market environment in 2016, we achieved significant growth in 2017 thanks to the positive climate created by the KGF scheme. During this period, the Bank recorded a nearly 20% jump in funds collected. Despite an atmosphere where fund costs have risen and global monetary inflows continue but on a more limited scale, the Bank has steadily moved forward. Albaraka Türk – fully aware of the importance of SMEs for Turkey, the de facto lifeblood of our economy – has boosted its support to this key segment. At present, the share of SMEs in total funding has reached 45%.

### Albaraka Türk makes a difference with innovative products

As the pioneer of participation banking in Turkey, Albaraka Türk has introduced numerous innovations to the sector since its founding. The Bank facilitates business and trade while providing more added value by continuing to diversify its products.

Albaraka Türk analyzes the needs of its customers and formulates interest-free methods to address these needs. It makes a point of ensuring that these products have the following features:

- » Innovative
- » Usable in digital format
- » In line with our social responsibility principles
- » Accessible banking practices for disabled customers

Some of the products developed with this customer-focused, innovative and holistic approach include the following:

**Portfolio Guarantee System (PGS):** PGS refers to the Treasury-backed guarantee system provided by banks via a guarantee limit allocated by KGF to banks on the basis of portfolios, without further KGF investigation into the beneficiary's credit worthiness. Albaraka Türk became the first participation bank to offer PGS guarantees to its clients via a rapid integration with the PGS scheme, KGF's new protocol which is geared toward SMEs. Under this effort, funding facilities totaling more than TL 2 billion were put to the use of our SME customers.

**Albaraka Dealer Card:** This innovative offering provides a fast and practical solution to firms that engage in forward product sales and want to guarantee these sales. Albaraka Dealer Card enables the financing of purchases of dealers from the main company via a closed circuit



online structure established between the main company and the Bank. Information on the sales transaction is transmitted to the Bank's system and payments are made automatically when the invoices come to maturity. Albaraka Dealer Card allows main companies to guarantee their sales, reduce operational workload, and formulate campaigns. It also gives dealers the opportunity to increase their purchasing power, pay under flexible maturity terms, and benefit from campaigns.

**Electronic Warehouse Receipt (ELÜS) Backed Credit:** Albaraka Türk is the first participation bank to offer its clients the Electronic Warehouse Receipt (ELÜS), one of the first major outputs of the Licensed Warehouse System established with government support. This offering is designed to prevent price drops in agricultural products due to excess supply, and thus balance the market; enable farmers and producers with financing needs to obtain funds from banks with their product receipts; facilitate the sale of agricultural products; and enable merchants to quickly procure products. Farmers and merchants deliver their products to licensed warehouses and in return receive the ELÜS, which functions like securities. The receipt in effect facilitates online ownership, transfer and collateral transactions related to the product. The electronic warehouse receipts held by customers are accepted as a guarantee by the Bank, which extends funds to the bearers in return. Thanks to ELÜS-backed financing, customers can present their products that are stored in licensed warehouses when prices rise as collateral and obtain loans.

## ASSESSMENT OF OUR ACTIVITIES IN 2017

Collected Funds (TL thousand)	2016		2017		Change (%)	
	TL	USD	TL	USD	TL	USD
Turkish Lira Funds	12,557,143	3,577,534	13,247,715	3,504,687	5.5	-2.0
Current Accounts	2,666,540	759,698	3,195,749	845,436	19.8	11.3
Participation Accounts	9,890,603	2,817,836	10,051,966	2,659,250	1.6	-5.6
Foreign Currency Funds	10,597,991	3,019,371	12,062,125	3,191,038	13.8	5.7
Current Accounts	2,764,410	787,581	3,957,483	1,046,953	43.2	32.9
Participation Accounts	7,833,581	2,231,789	8,104,642	2,144,085	3.5	-3.9
Total	23,155,134	6,596,904	25,309,840	6,695,725	9.3	1.5
Share of TL Accounts	54.23%		52.34%			
Share of FC Accounts	45.77%		47.66%			
Current Accounts	5,430,950	1,547,279	7,153,232	1,892,389	31.7	22.3
Participation Accounts	17,724,184	5,049,625	18,156,608	4,803,335	2.4	-4.9
Total	23,155,134	6,596,904	25,309,840	6,695,725	9.3	1.5
Share of TL Accounts	23.45%		28.26%			
Share of FC Accounts	76.55%		71.74%			

Funded Credits (TL thousand)	2016		2017		Change (%)	
	TL	USD	TL	USD	TL	USD
Funded Credits*	22,722,054	6,473,520	25,193,463	6,664,937	10.9	3.0
Non-performing Loans	1,105,954	315,087	1,212,610	320,796	9.6	1.8
Provisions (-)	578,505	164,816	699,437	185,036	20.9	12.3

\*Included financial leasing receivables.

### USD/TL Exchange Rate

2016 3.510

2017 3.780



**One-Day Financing:** This financing instrument is designed to meet customers' urgent needs in relation to cheques, promissory notes, money transfers and EFTs, at zero profit share and commission. The instrument is closed at the end of the day.

**Bill Paying Account:** The Bank intermediates in the bill collections of various companies. This account automatically pays on the maturity date the bills of those customers who have placed an automatic payment order, even if the account balance is not sufficient. Customers then have one month to make payment to the Bank.

**VADİ (Forward Exchange Transactions):** In Turkey, foreign exchange rate risk is one of the major threats to a company's business activities. Albaraka Türk's new banking product Forward Exchange Transactions provide an innovative solution to this problem. This new product enables import/export customers to buy and sell foreign currencies at exchange rates fixed beforehand. As a result, customers have the opportunity to hedge against fluctuations in foreign exchange rates and make healthy financial forecasts.

**Tax – SGK Financing:** This financing product has a maximum three-day maturity term, at zero profit share and commission. It is designed to meet customers' short-term urgent financial needs for their tax and SGK (Social Security Institution) payments.

**Foreign Trade Service Package:** Albaraka Türk designed four Foreign Trade Service Packages (Silver, Gold, Platinum, VIP) to meet the different needs of foreign trade customers. The packages offer popular products and services at advantageous prices.

**Check Financing:** This credit product has a maximum maturity of three days and zero profit share. It covers the payments of the Bank's check clients when their current account balance is not sufficient.

**Salary Financing:** Clients that have a salary payment agreement with Albaraka Türk can use this credit product. With a maximum maturity of three days and zero profit share, this offering allows customers to borrow their salary payments in cases when their current account balance is not sufficient.

**Sacrifice Donation in Instalments:** This offering divides sacrifice donations for religious purposes into a maximum of four instalments without delay interest. The product is designed to support Albaraka Türk customers and foster the culture of making donations.



**Hajj/Umrah Saving Accounts:** The Bank rolled out three new participation account products – Hajj/Umrah Saving Accounts – to enable customers to save for a future hajj or umrah trip. The accounts feature advantageous profit sharing rates. This offering is targeted at potential customers in particular.

**Business and Land Financing for Foreigners:** Foreign customers residing abroad can use this product to borrow in TL, or alternatively in US dollars or Euros.

**Loan with Preclosure Option:** This product offering allows customers to close their loans whenever they wish within its maturity term, thus organizing cash flow freely and avoiding commission payments in the event of preclosure.

**Tuition Payment Guarantee and Educational Support Personal Accident Insurance:** These insurance products are aimed at parents (who may or may not be using Tuition Instalment Financing) who want to guarantee tuition payments for their children and protect against the risk of death, disability and unemployment. In 2017, the Bank expanded its online insurance product portfolio and offered customers the ability to compare prices more quickly in order to boost overall insurance service quality.

**Instant, hassle-free and uninterrupted service via Alternative Distribution Channels:** In line with its goal to become a "Digital Bank," Albaraka Türk offers many of its branch services seamlessly via online platforms, including the Internet and Mobile Branches. Albaraka Türk conducts its business operations based on:

- » Improving service quality with innovative and need-based products,
- » Providing an excellent customer experience with the Omni Channel strategy,
- » Investing in digital platforms depending on prevailing trends.

Albaraka Türk aims to provide customers with practical solutions that make life easier whenever they need and to optimize their experience across all channels, especially mobile banking. In 2017, Albaraka Türk further enriched the customer experience with new products and services, as part of the Bank's digital transformation drive.

#### **Internet Branch transaction volume totals TL 31.9 million**

In 2017, 74,270 active customers performed 3.8 million transactions over the Internet Branch, with a total transaction volume of TL 31.9 million.

During the year, the Bank completed the Responsive Project, which made the Internet Branch compatible with mobile devices. In addition, this effort increased the number of functions offered to corporate and individual customers over the Internet Branch, with 90+ services now available online.

Efforts to improve customer experience on the basis of feedback received through one-on-one contacts with customers continued throughout the year. The Tuition Instalment System was also improved in 2017.

Investments in this strategic area will continue in 2018. Projects scheduled include modifying the web interface based on user experience in the Internet Branch, adding new transaction sets especially in foreign trade operations, developing the Personal Finance Manager (PFM), offering Arabic language support, and launching an Internet Branch for Albaraka Erbil Branch customers.

## In another first among participation banks in Turkey, the Bank introduced Albaraka Mobile Wallet. With this application, Albaraka Türk customers can upload their credit cards on their mobile phones and make contactless payments (NFC).

### 400% increase in Mobile Branch users

In the period 2015-2017, Albaraka Türk's Mobile Branch user base soared by 400%. As a result, the Mobile Branch became the channel most intensively used by individual customers at the Bank. In 2017, 77,500 active customers performed a total of 3.6 million transactions through the Mobile Branch and the transaction volume totaled TL 17.6 billion.

During the year, the number of services provided via the Mobile Branch was increased, and it became possible to subscribe to the Internet and Mobile Branches; and allowed retrieval of a user's password via the mobile channel.

In 2017, the Bank launched "Albaraka Yanımda" a mobile application that allows users to receive special notifications and reminders about the Bank's products and services. The app also enables users to stay informed about campaigns, access stock market information, and quickly reach the hotline Alo Albaraka. Additionally, the English version of the Mobile Branch came online during the year.

In another first among participation banks in Turkey, the Bank introduced Albaraka Mobile Wallet. With this application, Albaraka Türk customers can upload their credit cards on their mobile phones and make contactless payments (NFC).

In 2018, Bank aims to expand this application's area of use by adding new features. The project for revamping the Mobile Branch will also continue in the coming year.

### Albaraka Türk web site goes mobile

During the year, the Albaraka.com.tr web site was made compatible with mobile devices and the English version of the corporate website went live.

In addition, the Bank developed and launched new micro-sites for users:

- » [www.albarakainsankiyemetleri.com](http://www.albarakainsankiyemetleri.com)
- » [www.albaraka.iq](http://www.albaraka.iq) (Erbil Branch Turkish, English, Arabic website)
- » [www.kureselkobiler.com](http://www.kureselkobiler.com)
- » [www.albarakasanat.com](http://www.albarakasanat.com)
- » [www.albarakagaraj.com](http://www.albarakagaraj.com)
- » [www.albaraka.blog](http://www.albaraka.blog)

### ATM transactions on the rise

In 2017, Albaraka Türk served customers with 218 On Site and 69 Off Site ATMs, 287 ATMs in total. During the year, some 3,535,364 transactions with total turnover of TL 2,284,886,291.82 were executed at the Bank's ATMs.

Projects developed during the year improved user experience, enhanced customer satisfaction, and bolstered our brand recognition.

As a result of efforts to extend the range of card and card-free transactions and expand the ATM network, customers can now conduct more than 50 transactions at Albaraka Türk ATMs. Arabic language support was added to the existing four language options in the "not on-us" menu, and to two language options in the "on-us" menu.

Work was completed to make the Bank's ATMs more accessible with the voice menu. All Bank ATM transactions are now free-of-charge for disabled customers and those over 70 years of age.

Developments on the card side of the Shared ATM Project are complete. Customers can use the Bank's debit and credit cards on ATMs of other banks for the following actions:

- » Debit card money deposit
- » Credit card debt inquiry
- » Credit card limit inquiry
- » Credit card debt payment

As a result of the project, other banks' customers can use Albaraka Türk ATMs for actions such as debit card money deposit, credit card debt inquiry, credit card limit inquiry and credit card debt payment.

Work on the money acceptance scheme was completed for BKM (Interbank Card Center)'s card-to-card money transfer service during the year.

Formerly, there were ATMs in the field with recycle functionality that nevertheless ran like standard ATMs since they had not been integrated into system. These machines were recently integrated and their recycle functionality has been activated. This project has minimized cash operation costs.

In 2018, the Bank plans to redesign ATM interfaces in line with customer needs and expectations. The aim is to make transaction flows simpler and more user-friendly, with the addition of new transactions.

### Easy-to-use and functional Call Center

The Call Center, in which the service is rendered with Arabic language option, has received EN 15838 Quality Certificate (Customer Communication Centers Service Delivery Standard), internationally-accepted management system standard which defines management system requirements and technical specifications required for the call centers to provide service, including special requirements for call centers.

In 2017, Albaraka Türk Call Center responded to 676,844 calls with a response rate of 94%.

The Interactive Voice Response (IVR) system, which employs user-friendly, functional and advanced technologies, recognizes customers from their voice, phone number or personal information, and guides them to the right menus. Some 50% of callers complete their transactions within the IVR, without having to speak with a customer representative.

In 2017, Albaraka Türk continued to innovate in line with its work culture centered on productivity and customer experience optimization. The Bank completed call steering projects and boosted the variety of transactions offered over the IVR during the year.

The Voice Recognition System was launched in 2017. In addition, Arabic and English language support was added to the support hotline at 0850 222 8787.

Overall performance of the Call Center is constantly monitored in order to increase customer satisfaction. The performance of the General Contact Center service – percentage of calls responded, response speed, average call quality score – is measured with monthly scorecards. The results are recorded in the personal performance system of Call Center employees.

### Secure transactions with Virtual Card

The Bank aims to respond to all the needs of customers in the area of card payment systems, while continuously upgrading its products and services in line with market conditions. As of end-2017, Albaraka Türk had a total of 151,308 credit cards issued, with turnover of TL 1.4 billion. The Bank also continued to manage its payment systems infrastructure, which boasts total turnover of TL 5,831,017,722 via 24,465 POS terminals.

In 2017, the Bank implemented a number of improvement projects in the card infrastructure area to better serve customers. For example, virtual credit cards started being offered to customers. With the Albaraka virtual credit card, customers can securely shop online without the need for a physical credit card.



The Bank completed its systems integration with the BKM Express application, which provides practical and secure shopping on the internet. Customers can now shop online using their debit or credit cards via BKM Express.

The Bank also completed its systems integration with MasterCard's digital payment solution, Masterpass. The Dealer Card Project made upgrades on the card and POS side. In addition, the legally required 13 rules transition project demanded by the BKM was completed during the year.

In 2018, the Bank plans to continue projects such as different loyalty programs, chip debit cards and varied credit cards. Work is also scheduled to continue on the Shared Card Project under the auspices of the Participation Banks Association.

### Customer POS Efficiency scheme restructured

In 2017, the Bank reorganized the Customer POS Efficiency scheme, and started being monitored by Mercek side. During the year, the processes related to contracted merchant pricing and fee management screens were transferred to Rota +.

### Collecting bills for 134 institutions

The Bank started bill collection for new organizations in its Institutions and Payments channel, bringing the total number to 134. The Bank is also executing collections for a total of 28 new Customs Directorates. During the year, the Bank started to receive donations for new foundations and associations, boosting the total number to 28.

### Pioneering solutions will continue

Albaraka Türk's 2018 plans in its Alternative Distribution Channels include the following:

- » Offering innovative service models via digital channels and innovative solutions in participation banking,
- » Providing integrated marketing communication in digital channels, and delivering a similar customer experience across all channels,
- » Working continuously to improve customer experience (UX),
- » Supporting digital channels with analytical infrastructure to provide tailored solutions to customers, enabling customers to access the most appropriate service with ease,
- » Shifting the workload from branches to channels by expanding the range of functions and boosting number and volume of transactions performed within channels,
- » Acquiring new customers via digital channels,
- » Creating self-service solutions to meet customers' cash needs,
- » Devising solutions based on sound technologies and bot infrastructure through digital channels and form banking,
- » Developing new products in card payment systems to meet the needs of diverse customer profiles,
- » Increasing our market share in credit cards and debit cards by making comprehensive improvements in their systems infrastructure,
- » Boosting customer access on the ATM side,
- » Enhancing our data analytics competence through the development of reporting infrastructure for channels and products.

### A robust partner in international banking

Albaraka Türk meets its customers' international banking needs in with effective, high quality products and services, thanks to its main partner Albaraka Banking Group and the Group's network of subsidiaries.

Boasting a correspondent network spread across a vast geographic area, the Bank mediates the foreign trade transactions of its customers and serves as the gateway of SMEs, industry and investors to the Middle East region and the rest of the world. In 2017, Albaraka Türk's total foreign trade volume rose over the previous year to USD 13.1 billion, despite the political and economic turmoil in the region.

**Albaraka Türk provides corporate and SME customers with effective and high quality service through 51 nostro accounts in 34 banks located across 22 countries in 13 different currencies. These are part of a total of 1,065 correspondents with operations in 118 countries.**

#### **Securing global support for SMEs**

Providing important export and import opportunities to SMEs through its extensive correspondent network, Albaraka Türk secured long-term funds from leading institutions that were allocated to clients in 2017. These included Saudi Export Program (SEP), Islamic Corporation for the Development of the Private Sector (ICD), International Islamic Trade Finance Corporation (ITFC) and Turkish Industrial Development Bank (TSKB). Funds from ICD, ITFC and TSKB will be extended to clients in 2018.

Albaraka Türk provides corporate and SME customers with effective and high quality service through 51 nostro accounts in 34 banks located across 22 countries in 13 different currencies. These are part of a total of 1,065 correspondents with operations in 118 countries.

#### **The Network of Correspondent Banking is expanding**

In keeping with Albaraka Türk's medium- and long-term growth strategies, the Bank continued efforts to expand its correspondent network, especially in African and Middle Eastern markets.

To this end, Albaraka Türk made regular visits to correspondent banks and senior Bank officials participated in international organizations such as SIBOS, IMF and WIBC.

In these activities, the Bank held face-to-face discussions with senior representatives of the correspondent banks, and worked to ensure the continuity and effectiveness of correspondence relations.

In addition to existing correspondent banks, Albaraka Türk held discussions with potential correspondent banks that could benefit the Bank. Efforts were geared up to expand the current correspondent banking network.

The Financial Institutions and Investor Relations Department represented Albaraka Türk at the SIBOS event that took place in Canada in 2017, holding meetings with nearly 40 banks.

#### **Orientation Program to Correspondent Banks**

To promote its own products and services and enhance correspondent relationships, Albaraka Türk often invites current and potential correspondent banks to send representatives to participate in its Correspondents Orientation Program in Turkey. This effort ensures active promotion of the Bank and develops relations with the correspondent banks. Detailed information on products and services are provided to the participating bank representatives who want to grow in Islamic Banking in their own countries. This practice ensures that the correspondent banks play an active role in the development of participation banking in their home markets.

The program also helps Albaraka Türk obtain detailed information on the legal and regulatory environment, economic situation, banking sector, and implementations in the countries of the correspondent banks that participate. This facilitates tailor-made product development and marketing for the current and potential correspondent banks in the respective country market.

In 2017, representatives of Albaraka Türk's correspondent banks in Iraq (Trade Bank of Iraq), Ivory Coast (Ecobank Côte d'Ivoire SA), and Kenya (Kenya Commercial Bank) took part in an orientation program on participation banking activities.

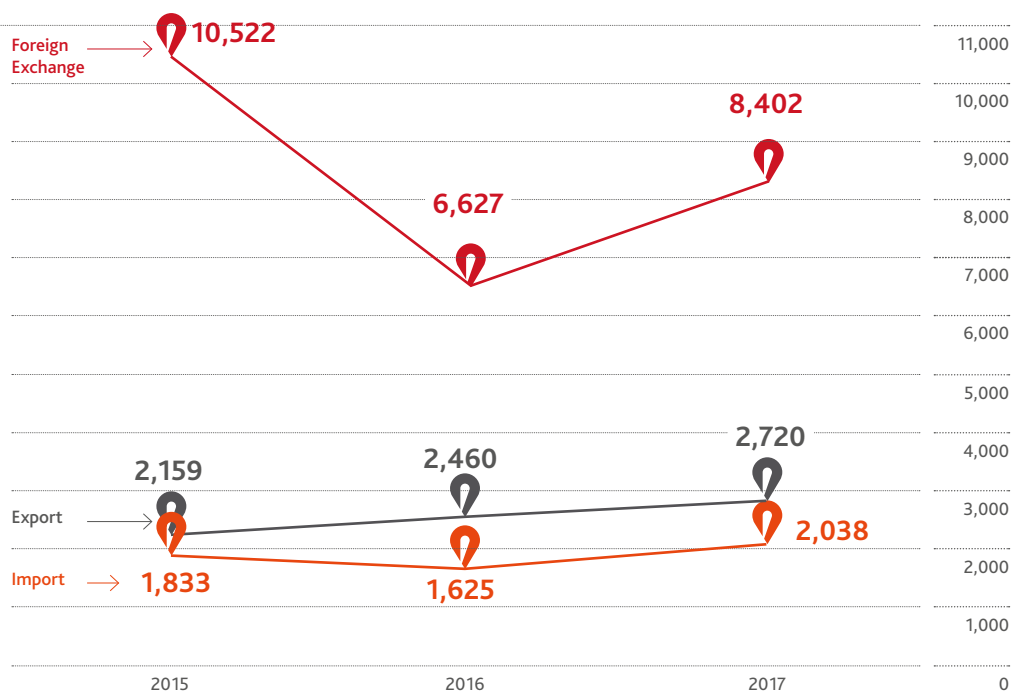
#### **Compliance with the International Law**

As required by the Turkish Financial Crimes Investigation Board (MASAK), the US Treasury Office of Foreign Assets Control (OFAC), and United Nations Security Council resolutions, Albaraka Türk took significant steps to boost cooperation with the Legislation and Compliance Department. As a result of this collaboration, the Bank established the International Banking Committee to bolster communication between the relevant departments.

To raise awareness on legislation- and compliance-related issues, personnel from the concerned branches and Headquarters departments underwent regular training during the year. Besides in-house training, the Bank participated in training seminars and conferences on legislation and compliance organized by account correspondents and other correspondent banks to work in harmony with its correspondent network.

# Albaraka Türk

## Foreign Trade



### Reliable guide in Investment Banking

Turkey's investment banking leader Albaraka Türk, with over 30 years of experience in the industry, helps customers manage their investments with ease and find the most appropriate path for them.

To this end, Albaraka Türk strives to implement innovative investment banking practices and reach out to a wide range of investors in line with strategic plans. Lease certificates issued by the Bank receive ample interest from banks, portfolio management companies, investment firms, insurance and pension funds, and individual qualified investors.

In 2017, as part of strategic planning efforts, the Investment Banking and Structured Finance Service continued work to secure domestic and foreign funding.

A USD 213 million murabaha syndicated loan with a maturity of 370 days was secured under efforts to diversify the Bank's funding sources. As the murabaha syndication loan reached USD 213 million despite an initial target of USD 150 million confirmed once again the high level of trust that Albaraka Türk enjoys in international markets. In November, a second murabaha syndicated loan transaction worth USD 101 million was concluded with success. Domestically, in line with the TL 1 billion issuance ceiling granted by the CMB, the Bank issued lease certificates totaling TL 910 million through a series of issues during the year.

Following BRSA's amendment of the Regulation on Banks' Shareholders Equity to comply with Basel III rules, the USD 200 million in

subordinated loans issued by the Bank in 2013 lost its status as supplementary capital. As a result, the Bank initiated consent solicitation efforts to harmonize its sukuk certificates with Basel III criteria and to regain their supplementary capital status. This initiative is the first sukuk transaction of its kind in Turkey.

During the year, the Bank continued its in-house research studies and marketing activities related to the issuance of lease certificates toward corporate companies. The Bank plans to continue issuing corporate and/or allocated lease certificates with diversified structures in 2018.

In 2018, Albaraka Türk will continue efforts to provide a broader range of services to customers and the Bank's liquidity management as regards secondary market transactions for lease certificates. This will be accomplished by adding new banks and brokerage houses to its vast correspondent network in the domestic market, and if necessary, in overseas markets.

The Bank plans to upgrade its processes in relation to the Central Bank of Turkey in order to seize every opportunity in keeping with the principles of participation banking.

Albaraka Türk also aims to initiate short-term funding transactions based on the purchase and sale of lease certificates on the interbank committed trading market, which is expected to launch in 2018. At that point, participation banks will have the opportunity to trade in short term funds in line with their own principles.

Additionally, the Bank plans to expand its correspondent network by reaching agreements related to expanding wakala and commodity murabaha transaction volumes.

The launch of the upgraded ALBA FX application is scheduled for 2018. For this purpose, the Bank will complete its integration with the mobile app in the second half of the year and roll it out for customer use in the second half of 2018.

### Pioneering the digital transformation of the sector

Marching with confidence toward its goal of becoming the world's best participation bank, Albaraka Türk leads the way in the sector's digital transformation. The Bank is making ambitious investments to integrate the innovation and change management required by the times into its systems and business processes.

Numerous projects and initiatives undertaken in 2017 to this end resulted in success. Thanks to these efforts in 2017, the Bank's iAlbatros project received the first prize in the "Governance, Risk and Compliance" category, and second prize in the "Corporate Transformation" category at the Finance Technology Awards organized by the US-based market research firm International Data Corporation (IDC)'s Turkish office.



**Albaraka Türk is one of the most preferred banks in the industry largely thanks to its employees who are team-driven and consistently deliver a high quality and efficient performance. While being self-motivated, they embrace the corporate culture and are open to change and innovation. As a result, the Bank sees its employees as a valuable asset, moving the Bank forward into the future.**

Major IT projects and initiatives in 2017 included the following:

- » Turkey's first overseas participation banking package, iAlbatros – developed by Albaraka Türk with in-house resources – launched at the Bank's Erbil Branch.
- » With its Customer Activity Project, the Bank started monitoring and analyzing with ease its customers' use and activity in banking products across the entire product range.
- » The Bank became integrated with KİK's e-Public Tender System.
- » Thanks to the Segmentation 2.0 Project, customers were segmented by key criteria, such as assets, risk, active product use, and status as real or legal persons.
- » KGF-PGS compliance efforts were completed in allocation and loan processes.
- » The Bank completed the necessary closed-circuit POS systems infrastructure and software integration for the Dealer Card product, which is designed for companies engaging in forward sales. The product launched during the year.
- » Workload and authorization management related upgrades were carried out in process management tools to boost the efficiency of operational processes.
- » The systems infrastructure for Virtual Card, which enables secure online shopping, was designed and implemented.

- » The savings participation account was launched.
- » The ISO 27001 Information Security and ISO 22301 Business Continuity certifications were extended in 2017.

#### **Investments set to continue**

In 2018, Albaraka Türk plans to continue developing digitized business processes in line with the latest advanced technology trends. Specifically, the Bank will focus on Robotic Process Automation, smart business processes, mobile compatible flows, digital signature usage, and demandability of products and services through every channel.

Albaraka Türk will prioritize mobile projects in 2018. To boost the productivity of the Albatros system, the Bank will focus on the Mobile Approval System, Field Sales Activity Management and Mobile Portal projects. The mobile banking app will be upgraded with an array of new functionality.

Leading the sector in terms of advanced technologies, Albaraka Türk also laid the groundwork to establish a tech company for R&D and mobile development in 2018.

#### **Employees are not resources but assets**

Albaraka Türk is one of the most preferred banks in the industry with the team-driven, self-motivated employees that consistently deliver a high quality and efficient performance and embrace the corporate culture in addition to being open to change and innovation. As a result, the Bank sees its employees as a valuable asset, moving the Bank forward into the future.

Albaraka Türk operates with the awareness that people make a difference in successfully navigating a competitive environment. The Bank has established a strong corporate culture on a robust foundation. Our employees are a valuable asset that will continue taking us forward and we place people at the heart of our operations.

The Bank monitors the latest trends in the sector and adopts the most effective human resources practices. Albaraka Türk's human resources platform won, for the tenth year in a row, the "Respect for People" award, presented by the recruitment web site kariyer.net, in recognition of successful human resources practices. This designation serves as concrete confirmation of the Bank's success in this critical area.



As of end-2017, Albaraka Türk employed 3,899 personnel at 220 branches in eight regions. Some 90.7% of Bank employees have at least a Bachelor's degree.

In 2017, 376 new people joined the Albaraka Türk family. During the year, the Bank focused on cost management and prioritized recruitment of entry level staff for the Headquarters and branch locations. In addition, close to 50 thousand job applications were received for the positions of Assistant Inspector/Assistant Auditor, Teller Operations Assistant Officer and IT Business Family. All applications received were carefully reviewed, eligible candidates were invited to exams, and a mass recruitment drive was executed efficiently.

Key developments in 2017 included the following:

- » A new personality inventory was designed for recruitment.
- » The Bank shortened the interview process by using preliminary video interviews.
- » Employees started to receive meal cards from the Bank.
- » Efforts began to transition to the flexible side benefits scheme.
- » Work was completed for the transition to a new pension contribution match model, where the Bank's contribution to employees' private pension insurance will increase based on seniority.
- » All work is complete for the transition to the net salary application.
- » As part of digitization efforts, the Bank shifted to the Recruitment Module, which will be used to track work applications and candidates.
- » Employee satisfaction surveys were conducted to measure staff trust toward the Bank; as a result, the Bank's senior management will base its personnel related decision-making on quantifiable data.
- » A special activity model – Career Mentality – was designed to communicate better with university students and to inform them about the work environment at a participation bank; the first such event was organized for students at Sebahattin Zaim University.
- » Traineeship opportunities are provided for Turkey's leading students under an occupational education agreement. 202 students from high schools and universities completed internships at the Bank.
- » In 2017, the Bank participated in Career Days at 26 universities.
- » Videos were filmed featuring employees who joined the Bank via our successful youth program, Young Albaraka. The short films were shared on social media under the title "The Youth Take the Floor."
- » "How's It Going?" meetings were held periodically to receive feedback from personnel on work design and to measure employee satisfaction. Interviews were conducted with 35 staff members who completed the first six months at work.
- » Workshops were organized for employees to bring out their personalities, personal characteristics and professional values. Motivational activities – such as photography workshops or efforts to boost productivity – were also conducted during the year.
- » To create a transparent work environment, elections were held for Employee Committee Ambassadors. The Bank collaborated with the elected representatives to prevent misunderstandings that may arise in the workplace.
- » To reduce the Departments' phone traffic and with support from Garage Venture Group, chatbot software is being developed to provide automated answers to FAQ. To ensure that repetitive operational tasks in the Departments are carried out in a fast, error-free and high quality manner, robot software was developed with the support of Garage Venture Group. These projects will be presented to top management in early 2018.



**Albaraka Türk operates with the awareness that people make a difference in successfully navigating a competitive environment. The Bank has established a strong corporate culture on a robust foundation. Our employees are value that will continue taking us forward and we place people at the heart of our operations.**



Projects and expectations for 2018 include the following:

- » The Bank will meet with more students from the nation's top universities by stepping up its Career Days events, which are crucial for attracting outstanding young employees to the Bank.
- » As part of Digital HR practices, the Overtime Module will be activated on the Humanist System.
- » The staff's registry files will be stored digitally.
- » Young Albaraka membership will be increased and Entrepreneurial Young Albaraka members will be employed at the Albaraka Garage Project.
- » The Bank plans to integrate into its HR system a digital algorithm that features

autonomous capabilities in big data analysis as well as artificial intelligence support in the future. We will hold discussions with firms specializing in this area, complete the necessary preparatory work and expend efforts to add these features to our HR systems infrastructure.

- » A series of seminars and workshops will be conducted for employees' children on the topic of the "Maker Movement," one of the world's most popular trends today.
- » Research studies are ongoing to purchase a mobile compatible communication platform to reach employees and receive feedback more quickly.
- » In addition to our other activities at universities across the country, we will host students from top universities at Albaraka Garage under the Career Mentality initiative. We will also gear up word of mouth efforts to raise brand recognition via such events.

- » The Bank aims to reduce employee turnover rates in the fast-growing participation banking sector and rapidly fill vacancies arising from resignations with appropriate candidates. Necessary efforts will be made to this end.
- » Branding efforts will ramp up in popular channels, especially in social media. The aim is to boost brand awareness and recognition in digital platforms.
- » The Bank will perform joint assessments with Great Place to Work to position its Employer Brand practices in the international arena and measure the level of trust. Similarly, the Bank will work with Investors in People to render its practices more efficient and effective. As such, the Bank will lay out a roadmap to obtain the title "Great Place to Work," and initiate efforts to this end.

#### Performance and career schemes

#### Training Activities

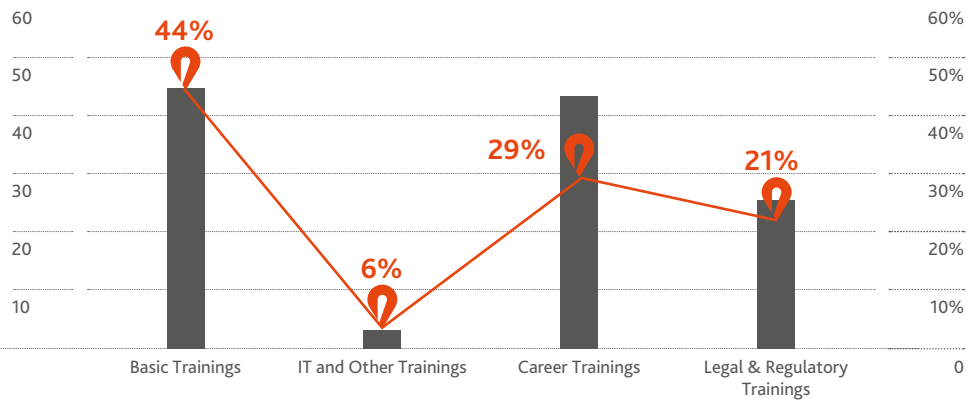
##### The main training plans and activities of 2017

In 2017, the Bank designed 358 separate training programs to boost employee competence, and conducted 1,059 training sessions. These training activities were delivered by a total of 397 trainers, 242 of whom were external (61%) and 155 of whom were in-house trainers (39%). An average of 42 hours of training were delivered per person.

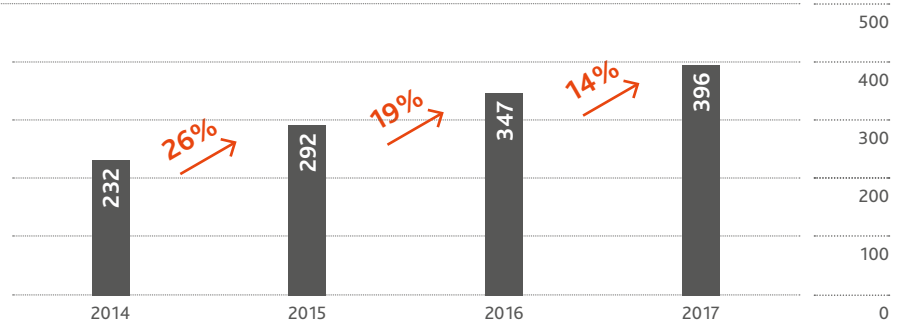
The resource breakdown of training sessions by topic in 2017 is shown in the table below.

# the breakdown of training sessions by topic

■ Training Sessions (Hours) by Topic  
 📍 Percentage Breakdown of Training Sessions



# employees receiving postgraduate education support



The number of employees who received postgraduate education support over the last four years is shown in the table above.

## Employees receiving postgraduate education support

During the year, the Bank updated its National and International Professional Proficiency Documents. These guidelines are designed to organize and guide activities related to documentation, certification and licensing to acquire the competence and skills designated in various technical and professional fields, based on national and international professional standards.

In 2017, a training program titled "Major Issues in Participation Banking" was developed. Some 2,107 hours of this training was delivered to 301 persons throughout the year, to raise awareness of and craft a common discourse on participation banking.

Through the use of the Training Management System, training processes were given a more measurable and better manageable structure. Five training videos were issued to help staff understand and use the system efficiently. These videos were viewed by 3,398 employees during the year.

E-Measurement and Assessment Project Forms designed to measure the effectiveness of training sessions were digitized, thus ensuring an improved measurement and evaluation process. Bank employees can complete these forms 24/7 on their mobile phones.

In 2017, electronic forms were redesigned to reduce operational processes by 5% and paper usage by 20% in measurement and evaluation schemes.

## My First Branch Project

This project was designed to help branch staff experience the branch environment prior to starting work, acquire necessary professional information and skills, and reduce operational risks. The increased use of applied training programs at the Bank will lead to greater efficiency and productivity in training and development activities.

## Albaraka Training Catalogue Project (E-Catalogue)

The Bank launched a digital platform where personnel can identify and indicate their training and development requirements, either on their own or together with their superiors. In 2017, 2,083 people indicated their demand for 110 programs on this platform.

## Albaraka Academy Service

Albaraka Academy was established in 2013 to provide the best training available in the market to all employees using the latest education technologies in line with the vision and mission of the Bank. In 2017, the Academy continued to meet the needs of the Bank and the employees at the same time with efficient training programs. During the year, the Academy delivered a total of 41,648 hours of e-learning, with average e-learning per employee up 32% to 10.80 hours. Through these online based efforts, Albaraka Academy helped save 31 trees in fiscal year 2017.

## Virtual Classroom Project

In line with the ongoing digitization drive at the Bank, a digital shift was implemented in training sessions as well. After testing with demo trainings in 2017, the Virtual Classroom initiative launched during the year. Employees can now participate live with their computers in training sessions held in Virtual Classrooms located at Albaraka Academy.

## ASSESSMENT OF OUR ACTIVITIES IN 2017

In virtual classrooms, personnel can engage in video and audio interaction with instructors over their computers, ask questions, take notes, and reinforce their learning process with assessment questions posed during training. In addition, trainings are recorded and then shared with participants to help them consolidate the information learned.

Virtual Classroom will deliver the following benefits:

- » Transport and accommodation services will be avoided, leading to cost savings,
- » Employees will participate in training sessions from Headquarters, Regional Offices and branches, saving time,
- » Training sessions in virtual classrooms will be recorded so participants will have the opportunity to replay these videos later on.

### International On-the-Job Orientation Program

In 2017, Albaraka Academy initiated the International On-the-Job Orientation Program. Under the Program, participants from international banks who are visiting Albaraka Türk are given training on the basic principles of participation banking, the responsibilities and processes of various Bank departments, and information on the Bank's products and services. To date, 21 participants have participated in On-the-Job Orientation Training at the Bank.

To help Albaraka Türk staff learn about international banking processes via the International On-the-Job Orientation Program, the Bank contacted ABG. Four staff members were sent to the ABG General Headquarters in Bahrain, where they learned about ABG's processes.

### e.Mobile App

In 2017, Albaraka Academy launched its e.Mobile application, with a design compatible with mobile browsers. As a result, the app can be accessed from everywhere and training sessions can be viewed 24/7 in the fastest manner.

The e.Mobile application is carried into effect at Albaraka Academy in 2017, to support learning anytime, anywhere, developed specifically for mobile devices and receiving. In 2017, 25,061 logins were made to the Albaraka Academy platform with mobile devices, up 86% year-on-year. In total, 12,558 hours of mobile learning were delivered, up 133.8% for the year. Thanks to Albaraka Academy's e.Mobile app, personnel can continue their personal development and learning on the road, on the service bus, at home – in short, anywhere. In 2017, the Bank collected the following data via mobile browsers or mobile app.

### General Mobile Usage Data for the System

Subject	Mobile Web		Total
	e.Mobile	Browser	
Number of Logins	3,968	21,093	25,061
Number of Individuals	650	5801	6,451

### Online Questionnaire Module

In 2017, a questionnaire was assigned to 65 different subjects by the Albaraka Academy Online question platform. During the year, 46,009 questionnaire forms were completed by employees, up 27.7% year-on-year.

### Personal Development and Learning Platform

On the Personal Learning and Sharing Properties Platform, 63 social groups are formed and 12,576 training badges have been awarded to date. These training groups support the staff's personal development 24/7; in addition, the groups boost employee interest in Albaraka Academy and e-learning training. Employees can keep track of the training schedule thanks to the "Best Of" list updated monthly.

### Post Graduate and Doctoral Thesis

The "Thesis" section on the main page of the web site [www.albarakaakademi.com](http://www.albarakaakademi.com) is for Bank employees to share their knowledge with other staff members via a common platform. This section includes thesis publications written by postgraduate and doctorate employees at the Bank.

There were 54 theses in total at Albaraka Academy in 2017.

### Online Promotions Testing

In 2017, 1,158 persons took promotions tests throughout the Bank, up 61% for the year. Savings of TL 185,966 was recorded with the online promotions testing made via Albaraka Academy.

### Albaraka Academy TV

Albaraka Academy TV includes educational technologies (videos) to be used as a learning tool. The videos are designed to develop employees' knowledge, attitudes and behaviors and enable mutual information sharing. As of end-2017, Albaraka Academy TV features 538 training and development videos. New videos continue to be added to the video library.

By helping build a common discourse, Albaraka Academy TV increases interaction, adds a new dimension to the learning process, encourages learning-instruction activities to be performed in a planned manner and introduces new methods to the instruction process such as micro teaching. In addition, Albaraka Academy TV adds new features to individual and group learning, crafts a flexible and high quality training system, facilitates learning in terms of movement, color and sound, and provides a concrete, long-lasting learning experience.

### Digital Library

The Digital Library is where training documents are stored in the electronic environment, providing access from any place at any time. The training documents were downloaded for 1,128 times in 2017.

### Production of Animated Introduction and Training Contents

In 2017, Albaraka Academy continued to produce animated training and orientation video contents that feature instructional scenarios. Eight different animated training videos were prepared during the year. These efforts resulted in a cost savings of TL 293,142 to the Bank.

### Performance Management

Albaraka Türk monitors staff performance via performance measurements conducted twice a year. The performance assessment process for 2017 began by determining the competencies that correspond to the Bank's goals, following discussions with the relevant departments.



- » Two assessment processes were executed successfully and individual performance scores were assigned to each employee.
- » A new screen was created to monitor the performance of branch operations staff; as such, it became possible to monitor their performance at all times.
- » Development of the 3D Performance Assessment Module is underway. With this module, employees will be assessed by their managers, peers and subordinates. As a result, any inherent bias in the performance management system will be eliminated.

### Quality and Access Authorization

The Access Authorization service carries out a critical task enabling the Bank to continue its operations. In 2017, the Authorization Process was improved and a number of innovations were made in line with the Bank's vision of digitization.

- » A new fast and efficient system was developed to enable automatic approval of authorization requests.
- » The Bank upgraded the documentation system, formulated document ownership and authorization definitions, and eliminated authorization discrepancies.
- » In keeping with the corporate objective of digitization, the Bank updated the e-Correspondence system. It also developed a new system to enhance the effectiveness of in-house communication and deliver a more efficient user experience.
- » In 2017, the Bank responded to 11,480 authorization requests received from the branches and departments via Albatros. The Bank's operational processes were managed in an uninterrupted manner through the necessary authorizations. Furthermore, 1,671 demands sent via Solution Valley were taken on by the service, and the needs of the units were responded to quickly.

### Service Role Changes in Career and Talent Management

Thanks to role changes that enable employees to assume different job positions, 64 personnel switched roles in order to acquire different competencies.

### Career Academy Certificate Programs

In 2017, the Bank promoted a total of 714 employees to a higher position during the first and second promotion periods. As of 2018, the newly designed promotion system will encourage personnel to complete their professional certification programs in order to improve their development and competence. This will ensure that staff members have the knowledge and skills required by the higher position and will bolster their professional and personal development.

### Top Management's Mentoring of Personnel in the Stars Pool

Personnel in the talent pool – Stars Pool – receive mentoring sessions from Assistant General Managers in order to enhance their personal and professional development.

## ASSESSMENT OF OUR ACTIVITIES IN 2017

### Management Trainee Pool

The Bank issued a set of procedures for the Management Trainee Pool and shared the information with the entire organization to ensure transparency. According to the rules issued, the Pool was formed mid-year. Subsequently, manager development training was completed. The Bank started receiving assessment service from Baltaş to evaluate personnel in the Management Trainee Pool.

### Authorized Personnel Pool for Auxiliary Personnel

Bank staff with the title Auxiliary Personnel/ Security Officer, who have at least a two-year university diploma, were given the chance to transition to the position of Authorized Personnel. Employees meeting the criteria underwent an exam and interview. Successful staff members were taken to the Authorized Personnel Pool, to be promoted when needed by the Bank.

### Eco-friendly Practices at Albaraka Türk

Along its vision of becoming "The World's Best Participation Bank," Albaraka Türk executes its business operations in line with the objective of sustainable banking. Pursuant to its core values, the Bank is committed to adopting eco-friendly policies in all its business activities and supporting projects for this purpose.

Thanks to efforts to boost water and energy efficiency, reduce carbon emissions and improve indoor quality at Headquarters, Albaraka Türk demonstrated its respect toward human health and the natural environment. In addition, the Bank obtained green building LEED Gold Certification, a major indicator of success in its sustainability approach.

To make its sustainability approach more concrete, the Bank issued an Environmental Policy as part of its application to the BIST Sustainability Index. The Policy was submitted to the Board of Directors for approval.

For the first time, the Bank also participated in the Carbon Disclosure Project. CDP was established to change the world of business world by reducing the impact of climate change and protecting natural resources. We made a good start by receiving a score "C" in 2017.

The Carbon Disclosure Project is a UK-based company, which represents 534 of the world's largest investors with investments totaling USD 64 trillion. CDP guides investors by calculating their carbon emissions and disclosing these figures to shareholders and the general public.

The Bank's main activities carried out in 2017 for protection of the environment included the following:

### Environment, waste management and energy efficiency

- » The Bank started using vehicles with 70% less exhaust emission compared to gasoline and diesel vehicles.
- » An eco-friendly solution is used instead of harmful salt during ice and snow events.
- » Ecolabel certified chemical cleaning materials are used at Headquarters.
- » The Bank conducts research studies to enrich green areas at Headquarters with a less water consuming single plant structure. Selecting native types of flowers and trees in landscaping is prioritized. Guano is preferred instead of fertilizer to extend soil life.
- » Instead of artificial fertilizers, organic fertilizers were used for the landscaping work at the Head Office building to improve the soil structure.
- » Eco-friendly pest control barriers were set up at the Head Office building to fight pests. Pest control is made only when needed for a minimal effect on the natural environment at Headquarter building.
- » Efforts were made to reduce light pollution at Headquarters.





#### Grey Water and Artesian Water

- » Treated artesian water rather than city water is used in the toilets and sinks of the Headquarters building.
- » Treated artesian water rather than city water is used in garden irrigation and decorative pools.
- » A gray water system was established to filter and treat used water from the sinks at Headquarters; the resulting water is used in the reservoirs.

#### Emergency activities

The Bank regularly undertakes emergency management studies to ensure the safety of customers, employees, documents, computer systems and data against possible damages that may arise at Headquarters and the branches. These efforts are relevant to all employees, assets, activities and systems of the Bank in the event of acts of God, terrorist acts, economic crisis, civil movements, system damages, workplace movements and other such unexpected and extraordinary situations. During 2017, the following measures were taken at the Bank:

- » Emergency training was given to the emergency crews at Headquarters and the branches.
- » The annual evacuation drill, conducted to raise the awareness of Headquarters employees, was held in 2017.

#### Occupational Health and Safety

Pursuant to Occupational Health and Safety Law number 6331, the Bank has assigned an Occupational Safety Specialist at the workplace. The Occupational Safety Specialist also periodically visits the branches. At the branch visits, s/he oversees the following:

- » Preparing Risk Analysis
- » Preparing Emergency Plan
- » Setting up emergency crews
- » Drafting floor plans
- » Conducting evacuation drills
- » Delivering occupational health and safety training (first aid training, OHS training, emergency training)
- » Determining OHS needs

As part of these efforts, the Occupational Safety Specialist visited all the Bank's branch locations in 2017. At all the branches, the following files/folders were created: Observation and Suggestion Notebook, Procedures Notebook, Annex-2 Recruitment/Periodical Health Check Form, Risk Analysis, Branch Emergency and Business Continuity Management Plan, OHS Officer Reports (Specialists-Doctors), Training Certificates, Annual OHS Activity Plan and Prescription.

#### Social Contributions of Albaraka Turk

As a well-established institution in the participation banking sector with a strong corporate culture and core values, Albaraka Türk has undertaken various efforts to add value to society in 2017.

Albaraka Türk makes regular donations to Bereket Foundation. In 2017, the Bank donated TL 5.1 million to the Foundation to fund social responsibility projects in education, health care, the environment, culture, sports, classical arts, and social development.

## ASSESSMENT OF OUR ACTIVITIES IN 2017

### **Albaraka Art Academy and Gallery**

For many years, Albaraka Türk has been engaged in various activities related to calligraphy due to the importance it places on this art form. As part of its efforts to reinvigorate the centuries-old art of calligraphy and support artists, the Bank established Albaraka Art Academy and Gallery to operate in the area of classical Turkish Islamic arts.

Albaraka Türk CEO Melikşah Utku and Turkish Culture and Tourism Minister Nabi Avcı participated in the inauguration of Albaraka Art Academy and Gallery. This institution was established for the purpose of maintaining the cultural heritage of the past and passing it along to future generations. The Center consists of two main sections: art workshops and art gallery. It will not only enable art enthusiasts to enjoy major works of art, but also serve individuals of all ages with courses on diverse disciplines – calligraphy, gilding, ebru and ney – on both weekdays and weekends.

To date, Albaraka Türk has made important contributions to the development of calligraphy throughout the world with exhibitions consisting of major art works. Now, the Bank plans to host in the gallery section various exhibitions of classical Turkish Islamic arts. At the same time, Albaraka Academy will provide free courses on the classical Turkish Islamic Arts and open up space for artists working in this area.

### **Kindness Club**

Albaraka Türk established the Kindness Club to support the employees to take place in social responsibility projects on a voluntary basis. Within the Club, volunteer participants offer support to people in need and engage in charitable activities.

The Kindness Club has conducted a wide range of activities thus far. These include organizing visits to amusement parks for Syrian children, collecting food and clothes for families in need during Ramadan, furnishing clothing and shoes to needy children in villages, and providing clothing aid for youth in Aleppo. The Club also undertakes social responsibility studies to be more active and effective.

### **Contributions to Education from Bereket Foundation**

Bereket Foundation was established in 1986 and obtained the tax exemption right with the decision of the Council of Ministers dated November 21, 1990 and numbered 90/1182.

The main objectives of the Foundation include:

- » Preparing opportunities for talented but needy students studying at every level to provide their education, providing them with cash support and in kind assistance,
- » Granting scholarships to students for practical application, specialization and scientific research, graduate and postgraduate studies in the country and abroad,
- » Making investment expenditures required for education,
- » Supporting needy people with cash support and in kind assistance.

Since 1987, Albaraka Türk Bereket Foundation has granted a scholarship opportunity to 18,061 students in total, 92% for graduate and 8% for postgraduate studies. Scholarships are granted regardless of the areas of study, to deserving students across the country. In addition, periodic educational support is provided to support specialization and scientific research abroad.

In 2017, scholarships were extended to 1,973 students in total, 1,901 graduate and 72 doctorate students.



**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO BOARD OF DIRECTORS  
ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH TO ENGLISH**

To the Board of Directors of Albaraka Türk Katılım Bankası Anonim Şirketi

**1) Opinion**

We have audited the annual report of Albaraka Türk Katılım Bankası Anonim Şirketi ("the Bank") for the period between 1 January 2017 and 31 December 2017.

In our opinion, unconsolidated financial information included in the annual report and the analysis of the Board of Directors about the unconsolidated financial position of the Bank is consistent, in all material respects, with the audited complete set of unconsolidated financial statements and information obtained during the audit and provides a fair presentation.

**2) Basis for Opinion**

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette Numbered 29314 dated 2 April 2015 by BRSA and the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3) Auditor's Opinion on Complete Set of Unconsolidated Financial Statements**

We have expressed an unmodified opinion on the complete sets of unconsolidated financial statements of the Bank for the period between 1 January 2017 and 31 December 2017 on 20 February 2018.

**4) Board of Directors' Responsibility for the Annual Report**

In accordance with the Articles 514 and 516 of the Turkish Commercial Code Numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

- a) The Bank's management prepares its annual report within the first three months following the reporting date of statement of financial position and submits it to the general meeting.
- b) The Bank's management prepares its annual report in such a way that it presents accurately, completely, directly, true and fairly the flow of annual operations and unconsolidated financial position of the Bank. In this report, the financial position of the Bank is assessed in accordance with the Bank's unconsolidated financial statements. The annual report shall also clearly state the details about the Bank's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.
- c) The annual report also includes:
  - Significant events after the reporting period,
  - The Bank's research and development activities.
  - Employee benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also consider the related regulations issued by the Ministry of Customs and Trade and related institutions.

**5) Auditor's Responsibility for the Audit of the Annual Report**

Our objective is to express an opinion on whether the unconsolidated financial information included in the annual report and analysis of the Board of Directors in relation to the unconsolidated financial position of the Bank is consistent with the audited unconsolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that include this opinion in accordance with the TCC and the Regulation.

We conducted our audit in accordance with the BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards are required that compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the unconsolidated financial information included in the annual report and analysis of the Board of Directors for the unconsolidated financial position of the Bank is consistent with the unconsolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative



**Alper Güvenç, SMMM**  
Partner

7 March 2018  
İstanbul, Turkey

## BOARD OF DIRECTORS



### **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 master degree. He commenced his banking career in 1973 at Habib Bank. He worked at the American Express Bank between the years of 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 Chairman of ABC Islamic Bank (EC). He took office as the CEO of Bahrain Islamic Bank during 2002-04 and two terms (2007-2013) served as the Chairman of the Board of the Arab Bankers' Union in Lebanon. Since August 2004, he has been working as a board member and CEO of the Albaraka Banking Group (ABG). In the board of directors of several banks in ABG family, Adnan Yusuf is either a member or chairman. 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 awarded by LARIBA American Finance House the 2012 "LARIBA Award for Excellence in Achievement", in recognition of his leadership role in consolidating and operating the largest diversified Islamic Banking Group in the world. Mr. Yusuf has been awarded the Accolade of the Sudanese Presidency for Excellency in Social Responsibility in December 2015. Dec. 2016 Mr. Adnan Yusuf was decorated with the Title of "High Commissioner to preach the United Nations Sustainable Development Goals 2030". He also won the Gold Award for Sustainable Development in recognition of his major role in the social responsibility projects both nationally and internationally, as well as recognition for the leadership of Al Baraka Group in the field of Corporate Social Responsibility at Oman International Conference on Social Responsibility 2016. Mr. Yusuf has been elected during 2017 as the Chairman of Bahrain Association of Banks. He has been the Chairman of the Board of Directors, Credit Committee and Remuneration Committee of Albaraka Türk since April 2005. He is also the Chairman of the Executive Committee.



### **Yalçın Öner** **Vice Chairman**

Yalçın Öner was born in 1938 in Kastamonu. He had his degree from the Faculty of Political Sciences at Ankara University and received his master's degree at Minnesota University (USA) on Public Administration. He started his professional career in 1959 at the Ministry of Finance as tax inspector. Later on, he worked for the Devlet Yatırım Bankası between 1972-78 and for Yatırım Finansman Investment A.Ş. after 1978. He became the first general manager of Albaraka Türk in 1985 and held this position until 1996. Yalçın Öner has been

board member since 1996. He was the board member responsible for internal audit and Risk Management from 1996 till April 2000. He took office in our Bank as Executive Board Member between March 1996 and January 2007. During the period December 2006 - April 2008 he was a board member responsible from internal systems and Audit Committee members of Albaraka Türk. Having served as member of Credit and Executive Committee, Mr. Yalçın has been Vice Chairman of the Board of Directors since April 2000 and serves as Vice Chairman of Executive Committee.



**Osman Akyüz**  
**Executive Board Member**

He was born in 1954 in 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 (STFA) 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 (January 1992-January 1994), Assistant General Manager (January 1994-December 1995) and General Manager of

the Bank (January 1996-March 2002). Osman Akyüz was an Executive Board Member in our bank from 2001 to 2017 and he has been Board Member since April 2000. He holds the membership of Credit Committee and Executive Committee. Mr. Akyüz also holds a position in the Union of Turkish Participation Banks as secretary general since July 2002, board membership in the Istanbul Chamber of Commerce since April 2005 and Board Member in the Borsa Istanbul between 2012-15. He is also the Chairman of Development Board In Istanbul Development Agency, Board Member of Sinpaş Real Estate Investment Trust Co. and Board Member of EYG Real Estate Portfolio Management Inc.



**Ibrahim Fayeş Humaid Alshamsi**  
**Board Member**

He was born in 1949 in the Ajman city of the United Arab Emirates (UAE). Mr. Ibrahim Fayeş had his degree in Economics from the Arab University of Beirut in Lebanon in 1972. He commenced his professional career in 1969-1971 at Bank of Oman as Current Accounts Chief. Later on he became the manager of its Ajman branch (1971). In between 1972-76, he held the following positions: Manager of Financial Affairs at the Ministry of Housing & Town Planning of UAE. He worked as Assistant General Manager at Abu Dhabi Fund for Arab Economic Development between 1976-89; Board Member for European

Arab Bank Holding in Luxembourg (1978), Board member for Industrial Bank of UAE (1983-1999), Board member for Austrian Conference Centre Co in Vienna (1984) and Board member for Dubai Islamic Bank (1998-2001). He also worked as chairman of UAE Bangladesh Investment Co in Bangladesh (1988-1989), and Board of the Arab Fund for Economic & Social Development in Kuwait (1983-2010). He has been the Chairman and CEO of the Emirates Islamic Bank in Dubai between 2004 and 2011. Later on, his own company AlRabiah Trading Co. (Dubai). He has been a board member of Albaraka Türk since April 2005. He is also the member of Corporate Governance and Sustainability and Social Responsibility Committee.



**Hamad Abdulla Ali Aloqab**  
**Board Member**

He was born in 1970 in the city of Manama, the capital of Bahrain. Mr. Aloqab 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. Aloqab 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. Between February 2005-2015, he has worked at ABG in Bahrain, as senior vice-president responsible for financial control. Since 2015, he has been serving as Assistant General Manager responsible for Finance at ABG. Currently he is Chairman of the Accounting Standard Board of AAOIFI and also board and audit committee member in Jordan Islamic Bank and AlBaraka Algeria. He has been holding a CPA (Certified Public Accountant) certificate and CGMA (Chartered Global Management Accountant). He began the position of a member of the Board of Directors and the Chairman of Audit Committee in April 2008. He held the position of the Chairman of Audit Committee from April 2011 to April 2017 and he has been a member of Executive Committee since April 2017.

## BOARD OF DIRECTORS



### **Fahad Abdullah A. Alrajhi** 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 Company, Raysut Cement at Oman and Najran Cement. Mr. Fahad was a member of Corporate Governance Committee from March 2008 to March 2017. He has been a member of our Board of Directors and the Corporate Management Committee since March 2008.



### **Hood Hashem Ahmed Hashem** Board Member

He was born in 1965 in Bahrain, graduated from the faculty of Computer Science and Engineering at King Fahd University of Petroleum & Mineral in 1989 and completed MBA program in 2005 at University of Glamorgan Cardiff, UK. Mr. Hashem worked as Senior Analyst at Bahrain National Oil Company between 1989 and 1996, and in August 1996 joined the Arab Insurance Group (ARIG) as Senior Systems Software Developer. As a Senior Consultant, Mr. Hashem worked in Bahrain for airlines computer datacenter of the Sabre Group during 1998-99 and at Arthur Anderson in 1999

and 2000. Mr. Hashem, who worked as Senior IT Manager in Bahrain Islamic Bank between 2000 and 2007, joined Albaraka Banking Group (ABG) in February 2007. Mr. Hashem is a Certified International Project Manager (CIPM) and Certified Information Systems Auditor (CISA). Hood H.A. Hashem was appointed as a Board and Audit Committee member of Albaraka Türk in March 2011. He is a member of Audit Committee of Albaraka Türk. He is also currently a member of the Board of Directors, Risk Management Committee and IT Governance Committee at Jordan Islamic Bank.



### **Prof. Dr. Kemal Varol** Board Member

Kemal Varol who was born in 1943 in Iğdır, had his masters degree on the Textile Chemistry from the Institute of Science and Technology of Manchester University in 1965 where he had also completed his Doctorate in 1968. Since 1974, Mr. Varol has been working as a senior manager in numerous companies including the Sümerbank where he worked as General Manager and Chairman of the Board. He is currently working as an Associate Professor at Istanbul Commerce

University. Kemal Varol was appointed as the Independent Board Member to the Board of Albaraka Türk in 2013 and he was also the chairman of Corporate Governance Committee from July 2014 to March 2017. He is a member of Credit Committee.



**Muhammad Zarrug M. Rajab**  
**Board Member**

He was born in Tripoli, Libya in 1937. He graduated from the Department of Accounting at the University of Libya, and he worked at the same university between 1967-1969. He received the Chartered Accountant Certificate (FCA) in the UK in 1967. He worked as a general inspector at the Libyan Court of Accounts between 1969-1972 and 1992-1994. He served as Secretary of Treasury in Libya between the years 1972-1980. He took senior positions in the Libyan Foreign Investment Institution between 1985-1987 and 2004-2006. He served as Governor of The Libyan

Central Bank in 1987 and 1990. Later, he worked for the Libyan Development Bank between 1994-2004. He assumed board memberships at Banca UBAE between 1996-2004, Islamic Development Bank (Jeddah) between 1994-2008, ITFC (International Trade Finance Cooperation-a subsidiary Islamic Development Bank) and Bahrain Islamic Bank between 2006-2011. Then he retired from Libyan Government duties in 2011. Rajab, who has been serving as Board Member in Al-Mizan Bank (Pakistan) was also appointed Board Member of Albaraka Türk as the date of 2015 and he serves as the Chairman of the Corporate Governance Committee.



**Dr. Bekir Pakdemirli**  
**Board Member**

Bekir Pakdemirli was born in İzmir in 1973. After graduating from Bilkent University, Faculty of Business Administration, he completed his Master's degree in Management at Baskent University and his PhD degree in Economics at Celal Bayar University. Mr. Pakdemirli has been an entrepreneur in food, computer and automotive industries, besides taking roles in the establishment and management of various companies. During his career, he also served as the General Manager of a ceramics company, which is among the 500 industrial companies in Turkey and a publicly-traded food company. He has served in executive management positions at McCain Foods, a multinational company, and still offers consultancy services to McCain Company. Mr. Pakdemirli is a Board Member

at Turkcell İletişim Hizmetleri A.Ş. and Albaraka Türk Participation Bank. He also serves as Board Member at Tarkem, Fintur Holdings B.V., Kule Hizmet ve İşletmecilik A.Ş., and Turkcell Enerji Çözümleri ve Elektrik Satış Ticaret A.Ş.; Vice-Chairman of Turkcell Ödeme ve Elektronik Para Hizmetleri A.Ş.; Deputy Chairman of Kıbrıs Mobile Telekomünikasyon Ltd.; and Chairman of Turkcell Finansman A.Ş. Mr. Pakdemirli also continues his roles as a member of the Board of Directors of Tarkem-Tarihi Kemeraltı A.S., Turkish Foundation for Mental Healthcare, as well as being a member of the Board of Trustees of Anatolian Autism Foundation and a member of Capital Markets Investors Association with his attention to social responsibility. Assigned to the position of Board Member in February 2016, Mr. Pakdemirli has been serving as the Chairman of Sustainability and Social Responsibility Committee.



**Mustafa Büyükbacı**  
**Board Member**

Mr. Büyükbacı graduated from Boğaziçi University, Department of Industrial Engineering and earned his master's degree in the same field in 1984. He then worked as a research associate at the same department. From 1989 onwards, he assumed various management roles at capital markets and investment firms, mainly focusing on Asset/Portfolio Management and Investment. In 1993, he joined Yıldız Holding as the Founding Director and Board Member of Taç Investment Trust. In addition, he served as Capital Markets and Financial Advisor at Yıldız Holding with regard to capital, commodity and money markets; and as Board Member at Family Finans and other group companies. He founded Bizim Securities, where he worked as Founding Director and Board Member. Mr. Büyükbacı founded the

real estate division of Yıldız Holding, turning real estate operations into a major line of business. He worked as Founding President of the Real Estate Group. He left Yıldız Holding at the end of 2010. Later, he founded his own investment company, where he continues to engage in investments in agriculture, livestock, real estate and capital markets. Between 2013 and 2016, Mr. Büyükbacı served as Board Member at Borsa İstanbul. He also served as Independent Board Member at BİM Birleşik Mağazalar A.Ş. and Albaraka Portföy Yönetimi A.Ş. Mr. Büyükbacı has been serving as Board Member, Chairman of the Audit Committee and Member of the Corporate Responsibility Committee at Albaraka Türk Katılım Bankası A.Ş. since April 2017. He is also the Vice Chairman of the Board of Trustees at İstanbul Sabahattin Zaim University.



## BOARD OF DIRECTORS



### **Dr. Khalid Abdulla Mohamed Ateeq** **Board Member**

Dr. Khalid A. Ateeq was born in 1955 in Bahrain. He earned his Bachelor's Degree in Accounting and Finance from the University of Kuwait and his MBA from Armstrong University in the United States. He then completed his Ph.D. in Accounting in 1992 at the University of Hull in the U.K. Dr. Ateeq began his career in 1978 as a Financial Accountant at the Bahrain Ministry of Foreign Affairs. Between 1979 and 1981, he worked as a Financial Analyst at Bahrain Islamic Bank, and later as Senior Accountant at Gulf Petrochemical Industries Company from

1981 to 1982. He was a lecturer in Banking, Accounting and Finance at the University of Bahrain between 1984 and 1988, and Associate Professor in Accounting and Audit at the same university from 1992 to 1993. Dr. Ateeq served as Executive Director of Banking Supervision at the Central Bank of Bahrain (1993-2005), and Deputy General Manager at Venture Capital Bank (2005-2012). Since 2013, he has been working as General Manager and Board Member at Family Bank. Dr. Ateeq was appointed as Board Member at Albaraka Türk in April 2017.



### **Melikşah Utku** **Board Member and 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 Master's Degree on economic development in Marmara University (Istanbul, 1998). In 2004, he served as consultant to General Manager of Albaraka Turk. In May 2006 - Temmuz 2007, he was chief economist in Albaraka Turk. In addition, he was an economics columnist for Yeni Şafak newspaper for over 10 years (1995-2009). He later worked as Investor Relations Manager

from 2007-2009. He continued as CIO - Assistant General Manager in December 2009 and was appointed as CFO - primarily responsible for Financial Affairs, Budget and Financial Reporting and Corporate Communication Departments. He was a board member of Borsa Istanbul from 2013 to 2016. As the General Manager of Albaraka Türk as of October 2016 Utku continued his duty, as well as Chairman of the Board of directors of Turkey Union of Participation Banks (TKBB) , Bereket Varlık Kiralama A.Ş. , Katılım Emeklilik ve Hayat A.Ş. ile Albaraka Portföy Yönetimi A.Ş. , Albaraka Portföy Yönetimi A.Ş. , Katılım Emeklilik ve Hayat A.Ş. He is a member of Executive Committee, Credit Committee and Remuneration Committee.



## SENIOR MANAGEMENT



**Melikşah Utku**  
**Board Member and General Manager**

Please see Board of Directors page for the CV of Melikşah Utku.



**Turgut Simitcioğlu**  
**Deputy General Manager (CMO)**

Born in Erzurum in 1961, Mr. Simitcioğlu received his degree from Education Faculty in King Suud University (Saudi Arabia, 1989). He had master degree on business administration from Fatih University. He started his professional career as an officer in Albaraka Türk (1990), then in fund allocations (1990-1995), positions within the central branch. (1995-2001) 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 December 2009, he was appointed as Assistant General Manager primarily responsible for Credit Operations, International Banking Operations, Payment Systems Operations, Risk Follow-Up and Banking Services Operations Departments. He is currently serving as Deputy General Manager and Senior Assistant General Manager. As part of his responsibilities, Simitcioğlu is in charge of the Assistant General Manager - Sales, Assistant General Manager - Marketing, and Assistant General Manager - Treasury and Financial Institutions functions.

## SENIOR MANAGEMENT



### **Mehmet Ali Verçin** **Deputy General Manager (COO)**

Mr. Verçin was born in 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 Türk 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 Türk. Mr. Verçin was appointed as Marketing General Manager in 2013, and Assistant General Manager in 2005. Having served as Assistant General Manager responsible for Marketing, Treasury Marketing, and Investment Projects; Mr. Verçin serves as Senior Assistant General Manager and Deputy General Manager. As part of his responsibilities, Verçin in charge of the Assistant General Manager - IT, Operations and Human Values functions.



### **Temel Hazıroğlu** **Assistant General Manager**

Mr. Hazıroğlu was born in Trabzon in 1955. After receiving his degree from Kabataş High School, he completed the Department of Mathematical Engineering in Istanbul Technical University and completed his Masters Degree in Management Department of Social Sciences Institute at Istanbul Sabahattin Zaim University. 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. He was

the founding manager of Albos that was the first interest free banking automation system. Between 1992 and 1995, he worked in the trading sector and 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. Hazıroğlu had been Assistant General Manager between 2003 and 2017 primarily responsible for IT, Human Values, Training and Organization Departments. Since 2017 he has been Assistant General Manager responsible for Finance and Strategic Planning Department.



**Nihat BOZ**  
**Legal Affairs 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 served as Assistant General Manager responsible for Legal Advisory and Legal Follow-Up Departments of Albaraka Turk from 2009 to 2017. Since January 2017 He has been the Assistant General Manager for Legal Advisory.



**Süleyman Çelik**  
**Assistant General Manager**

He was born in Samsun in 1963. He graduated from Marmara University, Faculty of Economics and Administrative Sciences, Public Administration Department. In 1988, he started his working life in the Foreign Operations Department at the Albaraka Turk Participation Bank. Respectively, he worked in the Foreign Operations Department between 1988 and 1996, Fatih Branch between 1996 and 1997, and Ümraniye Branch between 1997 and 2000. Between 2000 and 2011, respectively, in

Türkiye Finans he was a manager at Ümraniye and Sultanhamam Branches, Credit Operation Department and Human Resource Department. In 2011, he became a manager in the Üsküdar Branch. In 2012, he was appointed as a manager of Human Values Department and continued this duty until 2017. He was appointed as an Assistant General Manager in the month of January 2017 and he is responsible for Human Values Department, Administrative Affairs Department, Construction and Real Estate Department, Training and Career Development Department.



**Nevzat Bayraktar**  
**Assistant General Manager**

Nevzat Bayraktar was born in Bayburt in 1969 and graduated from Eskişehir Anadolu University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1993. Between 1993-1994, he studied English at Leeds Metropolitan University in England. He holds the certificate of Public Accounting, Financial Consultancy and Independent Auditor. After working in Esbank for about a year in Foreign Trade Department in 1995, he started

to work as Assistant Specialist in Albaraka Türk Project and Marketing Department in 1996. In 2003, Bayraktar continued to work as the second manager in the Central Branch. Between 2010 and 2016, Bayraktar became the manager of the main branch. As of January 2017, he was appointed as Assistant General Manager and he is responsible for Corporate Sales Department, Commercial Sales Department, Retail Sales Department, Regional Dept. & Branches.

## SENIOR MANAGEMENT



**Fatih Boz**  
**Assistant General Manager**

He was born in Edirne in 1973. In 1995, he graduated from the Faculty of Political Sciences, Ankara University. He has a master's degree in political science from the same school. In 1995-1998, he worked as a director for various companies. In 1998, he joined Albaraka Türk family as an inspector assistant in the Inspection Board. In 2003, he served as Deputy Director of Operations Department, Branch Manager in 2006-2009, Manager at Project Management

Department in 2010-April 2011, and later as Credits Operations Manager. In January 2017 he was appointed as Assistant General Manager responsible for central operations 2017 and he is Assistant General Manager responsible for Collateral Management Department, Banking Services Operations Department, Foreign Trade Operations Department, Payment Systems Operations Department, Credits Operations Department.



**Hasan Altundağ**  
**Assistant General Manager**

He was graduated from Ankara University, Faculty of Political Sciences, Department of Economics. In 1986 he started to work for Yapı Kredi Bank as an auditor in the Audit Department. Until 1999, he served as Auditor, Operations Director and Operations Field Director respectively. He served as Branch Manager at one of the participation banks for the period between 1999-2004. In March 2004, he started working in Albaraka Türk Participation Bank and

from 2004 to 2005 he worked as Sultanhamam Branch Manager. He served as Regional Manager of Marketing at Albaraka Türk between 2005 and 2011, Director of Transformation Administration Office between 2011 and 2013, and Manager of Strategy and Corporate Performance Management between years 2013-2016. As of January 2017, he was appointed as Assistant General Manager responsible for Marketing. He is responsible for Product Management Department, Alternative Distribution Channels Department, Marketing Department and Corporate Communication Department.



**Deniz Aksu**  
**Assistant General Manager**

Deniz AKSU, graduated from Middle East Technical University, Economics, started his banking career as a corporate portfolio manager in Pamukbank in 1995. He became Bursa District Manager in Yapı Kredi Leasing Corporation in 1997. After 1998, he continued his career as Corporate and Commercial Sales Head in CitiBank and in 2008 he got Senior Branch Manager position in HSBC. Aksu joined Albaraka Turk Participation Bank family in

2012 and after working as Corporate Marketing Department Head for 5 years, he became Assistant General Manager Responsible for Credit Risk in 2017. Aksu has 23-year work experience in financial markets is responsible for Credit Intelligence Management, Credit Risk Monitoring Management, Collection Management and as an Assistant General Manager Responsible for Legal Follow-up Management.



**Malek Khodr Temsah**  
**Assistant General Manager**

Mr. Temsah was born in 1981 in Beirut, Lebanon. He received his Bachelor of Business Administration from The George Washington University in 2003 and his MBA from Thunderbird, the Garvin School of International Management in 2006. Mr. Temsah began his career in 2003 at Bank of America Business Banking in Washington D.C., followed by his tenure at the London-based European Islamic Investment Bank between 2007 and 2009.

In 2010, he joined Albaraka Banking Group in Bahrain, where he established and managed the Sukuk department until 2014. Since 2014, Mr. Temsah has been working at Albaraka Türk as Assistant General Manager responsible for Treasury and Investment Banking Department and Financial Institutions and Investor Relations Department. He also serves as Board Member and Member of Remuneration and Audit Committees at one of Morocco's first participation banks.



**Cenk Demiröz**  
**Assistant General Manager**

Mr. Demiroz was born in Istanbul in 1973. He received his B.A. and M.A. degree in Economics from Bogazici University (1996 - ranking first within 119 Economics Graduates) and Cornell University (2000) respectively. He started his career as a Corporate RM at HSBC Bank and served as Assistant Manager, Manager and Senior Manager between 2002 and 2010 in Corporate and Commercial Credit Department. In 2010, he joined ING Bank as Co-Head of Commercial and

SME Credit & Risk. He returned back to HSBC Bank in November 2010 assuming a Director role responsible for Corporate, Commercial and Financial Institutions Credit Approvals and Counterparty and Market Risk Management. Since February 2017, he has been as Assistant General Manager responsible from Albaraka Turk Corporate, Commercial and Retail Lending.

# ORGANIZATIONAL CHART

## BOARD OF DIRECTORS

Adnan Ahmed Yusuf Abdulmalek, Yalçın Öner, Hood Hashem Ahmed Hashem, Fahad Abdullah A Alrajhi, Bekir Pakdemirli, Khaled Abdulla Mohamed Ateeq, Mustafa Büyükabacı, Melikşah Utku

### Executive Committee

Adnan Ahmed Yusuf Abdulmalek  
Yalçın Öner  
Osman Akyüz  
Hamad Abdulla Ali Aloqab  
Melikşah Utku

**Credit Committee**  
Adnan Ahmed Yusuf Abdulmalek  
Osman Akyüz  
Kemal Varol  
Melikşah Utku

**Risk Follow-Up Committee**

**Consultancy Committee**  
Abdul Sattar Abu Guddah  
Ahmed Mohieldin Ahmed Hassan  
Hayrettin Karaman  
Hamdi Döndüren

**Participation Banking Principles Internal Control Management Service**

## GENERAL MANAGER

Melikşah Utku

**General Management Corporate Credits Committee**

**Risk Assessment Committee**

**Public Relations, Communication and Social Responsibility Committee**

**Asset/Liability Management Committee**

**Customer Experience Committee**

**Strategic Planning Committee**

**IT Strategic Planning Committee**

## Business Senior Assistant General Manager

Turgut Simitcioğlu

**Assistant General Manager (Sales)**  
Nevzat Bayraktar

**Corporate Sales Dept.**  
Barış Kösten

**Commercial and SME Sales Dept.**  
Zeki Akman

**Retail Sales and Private Banking Dept.**  
Yusuf Okur

**Regional Offices**

**Assistant General Manager (Marketing)**  
Hasan Altundağ

**Products Management Dept.**  
Erdal Sezer

**ADC (Alternative Distribution Channels) Dept.**  
Yasemin Aydın

**Corporate Communications Department**  
Burak Yedek (Deputy)

**Marketing Department**  
Mete Şahin

**Assistant General Manager (Treasury and FI)**  
Malek Khodr Temsah

**Treasury and Investment Banking Dept.**  
Neziğ Dolmacı

**Financial Institutions and Investor Relations Dept.**  
İhsan Fehmi Sözkese

**Investment Projects Dept.**  
Rıza Tonyukuk Tosunlu

**Assistant General Manager (Credits)**  
Cenk Demiröz

**Corporate Credits Dept.**  
Nihat Bulut

**Commercial Credits Dept.**  
Muhammet Faruk Torlak

**Retail Credits Dept.**  
Neziğ Yavuzoğlu

**Assistant General Manager (Credit Risk)**  
Deniz Aksu

**Credit Intelligence Dept.**  
Numan Dağ

**Credit Risk Monitoring Dept.**  
Ahmet Koç

**Collection Dept.**  
Kemal Yayla

**Legal Follow-Up Dept.**  
Hilmi Karakuş

**Assistant General Manager (Finance)**  
Temel Hazıroğlu

**Process Management and Organization Dept.**  
Yakup Sezer

**Financial Reporting Dept.**  
Yunus Ahlatçı

**Financial Affairs Dept.**  
Fehmi Göl

**Strategic Planning Dept.**  
Osman Çelebi

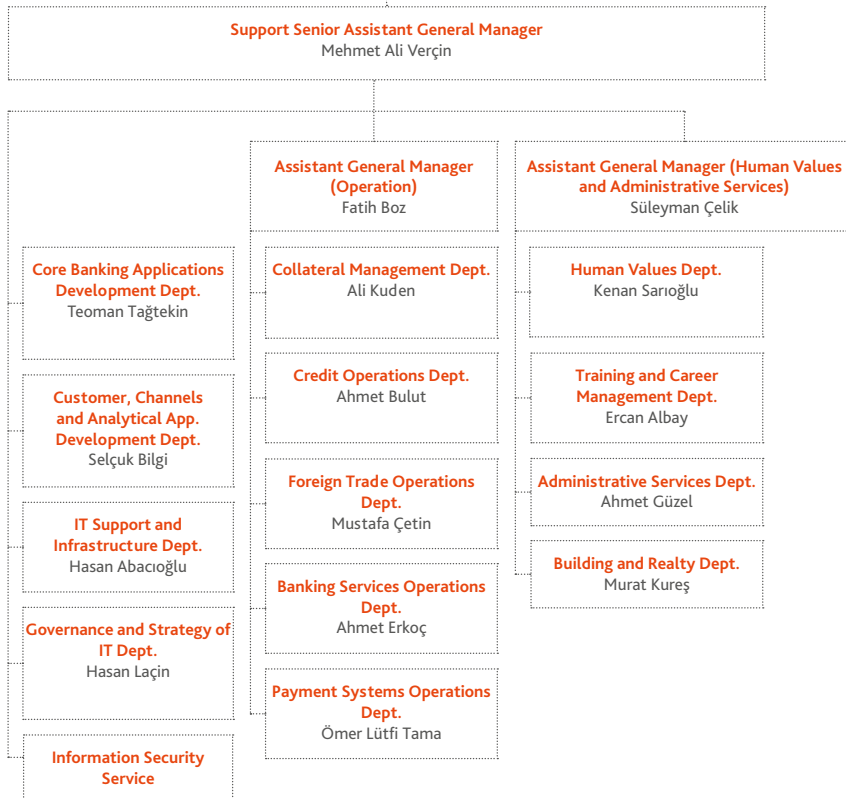
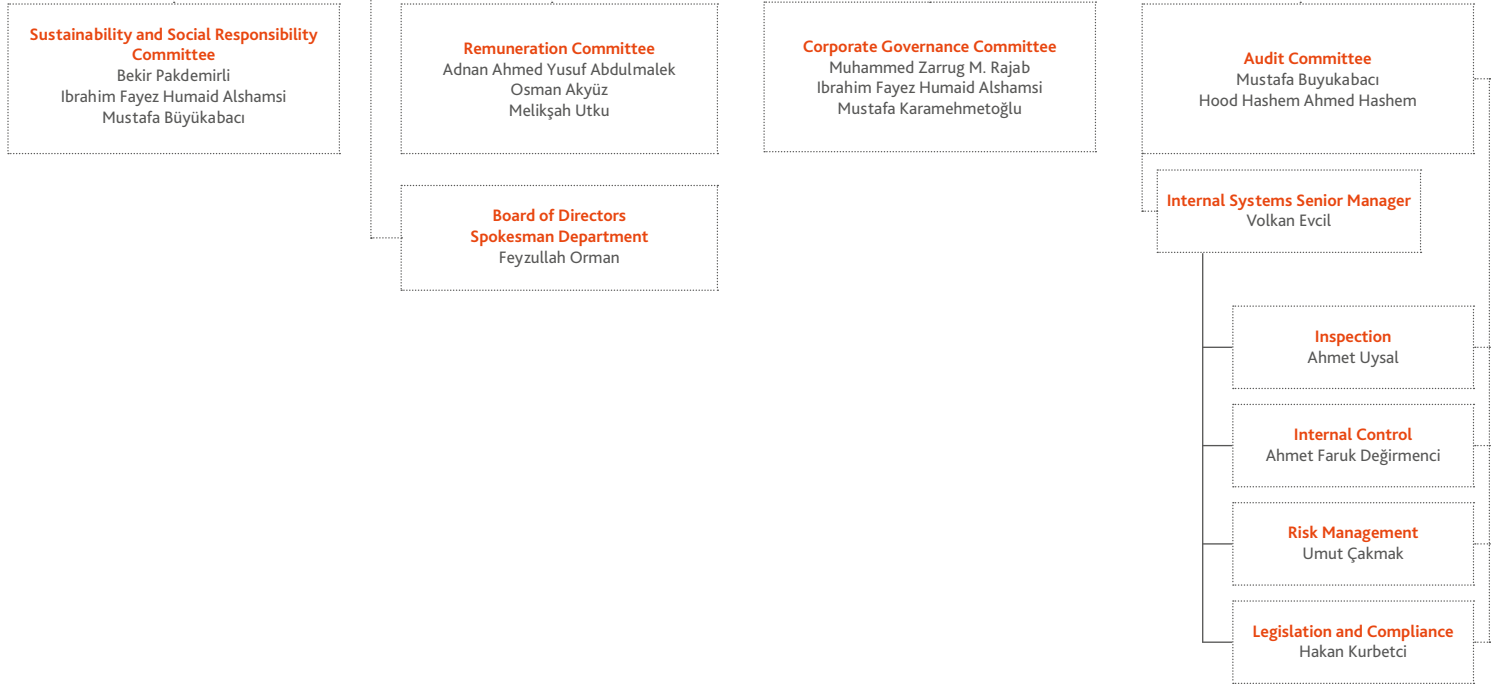
**Data Management Service**

**Assistant General Manager (Legal Advisory)**  
Nihat Boz

**Legal Advisory**  
Hasan Avşar



Ibrahim Fayeز Humaid Alshamsi, Osman Akyüz, Hamad Abdulla Ali Aloqab, Kemal Varol, Muhammad Zarrug M. Rajab



**INFORMATION ON  
THE BANK'S BOARD  
OF DIRECTORS  
AND SENIOR  
MANAGEMENT**

<b>Position</b>	<b>Name-Surname</b>	<b>Education</b>	<b>Inception at Work</b>	<b>Experience in Banking Sector</b>	<b>Share (%)</b>
<b>Board of Directors</b>					
Chairman	Adnan Ahmed Yusuf Abdulmalek	Masters Degree	2017	44	0.00000037
Vice Chairman	Yalçın Öner	Masters Degree	2017	45	-
Board Member	Osman Akyüz	Bachelors Degree	2017	31	-
Board Member	İbrahim Fayez Humaid Alshamsi	Bachelors Degree	2017	47	0.00000037
Board Member	Hamad Abdulla Ali Aloqab	Bachelors Degree	2017	24	0.00000037
Board Member	Fahad Abdullah A. Alrajhi	Bachelors Degree	2017	30	0.00000037
Board Member	Hood Hashem Ahmed Hashem	Masters Degree	2017	17	0.00000037
Board Member	Prof. Dr. Kemal Varol	PhD Degree	2017	9	-
Board Member	Muhammad Zarrug M. Rajab	Bachelors Degree	2017	32	-
Board Member	Dr. Bekir Pakdemirli	PhD Degree	2017	2	-
Board Member	Dr. Khaled Abdulla Mohamed Ateeq	PhD Degree	2017	21	-
Board Member	Mustafa Büyükabacı	Masters Degree	2017	2	-
Board Member and General Manager	Melikşah Utku	Masters Degree	2017	14	-
<b>Senior Management</b>					
Board Member and General Manager	Melikşah Utku	Masters Degree	2016	14	-
Deputy General Manager (CMO)	Turgut Simitcioğlu	Masters Degree	2017	28	-
Deputy General Manager (COO)	Mehmet Ali Verçin	Bachelors Degree	2017	25	-
Assistant General Manager	Temel Haziroğlu	Bachelors Degree	2003	32	0.0342
Assistant General Manager	Nihat Boz	Bachelors Degree	2009	31	-
Assistant General Manager	Süleyman Çelik	Bachelors Degree	2017	29	-
Assistant General Manager	Nevzat Bayraktar	Bachelors Degree	2017	22	-
Assistant General Manager	Fatih Boz	Masters Degree	2017	20	-
Assistant General Manager	Hasan Altundağ	Bachelors Degree	2017	31	-
Assistant General Manager	Deniz Aksu	Bachelors Degree	2017	22	-
Assistant General Manager	Malek Khodr Temsah	Masters Degree	2017	15	-
Assistant General Manager	Cenk Demiröz	Masters Degree	2017	18	-

## 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.

#### MEMBERS OF THE CREDIT COMMITTEE:

President: Adnan Ahmed Yusuf Abdulmalek, Chairman

Member: Osman Akyüz, Executive Board Member

Member: Melikşah Utku, Board Member And General Manager

Member: Prof. Dr. Kemal Varol, Board Member

Reserve Members: Yalçın Öner, Dr. Bekir Pakdemirli

#### 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 canceled,
- » 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 96 times in 2017 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 5411 No. 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.

#### Members of the Audit Committee:

President: Mustafa Büyükabacı, Board Member

Member: Hood Hashem Ahmed Hashem, Board Member

Observer: Hamad Abdulla A. Aloqap, Board Member

Observer: Ibrahim Fayez Humaid Alshamsi, Board Member

Observer: Khaled Abdulla Modamed Ateeq, Board Member

#### 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 four 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 acknowledgment 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 5 times in 2017 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. These have been developed in accordance with CMB's Corporate Governance Principles.

#### b. Organization of the Committee

The majority of committee members are non-executive directors. When found necessary, people who are not members of the board and are experts on their subjects can also be employed in the Committee.

## COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

### Members of the Corporate Governance Committee:

President: Muhammad Zarrug M. Rajab, Board Member  
Member: Ibrahim Fayeز Humaid ALSHAMSI, Board Member  
Member: Mustafa KARAMEHMETOĞLU, Investor Relations Service Manager  
Observer: Khaled Abdulla Modamed Ateeq, 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;
- » The committee convenes at least twice a year. Resolutions can be passed by a majority of the votes at committee meetings. Resolutions are then written down and signed by participating members. All topics on the Sustainability and Corporate Responsibility Committee's agenda must have been discussed beforehand by the Sustainability, Corporate Responsibility and Communications Executive Committee.
- » Overseeing the activities and operations of the Financial Institutions and Investor Relations Department,
- » Establishing a transparent system including policies and strategies for determining, evaluating and training suitable candidates for the Board of Directors and administrative management positions,
- » Evaluating the structure and effectiveness of the Board of Directors on a regular basis, and offering recommendations about necessary changes to the Board of Directors.

### 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 Committee keeps a written record of its activities and submits its reports that include relevant information about its activities and meeting results to the Board of Directors.

The Corporate Governance Committee convened five times in 2017. 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

#### Members of the Remuneration Committee:

President: Adnan Ahmed Yusuf Abdulmalek, Chairman  
Member: Osman Akyüz, Executive Board Member  
Member: Melikşah Utku, Board Member And General Manager

### 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.

The Remuneration Committee convened two times in 2017. All committee members attended all of the meetings.

## 5. SUSTAINABILITY AND SOCIAL RESPONSIBILITY COMMITTEE

### a. Purpose

The goal is to establish Policies that represent the Bank's Core Values and Ethical principles by taking into account the best practices in Sustainability and Corporate Responsibility around the world.

### b. Responsibilities of the Committee

- » Gives priority to considering economic, environmental and social factors as well as corporate governance principles in all Banking operations and decision-making processes in order to raise Corporate Sustainability

awareness across the organization, set sustainable banking targets and to create long-term value.

- » Makes environmental protection a priority for the entire organization, sets ethical rules as necessary, ensures effective management of risks associated with these factors.
- » Makes recommendations to the Sustainability, Corporate Responsibility and Communications Executive Committee concerning Sustainability and Corporate Responsibility projects that will help communicate the Bank's corporate identity, vision and mission to the public, stakeholders, and business partners.
- » Ensures the implementation of projects that are aligned with the Bank's core values and ethical principles by closely following the best practices in Sustainability and Corporate Responsibility around the world.
- » Evaluates the impact of the Bank's operations on society and oversees the implementation of relevant measures.
- » Discusses the issues reported by the Sustainability, Corporate Responsibility and Communications Executive Committee and makes the necessary decisions to resolve them.
- » Cooperates with the relevant committee of Albaraka Banking Group in efforts related to Sustainability and Corporate Responsibility.

### c. Working Principles of the Committee

The Committee convenes at least two times a year. The committee takes the decisions unanimously. The committee makes the decisions in written form and these are signed by the participants.

All topics on the Sustainability and Corporate Responsibility Committee's agenda must have been discussed beforehand by the Sustainability, Corporate Responsibility and Communications Executive Committee.

### d. Organization of the Committee

The one who is appointed by the Committee carries out the reporter and secretariat duty of the Committee. The one is responsible for sustaining and publishing meeting minutes and reports, and coordination in committee operations regarding the guidance of Sustainability and Social Responsibility Committee. The secretary and reporter member do not have voting right.

#### Members of the Social Responsibility Committee:

President: Dr. Bekir Pakdemirli, Board Member  
Member: Ibrahim Fayeز Humaid Alshamsi, Board Member  
Member: Mustafa Büyükbacı, Board Member And General Manager

Social Responsibility Committee convened three times in 2017.

## 6. CONSULTANCY COUNCIL

### a. Purpose

Consultancy Council was founded in order to audit Albaraka Türk Participation Bank A.Ş.'s banking activities whether they are comply with interest free banking model, on the 6<sup>th</sup> May 2001 with 957 number decision of the Board of Directors.

### b. Organization of the Council

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

### Members of the Consultancy Council:

President: Abdul Sattar Abu Guddah

Member: Hayrettin Karaman

Member: Ahmed Mohieldin Ahmed Hassan

Member: Hamdi Döndüren

The Council convened four times in 2017.

## 7. EXECUTIVE COMMITTEE

### a. Purpose

The aim of this committee is that ensuring that resolutions to be made at the Board of Directors meetings are taken more quickly, effectively and in a healthy manner, excess number of members of the Board of Directors, In order to ensure that the issues to be decided urgently are discussed and settled; Duties and powers of the Board of Directors, which are subject to the provisions of the relevant legislation, and duties and authorities not exclusively assigned to a particular board, committee, unit or person, subject to the provisions of the relevant legislation And not to be within the limits of authority and representation given by the Board of Directors, Preparing reports, making notifications, making activities in the following limits on the following conditions and making urgent and active decisions when necessary.

### b. Functions of the Committee

- » To make proposals and make proposals based on the decisions of the Board of Directors regarding general issues such as long-term strategic planning, policy and business plans, banking services,
- » To identify any changes or deviations in the bank's existing finance, investment, income and expense policies and procedures, annual budget,
- » To make proposals about making and updating the bank's investment and finance level and possibilities and insufficiencies or insufficiencies of the changes in finance and investment policies,
- » To declare and decide on new products and derivative, side and sub products related to existing and approved products,

- » To offer suggestions on issues such as strategy, marketing, business plan and balance sheet for any venture, partnership, investment, and financial activity,
- » To offer suggestions on issues investing in and purchasing important goods, services and rights and other means of acquiring or dismissing, making commitments, acquiring and participating in joint ventures with other methods and other investments, expenses, to decide on investments to be made by purchasing goods, services and rights up to the amount between 2% and 5% of Bank's shareholders' equity, joint venture, acquisition of subsidiaries and other methods, and To Commitment up to the amount between 2% and 5% of Bank's shareholders' equity of assets included in the Bank's assets, To examine the business processes, procedures and activities related to the activities of the Bank and to make new proposals in these matters and approve the authority to be given by the Board of Directors, to support the Bank's units.
- » To report on the Bank, to observe the effectiveness of information and business policies and to make recommendations and recommendations.
- » To present the findings and recommendations of the Bank on credit and other risk classifications
- » The speed of the reports prepared for the Bank's activities, to examine the integrity of the Bank and to make proposals and proposals relating to the existing reports and the financial requirements and internal risks of the Bank on a quarterly basis
- » To make proposals for any amendment to the Articles of Association, in particular to increase the capital of the Bank
- » To give suggestions about specific sectors, geographical regions and customers,
- » To review and propose the works that may affect the Bank's activities and other issues that may arise before the meetings of the Board of Directors
- » To make proposals for restructuring related to the debts of the Bank's customers, partial or total liquidation of the debts and in other matters, to decide for restructuring of the loans and receivables up to the amount between 2% and 5% of the Bank's shareholders' equity, To decide on the liquidation or abolition of the Bank's loans, receivables and assets up to the amount between 2% and 5% of the annual Bank's own funds, To decide acceptance and other transactions of the Bank's receivables or payables up to the amount between 2% and 5% of the Bank's annual shareholders' equity, To provide proposals for dividends to be distributed to shareholders, premiums to be paid to the employees and other payments

- » To make proposals for resolving legal disputes within Bank customers, staff or third parties with peace, misappropriation, acceptance, waiver and other methods in these matters, To make decisions on matters up to the amount between 2% and 5% of annual Bank's shareholders' equity
- » To decide on the appointment, transfer and promotion of the employees with first degree signature authority, to present those to the approval of the Board of Directors
- » To fulfill the duties assigned by the Board of Directors
- » To solve any problems that are not within the jurisdiction of any other board, committee, organ, unit and person, to support the relevant units within their duties and authority

### c. Working Principles of the Committee

Members of the Committee shall be convened immediately upon invitation of the General Manager or the Chairman of the Committee, in particular if any critical problems arise. The meeting agenda shall be sent by the General Manager or the Chairman of the Committee together with the meeting invitation. In addition to the agenda sent at the meeting, the points of interest to be discussed can also be discussed and discussed. As a rule, the Committee meets prior to Board meetings. However, it may also be convened when there is no meeting of the Board of Directors when necessary. The Committee shall hold at least four meetings per year in each case. The meeting is held with the participation of at least three members. The Chairman directs the Committee meetings and the Vice Chairman in the absence of the Chairman. Decisions are taken by the majority of those present at the meeting. Meeting minutes and resolutions are recorded. Minutes are regularly signed by Committee members and presented to the Board of Directors.

### d. Organization of the Committee

The Committee consists of the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors, the Managing Director and the General Manager. The Board of Directors may change the number of members of the Committee at any time. Chairman of the Board, Chairman of the Committee; The Vice-Chairman of the Board is designated as the Vice Chairman of the Committee. The Committee Secretariat shall be elected and administered by the Committee Secretariat, elected by the Committee. The secretary cannot be elected from among the members of the Committee.

## SUMMARY OF THE BOARD OF DIRECTORS' ANNUAL REPORT

Esteemed Shareholders,

Welcome to the 33<sup>th</sup> 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 2017 for your consideration and approval, we respectfully greet our shareholders, their representatives, and our guests who have honored this meeting with their presence.

2017 will be remembered as a difficult year in which our country's markets were shaped by global economic volatilities abroad and by political uncertainties at home. Despite these challenging conditions, the banking sector continued its sustainable growth. Our Bank also had another successful year in line with its targets both sustainable growth and profitability in 2016. In the year to 31 December 2017:

Total Assets increased by 10.5% to TL 36.229 million.

Total Collected Funds increased by 9.3% to TL 25,310 million.

Funded Credits\* increased by 10.9% to TL 25,193 million.

Shareholders' Equity increased by 8.9% to TL 2,482 million.

Net Profit realized as TL 237.1 million.

\*Includes financial leasing receivables.

\*Excludes 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 2018 as well.

We hereby submit for your consideration and approval the balance sheet and profit/loss statement contained in our annual report for 2017.

Respectfully,

**ALBARAKA TÜRK KATILIM BANKASI A.Ş.**  
**THE BOARD OF DIRECTORS**



**SUPPORT SERVICES RECEIVED IN ACCORDANCE WITH THE REGULATION ON SUPPORT SERVICES FOR BANKS AND AUTHORIZATION OF COMPANIES TO PROVIDE THESE SERVICES**

The Name of the Company	Explanation for Services and Products
C/S Enformasyon Teknolojileri Ltd. Şti.	Information Technologies
Acerpro Bilişim Çözümleri Yazılım ve Danışmanlık Hizmetleri İç ve Dış Tic. Ltd. Şti.	Information Technologies
Kibele İletişim Sistem ve Servisleri Tic. Ltd. Şti.	Information Technologies
ICS Financial Systems Ltd.	Information Technologies
Acerpro Bilişim Çözümleri Yazılım ve Danışmanlık Hizmetleri İç ve Dış Tic. Ltd. Şti.	Information Technologies
Fineksus Bilişim Çözümleri Tic. A.Ş.	Information Technologies
Fineksus Bilişim Çözümleri Tic. A.Ş.	Information Technologies
Kartek Kart ve Bilişim Teknolojileri Tic. Ltd. Şti. (Smartsoft)	Operational Services
Provus Bilişim Hizmetleri A.Ş.	Credit and Debit (ATM) Card Operations
Yapı Kredi Bankası A.Ş.	POS Services
Güzel Sanatlar Çek Basım Ltd. Şti.	Check Printing Agreement
Tümsaş Teknolojik Endüstriyel Bilgisayar Ürünleri, Mühendislik ve Pazarlama A.Ş.	Order Systems
İpoteka Gayrimenkul Yatırım Danışmanlık A.Ş.	Attorney for Real Estate Registering
Fu Gayrimenkul Yatırım Danışmanlık A.Ş.	Attorney for Real Estate Registering
Nadir Metal Rafineri Sanayi ve Tic. A.Ş.	Physical Gold Collecting Services
Active Bilgisayar Hizmetleri ve Tic. Ltd. Şti.	Information Technologies
Intertech Bilgi İşlem ve Pazarlama A.Ş.	Core Banking
Vizyon Bilgi Teknolojileri ve Danışmanlık Ltd. Şti.	E-invoice
Eksagate Elektronik ve Bilgisayar San. Tic. A.Ş.	Information Condition Monitoring
Sistaş Sayısal İletişim San. ve Tic. A.Ş.	Automatic Outcall
Sistaş Sayısal İletişim San. ve Tic. A.Ş.	IP-Based Power Plant Contract
Kets Bilgisayar Elektronik İletişim Hizmetleri San. ve Tic. Ltd. Şti.	Information Technologies
Desmer Güvenlik Hiz. Tic. A.Ş.	Off Site ATM Supply
32Bit Bilgisayar Hizmetleri Ltd. Şti.	Information Technologies
Superonline İletişim Hizmetleri A.Ş.	Information Technologies
Monitise Yazılım A.Ş.	Mobile Banking
Tnetworks Bilişim Teknolojileri San. Tic. Ltd. Şti.	Information Technologies
Austria Kart Turkey Kart Operasyonları A.Ş.	Personalization and enveloping services
Mastercard Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş.	Close Circuit POS Package Sale
Mobil Eğlence Telekomünikasyon Filmcilik Reklamcılık Turizm Yayıncılık San. ve Tic. Ltd. Şti.	Information Technologies
Innova Bilişim Teknolojileri A.Ş.	Information Technologies
Avi Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş.	Attorney for Real Estate Registering
Fineksus Bilişim Çözümleri Ticaret Anonim Şirketi	Information Systems
Posta Ve Telgraf Teşkilatı A.Ş. Ptt	Reporting Services
Tnetworks Bilişim Teknolojileri San. Tic. Ltd. Şti.	Information Systems
ODC İş Çözümleri Danışmanlık Ticaret A.Ş.	Information Systems
ODC İş Çözümleri Danışmanlık Ticaret A.Ş.	Information Systems
Iron Mountain Arşivleme Hizmetleri A.Ş.	Archive Services
Pıksel İnternet ve Reklam Hizmetleri Tic. A.Ş.	Information Systems
C/S Enformasyon Teknolojileri Limited Şirketi	Information Systems
Adeo Bilişim Danışmanlık Hizmetleri Sanayi ve Ticaret A.Ş.	Information Systems
C/S Enformasyon Teknolojileri Limited Şirketi	Information Systems
Smarttek Yazılım ve Endüstriyel Otomasyon Sanayi ve Ticaret A.Ş.	Information Systems
Sistaş Sayısal İletişim San. ve Tic. A.Ş.	Information Systems
360 Treasury Systems	Network Process Platform
ODC İş Çözümleri Danışmanlık Ticaret A.Ş.	Information Systems

**TRANSACTIONS WITH THE BANK'S RISK GROUP**

As of December 31, 2017 wakala borrowings obtained within the framework of the investment-purpose wakala contracts signed with the risk group that includes the Bank, amount to USD 190,095,236 and EUR 153,550,880 (December 31,2016: USD 79,171,095 and EUR 127,196,602). The profit share expense relating to these wakala borrowings for the period between January 1, 2016 and December 31, 2016 is TL 14,951 (December 31, 2016: TL 8,563). The Bank has issued Sukuk in equivalent to USD 350,000,000 and TL 450,000,000 through "Bereket Varlık Kiralama A.Ş." which is included in the risk group that includes the Bank. The total expense of Sukuk issued is TL 114,252 for the accounting period that ended as of December 31, 2017. (December 31, 2016: TL 82,328).

### 1. Declaration Of Compliance To Corporate Governance Principles

Albaraka Turk Katılım Bankası A.Ş. ("Albaraka Turk" or "Bank") is subject to the Corporate Governance Principles attached to Corporate Governance Communiqué ("Communiqué") number II-17.1 published by CMB according to the relevant articles of the Turkish Commercial Code, Banking legislation, Capital Market Board ("CMB") legislation since 2007 the public offering is made until today. Albaraka Turk is also subject to the management structure, process and principles provisions stated with "Regulations on the Banks' Corporate Governance Principles" published by Banking Regulation and Supervision Agency ("BRSA"). Albaraka Turk determining being the Best Participation Bank of the World as its Vision has adopted the Corporate Governance Principles at the basic corporate value and show the required care to comply with the mandatory principles. Besides, it continues its studies for compliance with the principles which are not mandatory.

Within the framework of Corporate Governance Communiqué regulations number II-17.1, independent member of the Board of Directors selection is made at the general assembly meeting in 2012. Also, on the compliance with the same communiqué and Turkish Commercial Code number 6102, the Articles of Association of our Bank is reviewed and submitted to the General Assembly of 2012 and approved. Updated information of our Bank is offered to the service of all our stakeholders from Albaraka Turk website and Investor relations tab in the same site.

Within the scope of studies on compliance with our Bank Corporate Governance Principles, Corporate Governance Committee (the "Committee") responsible from following, evaluating and performing improvement studies for compliance with the relevant principles is established in 2007. The Committee has made studies on improvement of our Bank's corporate governance applications at the meeting held in 2017. Information on the activities of the Committee coordinating studies of the Investor Relations unit is given in detail in the section our Bank Committees of the activity report.

Albaraka Turk is receiving rating service from JCR Eurasia Rating (JCR Avrasya derecelendirme A.Ş.) entitled by CMB on Corporate Governance Rating since 2010. In this respect, on June 11, 2017, while corporate governance rating note given by JCR Eurasia Rating is increased from 8.75 to 8.81, the appearance is revised as stable. As the note for compliance with CMB Corporate Governance Principles is over the Threshold Point of 7, Albaraka Turk takes place in the Stock Market Istanbul Corporate Governance Index since 2010. Compliance notes our Bank has received in four main sections are in the table below.

Main Issues	Weight (%)	Note
1. Shareholders	25	8.83
2. Public Disclosure and Transparency	25	9.04
3. Stakeholders	15	8.90
4. Board of Directors	35	8.58

The note increase in 2017 is due to the Stakeholders (from 8.56 to 8.90). The major developments in this period were the Bank management's diligent efforts and significant progress in social responsibility, environmental and ethics in line with its sustainability road map, and the announcement of these activities to the general public via the website and annual report; as well as the obtainment of the "Leed Gold Green Building Certificate" for the Headquarters building. These developments realized during the monitoring period had a positive effect on the Bank's score in the Stakeholders main category, hence raising the scores for this main category and the Bank's general compliance performance.

There have been no interest conflicts between the beneficiaries within the period due to the corporate governance principles which compliance is not provided.

## PART 1 - SHAREHOLDERS

### 2. Investor Relations Unit

According to the 11<sup>th</sup> Article of the Corporate Governance Communiqué (the "Communiqué") number II-17.1 published by the Capital Market Board, as it is mandatory to constitute investor relations department providing relation between the partnerships and the investors in this department to be operated directly connected to partnership general manager or deputy general manager or one of the corresponding managers who have administrative responsibility, and the manager of the investor relations department to hold "Advanced Level License of Capital Market Activities" and "License of Corporate Governance Ratings Specialist", and work full-time as a manager in the partnership and being assigned as a member of the Corporate Governance Committee; Albaraka Turk has established Investor Relations in 2007. Mustafa Karamehmetoğlu, the Assistant Manager of the Investor Relations holding the relevant licenses is assigned as the manager of the Investor Relations Service and he is working as the Member of the Corporate Governance Committee.

Information on the employees of the Investor Relations carrying out its activities under the Corporate Governance Committee are given in the table below;

#### Mustafa Karamehmetoğlu

Vice President  
+90 216 666 09 23  
mkaramehmetoglu@albarakaturk.com.tr

#### İbrahim Öz

Vice President  
+90 216 666 05 90  
ibrahimoz@albarakaturk.com.tr

#### Cihat Keskin

Specialist  
+90 216 666 13 67  
ckeskin@albarakaturk.com.tr

Investor Relations department is responsible from management of the relations with domestic and foreign corporate investors/ shareholders, investment institutions, rating institutions and individual shareholders. All questions excluding commercial secrets are answered by this department regarding the quality principle and continuous contact of the management and the shareholder is provided.

In 2017, all correspondences made between the shareholders and the partnership relevant to the shares and information and documents relevant to shares required to be kept within the scope of legal legislation are kept safely and currently.

In 2017, face-to-face interviews are made with 45 national and international intermediary institutions and investment funds. Besides these, 15 Portfolio company visits are performed in the country. Within the activity period, over 500 questions asked by telephone, email and teleconference are replied meticulously by investors and analysts including individual investors.

Investor Relations carrying out all processes with the rating institutions have held finance evaluation meetings with four rating institutions within the year of 2017 and taken part in providing required information flow and announcement of the rating notes. Moreover, it has conducted corporate governance rating process with JCR Avrasya Derecelendirme A.Ş. and the compliance note is increased from 8.75 to 8.81 in the report published on July 11, 2017. In increase of the compliance note, conducting efficient activities with the experienced personnel of the Investor Relations and increasing level of transparency with the website of the Bank, PPP announcement and the activity report have been effective.

Financial statements stated in the legislation are provided from the relevant departments per quarter terms and announced to public through Public Disclosure Platform in time. Four teleconferences are organized on the results of the financial statements.

Four interim period activity reports per quarter periods where financial statements are published and which also take place in the independent audit report and four investor presentation are revised and prepared in 2016 and published on our website to inform the investors.

Six presentations are prepared for the Board of Directors Meetings held within 2017. Economy and finance contents are prepared weekly by the Investor Relations and presented to the readers by revising in the Weekly Bulletin published within the Bank.

Besides the explanations on the financial statements, 80 special condition explanation are announced at the Public Disclosure Platform within the period about the Bank according to the Special Conditions Communiqué number II-15.1.

By the Investor Relations tab in Albaraka Turk web site, information about our Bank submitted to the service of all our stakeholders are periodically updated within 2017 by the Investor Relations regarding the issues stated in the Corporate Governance Principles.

Investor Relations have conducted all the processes of the Ordinary General Assembly Meeting of 2016 within the period and provided the meeting to be in compliance with the relevant legislation and the articles of Association; within this framework, it has prepared all documents required to be submitted for review and informing of the shareholders, and prepared the Annual Activity Report of the Board of Directors within the scope of the relevant legislation regulations. Besides, due to the profit distribution decision taken by the General Assembly, it has provided distribution of the profit of 43.5 million TL to the shareholders.

### **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.albarakatürk.com.tr/yatirimci-iliskileri.aspx>

- English investor relations site: <https://www.albaraka.com.tr/en/investor-relations.aspx>

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 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. General Assembly Meeting**

General Assembly Meetings are held within the framework of the Banks Law, Turkish Commercial Code and Capital Market Law. Ordinary General Assembly Meeting is held on 24.03.2017. The quorum of the Ordinary General Assembly Meeting is realized as 74.97% and all beneficiaries who wished to attend the meeting have attended the meetings.

For the attendance of our shareholders to the General assembly meetings, they are informed by sending invitation, publishing in the Trade Registry Gazette and national newspapers three weeks before the determined date of the meeting and sending special condition announcement to the Public Disclosure Platform, and information entry is made to the Central Securities Depository Electronic General Assembly system for the shareholders traded in the Stock Market to attend the General Assembly.

Informing document on the General assembly meeting, procedure of participation to the general assembly meeting and general assembly invitation announcement are published on the website of the Bank, besides, invitation for the general assembly meeting and meeting dates, agenda, sample of power of attorney are sent by registered and replied paid letter to the shareholders written in the share ledger and the shareholders sending a document proving their shares or shareholder and notifying their settlement places.

## 5. Voting Rights and Minority Rights

There are no privileges vested in the shares of the Bank. The distribution of capital of Albaraka Türk as of 31 December 2017 is as follows:

### Shareholder Structure of the Bank (31.12.2017)

Shareholder Type	Share Amount (TRL)	Share (%)
Foreign Shareholders	592,846,912.78	65.87
Albaraka Banking Group	486,523,265.68	54.06
Islamic Development Bank	70,573,778.85	7.84
Other	35,749,868.25	3.98
Local Shareholders	80,746,299.42	8.97
Public Shares	226,406,787.80	25.16
<b>Total</b>	<b>900,000,000.00</b>	<b>100.00</b>

At the General Assembly, shareholders use their rights for asking questions and all questions are replied. According to the provisions of the Bank's Articles of Association, it is possible to vote by proxy. According to the 38<sup>th</sup> article of the Articles of Association, shareholders may use their rights for voting either individually or by proxy at the general assembly meetings. Our Bank is subject to the provisions of the Regulations on General Assemblies to be held in Electronic Environment in Corporations published in the Official Gazette dated 28.8.2012 with issue number 28395. For this purpose, necessary arrangements are being made and our shareholders may also attend General Assemblies over the Electronic General Assembly System.

General Assembly Minutes are open to the shareholders at the website of the Bank, on the Investor Relations tab. Besides, it may be displayed over the Public Disclosure Platform. Following the legal regulations, articles of Association and internal regulations of the bank in using the shareholder rights and duties providing the use of these rights are fulfilled by the Investor Relations of our Bank.

For the present members and beneficiaries to attend the general assembly meetings, invitation is made for the general assembly meeting.

As a separate item in the agenda of the General Assembly, donations and the total amount of the donations and their beneficiaries are informed to the partners.

At the Ordinary General Assembly Meeting held on 24.03.2017, will request is received by our bank on adding an item to the agenda by the shareholders.

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")

Minority rights are appointed to the shareholders who have had one of twenty (5%). Our bank cares minority right strictly. There were no complaints about the issue in 2017.

## 6. Dividend Rights

Our Bank's profit distribution policy is submitted for information of the general assembly and published in our website.

No privileges are granted to the shareholders about the profit distribution. Each shareholder takes share from the distributed profits in the amount corresponding to his partnership share. Profit distribution is performed according to the Turkish Commercial Code, and regulations relevant to the Banking Regulation and Supervision Agency and Capital Market Board. Profit distribution are started to be distributed according to the decision taken at the General Assembly and performed within the legal period. Within the year of 2017, a profit distribution of 43.5 million TL is made from the income of the year of 2016.

## 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 2 – PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Disclosure Policy

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

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. Website of the Company and Its Contents

Albaraka Türk Participation Bank has two separate websites, one in Turkish and the other in English.

Turkish web site: [www.albaraka.com.tr](http://www.albaraka.com.tr)  
English web site: [en.albarakatürk.com.tr](http://en.albarakatürk.com.tr)  
All information required by CMB Principles of Corporate Governance 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 About Us and Investors Relations.

Under the About Us title;  
(History, Our Top Management, Organization Structure, Quality Policy, Vision and Mission, Ethic Principles for Banking)

It features the following information:  
Corporate Information (Trade Registry Data, Shareholding Structure, Articles of Incorporation, Investment Services and Activities Authorization Certificate), Corporate Governance (Profit Distribution Policy), General Assembly (General Assembly Information Document, Participation Procedure, General Assembly Meeting Announcement, Minutes of the General Assembly Meeting, Attendance Sheet, Proxy Form, General Assembly Internal Regulation), Financial Information (Annual Reports, Independent Audit Reports, Rating Scores and Reports, TFRS Reports, Financial Tables), Sustainability (Management, Environment, Human Rights, Fight Against Bribery and Corruption, Occupational Health and Safety, Corporate Social Responsibility), Presentations, Share Information (Transactions by Top Management, Dividend Distribution, Capital Increases), Material Disclosures, Stock Performance, and Access to Investor Relations.

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.

### 10. Annual Report

Annual reports of the Bank contain the information required by the CMB's regulations concerning Corporate Governance Principles and other capital market legislation and regulations in effect.

## PART 3 – STAKEHOLDERS

### 11. 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, the Bank's website and Investor Relations Manager.

Tip line have been allocated for stakeholders so that they can convey any act or situation that contradicts with the legislation or that is unethical to the Audit Committee through the Presidency of the Inspection Board.

### 12. 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 submit their complaints and questions about Albaraka Türk's products and services via:

- Calling our 'You Ask, We Solve' line on 0850 222 87 87, or the Alo Albaraka line on 0850 222 5 666 or 444 5 666
- Filling the Customer Forms available at our web site [www.albaraka.com.tr](http://www.albaraka.com.tr)
- Sending faxes to +90 (+90) 216 666 16 87
- Writing directly to the Head Office located at Saray Mah. Dr. Adnan Büyükdenez Cad. No:6 PK: 34768 Ümraniye/İstanbul
- Filling the Customer Forms available at all the branches
- Sharing them through our social media accounts (Facebook, Twitter).

All complaints and suggestions from our customers are assessed by customer relations department and all the customers replied.

Complaints received are categorized and reported to the Customer Complaints Committee and the senior management periodically.

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.albarakatürk.com.tr](http://www.albarakatürk.com.tr))
- Sending e-mails to [soruncozelim@albarakatürk.com.tr](mailto:soruncozelim@albarakatürk.com.tr)
- Filling the Customer Forms available at all the branches
- Sending faxes to +90 (+90) 216 666 16 10
- Writing directly to the Head Office

### 13. Human Resources Policy

Objective of the Human resources policy; employing qualified and skilled personnel having the qualifications needed and specialized in its field at national and international level, improving their qualifications and providing stability in compliance with the objective, vision, mission and corporate values of the activities of the bank to carry out the activities of the bank in efficient, fast, safe and effective way and content.

Human Resources Policy of the Bank is assigned and determined by the General Directorate.

The Deputy General Manager Responsible from Human Resources is primarily responsible from practice, developments and following of the human resources policy. This responsibility involves also all the relevant Managers in the fields they are assigned.

Basic principles of human resources policy are as the following:

- » To show respect to the personality of the personnel, provide protection of their rights about business relation,
- » to provide sharing of the corporate culture, create loyalty to the corporate values and culture and provide all personnel to meet around the common targets,
- » to execute personnel employment in the required and sufficient number, proper for the job, having intellectual, occupational knowledge and skills and provide personnel to work in line with the highest productivity and profitability target,
- » to provide occupational training, improvement and developments opportunities to all personnel in line with the job to be fulfilled,



- » to provide environments for the personnel which shall lead them for innovative thinking and encourage them to produce new ideas and products,
- » to show effort for training personnel within the bank for management and officer positions and give priority for the train personnel within the bank in assigning for the vacant positions,
- » to inform the personnel on the subjects relevant to them, develop procedures and principles to provide the personnel transmit they are opinions and ideas to the managers easily,
- » to create a working environment increasing working motivation of the personnel and show effort to improve their social relations,
- » to encourage personnel to achieve success, develop applications relevant to this, award outstanding success of the personnel.

The Working Committee makes suggestions to the Personnel Committee for developing policy and strategy relevant to the working life in our Bank and aims contribution of the low and middle level personnel to the management. The Committee discusses the decisions it takes with the Personnel Committee within one month. Decisions suggested by the Working Committee and approved by the majority votes of the Personnel Committee are informed to all personnel of our Bank by announcement.

HR Communication Service is established within the scope of Albaraka Turk Simurg transformation project. Purpose of the establishment of this service is increasing brand value of Albaraka and to be a good employer for the employees. For employee candidates, creating a preferable employer brand image is aimed.

No complaint is received by the Directorate of the Human Values from the employees specifically on discrimination within the period.

#### 14. Ethical Principles and Social Responsibility

Based on the Ethical Principles of the Participation Banks Association of Turkey, Albaraka Türk's Ethical Principles present a summary of the rules and working principles which the Board of Directors and all employees must uphold.

Albaraka Türk Participation Bank and its employees work towards

- » Maintaining the current prestige and trust enjoyed by the banking profession in the eyes of the society,
- » Developing and enhancing this feeling of prestige and trust, also known as professional honor,
- » Safeguarding stability and confidence in the banking sector, and protecting the rights and interests of savers,
- » Ensuring the efficient operation of participation funds, loan and payment systems,
- » Preventing the processes and practices that can cause significant damage to the economy, as well as protecting public interest and the environment. To this end, they are under the obligation of acting in line with the present Ethical Principles Policy, Ethical Principles of Banking, the Bank's Personnel Regulation and Participation Banking Principles in their relations among themselves, with other institutions, clients, shareholders and employees.

The Bank operates in accordance with the following General Principles:

**Integrity-Halal Earning:** The Bank abides by the principle of integrity in its operational relations. All of our activities are carried out in accordance with the basic economic principles of interest-free finance.

**Impartiality:** The Bank does not discriminate against any of its stakeholders or employees.

**Reliability:** The Bank provides open, clear and accurate information to all of its stakeholders within the scope of its "Disclosure Policy".

**Transparency:** The Bank provides open, clear and understandable information to its customers about their rights and obligations, the benefits and risks associated with the products and services offered to them. Before delivering a product and service, it accurately evaluates its customers and their financial capacities, situation and needs. The product and service delivery is finalized in this vein.

**Upholding Public Interest and Respecting the Environment:** The Bank provides support for social and cultural activities in the light of its principles of upholding public interest and respecting the environment. When allocating funds, it attaches importance not only to participation banking principles, but also supporting projects that extend education, healthcare or employment opportunities.

**Fight Against the Laundering of Crime Proceeds and Financing of Terrorism:** The Bank, in line with its "Policy of Compliance with Fight Against the Laundering of Crime Proceeds and Financing of Terrorism" and international norms and national legislation, is committed to fighting against the laundering of crime proceeds and crimes such as corruption, and collaborates to this end with other banks, institutions and public authorities.

**Information Abuse:** The Bank takes all the necessary measures to prevent abuse of insider information concerning itself and its customers, in line with its "Confidentiality Agreement" and "Information Transfer Policy".

Social Responsibility is an inherit business ethic of Islam and, therefore, with Al Baraka's traditional principles and philosophy. As a member of an Islamic banking group, we at Albaraka Turk aims to make a positive, sustainable impact to create a long-term economic growth and social development as well as supporting vulnerable communities to be better off in our society. In this regard, we created a strategic road map and initiated our Social Responsibility Program. We intend to support educational and social projects, and importantly, through active investments in the projects that contribute to the real economy. We are also dedicated to build environmental sustainability into all of our business processes to become more environmentally friendly.

By the guidance of Albaraka Banking Group (ABG), we have formed three priorities in the areas of Job Creation, Education and Healthcare, and we defined a rational strategy to focus on sustainability in order to achieve our goals by the year 2020. Furthermore the ABG and we together have stepped up to contribute to achieving some of the United Nations (UN) Global Goals for Sustainable Development by 2030.

Our priorities focus on following Global Goals of the UN; "No Poverty", "Good Health and Wellbeing", "Quality Education", "Gender Equality", "Affordable and Clean Energy", "Decent Work and Economic Growth", "Industry Innovation and Infrastructure".



The ABG has proactively designed and implemented a business model that increases incomes and better the quality of life of vulnerable communities. As the leading unit of the ABG, we have a pioneer role of transforming societies' ability to confront important challenges and, by being a responsible corporate citizen we foster creativity and innovation.

We encourage and support every member of our Bank to volunteer for social responsibility activities, especially by time commitment. In accordance with this purpose the first employee volunteering program, under the name of "İyilik Kulübü (Kindness Club)" has been founded by some volunteering staff of Albaraka Turk. The volunteers organize social responsibility projects, philanthropic activities and support the people in need.

We are totally committed to turning our business model into a socially responsible and environmentally friendly one.

We will take further steps to advance and expand our social responsibility program with a view towards making valuable contributions to the sustainable development of our community. Albaraka Türk is fully aware of the fact that values are what make us humans and give us power. For this reason, the Bank continues to uphold its stakeholders' sincerity, their urge to share their belongings, consciousness of saving, in short, all of their values.

While conducting operations along its vision of "Becoming the world's best participation bank", Albaraka Türk also supports economic development to increase the society's living standards, pursues policies respectful to the environment and legislation, provides support to various projects for social and cultural purposes to this end, in line with its basic corporate values. Since its inception, Albaraka Türk has not only delivered valuable services to Turkey's natural environment and cultural and artistic environment, but also encouraged its staff to take part in social responsibility projects, carrying its activities and goals one step further. Albaraka Türk is keen on undertaking activities that will create bigger repercussions in the coming years and will continue to enhance its social and cultural activities.

With the belief that, in addition to financial indicators, social responsibility, arts and culture activities are also important elements that will carry our customers and Bank to the future, Albaraka Türk has signed many projects and firsts in these fields.

### Social Responsibility

Our credit policy is being redesigned in accordance with our Social Responsibility Program. We aim to increase our support by offering financing facilities to profit & non-profit organizations which are motivated to provide people in our society with access to quality education and health services. Furthermore all the projects that helps creating new jobs, are evaluated and supported within the scope of social responsibility targets. With this purpose, we added some questions to the evaluation criteria of credit applications.

-We have started working on contributing innovation and infrastructure goal of UN.

On the innovation side we developed and have been using an internal innovation platform called "Big Bang – Open Innovation" since 2014. The platform is open to the Bank's staff and we make announcements to ask everyone's opinions to develop new products/services and improve the systems and processes of our Bank. We are establishing a new version of the platform by which we will call for new innovative ideas from the people outside Albaraka Turk. By doing this, we aim to develop better products and services that satisfies expectations of our customers better.

Furthermore we organize "Albaraka Turk Meetups" where we discuss new trends and technologies in local and global banking with speakers from leading companies. For the contribution of infrastructure development, we aim to support Turkey's progress on development of infrastructure by the Bank's the profit-loss products.

All our operations comply with Islamic ethical standards for which development of communities, improvement of people's quality of life standards are essential. In Albaraka Turk, we embrace the following principles and apply them to our business lines.

**First:** Investments may only be made in sectors and industries that meet ethical standards. The moral values of Islam dictate that Muslims must invest in the production of, and trade in, useful and beneficial goods only. They therefore forbid investment in such activities as, for example, contribute to the production of alcoholic beverages, tobacco or weapons, or are associated in any way with gambling, pornography or the abuse of children, women and minorities, or any other morally questionable practices.

**Second:** Albaraka Turk eschew the payment of interest in their relations with depositors, consumers and businesses, as Islam prohibits the paying or charging of interest. Instead we as All the other ABG subsidiaries; accept deposits on an investment basis whereby depositors share with the bank in the actual results of the realization of their investments. Financing is provided to businesses in turn mainly on the basis of installment sale, leasing or equity participation. In this way, we and our depositors share the financial risk with the entrepreneurs and together we reap the benefits of the investments. The essential difference in Islam is that the practice of profit sharing is such that wealth creation is the result of a partnership between investors and entrepreneurs in which both the risks and the rewards are shared: returns on invested capital are based on profits actually generated rather than predetermined interest rates.

**Third:** All contracts we enter into with business owners and depositors, must comply with the ethical standards of the Shari' a.

Within our credit policy, financing of harmful investments such as production of alcoholic beverages, tobacco or weapons are strictly forbidden. Our credit allocation processes are designed to monitor every single credit transaction and prevent non-Islamic and harmful investments or projects which are harmful to societies.

By internal training program and communication campaigns, we expand the Bank's staff's awareness of our social responsibility initiatives. We also encourage and support all our colleagues to create, participate in social responsibility activities and projects.

We provide qard hasan with our commercial customer through short term financing facilities (e.g. salary, cheque, tax payments and day loans).

We're working on new products and services to provide the opportunity of qard hasan to our retail customers, therefore, we created Hajj-Umrah financing on installment basis without getting any expense such as profit share, commission etc. 12.695 customers of the Bank benefited from our Hajj-Umrah financing, and the total amount of financing has reached TRL 164 million in 2017.

In accordance with our social responsibility program, we aim to prioritize investments and projects which are related to our program's targets and initiatives such as job creation, improvement of education and healthcare.

Increasing portion of SME financing in our total financing portfolio is an important strategic targets of the Bank. Therefore portion of SME credits increased from 37.4 % at the year-end of 2010 to 46.2 % at the end of September 2017.

Albaraka Turk make regular donations through "Bereket (al barakat) Foundation" and our ongoing social responsibility activities in the areas of education, health, environment, culture, sport, classical arts, social progress and other charity. TRL 5.1 Million donation was made through Bereket Foundation in 2017.

In 2017, the Bank gave MP4 players to visually impaired students as report card gifts within the scope of Istanbul Metropolitan Municipality's Audio Library Project. Additionally, the Bank's employees voluntarily helped visually impaired children with their studies and supported the Audio Books Project by reading books. During the same period, the Bank also became the sponsor of the Ostim ParaVolley team.

A clean-up event was organized at Beykoz Riva Beach with the collaboration of Istanbul Metropolitan Municipality and Albaraka Nature Club, and the participation of the Bank's employees. The Bank donated 500 saplings to ÇEKUD (Association of Environmental Organizations). Additionally, trees were planted to commemorate the deceased relatives of employees and to celebrate promotions and special days.

Other Social Projects Conducted in 2017  
Health Support: Under the blood donation campaign jointly carried out by the Turkish Red Crescent and the Bank, 429 employees helped save 1287 lives.

In order to make banking services more accessible and convenient for customers with disabilities, Albaraka Türk continues to undertake several initiatives such as giving priority to disabled customers at the Bank's call centers, providing support via the online support menu, and making the necessary accessibility arrangements at the Head Office building and branches.

Education Support: The Bank made donations to Bereket Foundation to support university students studying Social Sciences, Medicine, Education-Science-Literature, Theology, and Engineering; provided scholarships to a total of 1907 students. The Bank organized a book donation campaign for Selçuk University's Faculty of Economics and Administrative Sciences, and collected a total of 480 books.

"Kalemin Bereketi" Calligraphy and Ornamentation Exhibition at Muş Alparslan University: Albaraka Türk's Calligraphy and Ornamentation Exhibition titled "Kalemin Bereketi" met art lovers at Bingöl University's Conference Center between April 24 and May 14, and at Muş Teachers' Club on May 15-23. On May 24, 2017, the exhibition opened its doors to art lovers at Muş Alparslan University with a ceremony, which was attended by Assistant General Manager Mr. Süleyman Çelik and Prof. Dr. Fethi Ahmet Polat, President of Muş Alparslan University.

Bereket Magazine: The Bank has been publishing Bereket Magazine since 2009. The 46<sup>th</sup> issue of the magazine was published in 2017.

Albaraka Calligraphy Collection Exhibitions: 30 masterpieces in Albaraka's Calligraphy Collection were exhibited at Yunus Emre Institute centers in London and Vienna. Albaraka Art Gallery hosted the exhibition titled "Following in the Footsteps of a Master for 40 Years," the first exhibition of Ahmet Sabri Mandıracı, who has been creating masterpieces of calligraphy, marbling and painting for 40 years.

Sponsorships - The Bank sponsored the following events and organizations:  
- GPAS Capital Markets Congress, Ostim Sports Club, Meridyen Association's Hadith and Sira Research Awards, the book titled "Hattın Çelebisi" by Hasan Çelebi, Maker Faire Istanbul, "Wake Up Festival" at Albaraka Garaj, Union of Arab Banks, Qur'anic Studies Symposium,

Directorate of Religious Affairs & Haseki 40th Anniversary Documentary, IFN Turkey Forum 2017, R&D Innovation Summit, the film titled "Miraciyye", CFO Summit 2017, Fatih Sultan Mehmet University-Üsküdar University Student Council Conference, ISEFE'17, the 8<sup>th</sup> International Magazine Fair, Istanbul Talks - Islamic Finance Summit 2017, IBPF 2017 Event Sponsorship, Turkish-Arab Economic Forum March 23, 2017 Swissotel Istanbul), Bonds, Loans & Sukuk Conference Istanbul (November 15-16, 2017), Bonds, Loans & Sukuk Conference Dubai (May 17-18, 2017), Mathematics Conference.

## PART 4 – THE BOARD OF DIRECTORS

### 15. Formation and Structure of the Board of Directors

Chairman of the Board of Directors of the Bank is Adnan Ahmed Yusuf Abdulmalek. Chairman of the Board of Directors do not have executive jobs within the scope of BRSA regulations.

Vice president of the Board of Directors is Yalçın Öner, and the members are Osman Akyüz, Ibrahim Fayez Humaid Alshamsi, Hood Hashem Ahmed Hashem, Muhammad Zarrug M. Rajab, Dr. Bekir Pakdemirli, Mustafa Büyükbacı, Khaled Abdulla Mohamed Ateeq, Hamad Abdulla Ali Aloqab, Fahad Abdullah A. Alrajhi and Prof. Dr. Kemal Varol. Melikşah Utku is a member and General Manager.

The members of the Board of Directors are selected for maximum three years according to the 16<sup>th</sup> article of the Articles of Association. The members of the board of directors may be selected again after the expiry of their term of office. The General Manager of the Bank and his deputy in his absence are natural members of the Board of Directors. After the ordinary General Assembly of our Bank held on March 29, 2013, with the amendment of the 14<sup>th</sup> article titled "Number and Qualifications of the Members of the Board of Directors" number of the members of the Board of Directors is determined to be at least five and maximum thirteen.

With the "Corporate Governance Communiqué" number II-17.1 put into effect on January 3, 2014 by publishing in the official Gazette, independent member of the board of directors is voluntary of the bank provided that the number of the members shall not be less than three, within the structuring of the board of directors of the bank, the members of the board of directors assigned for audit committee membership within the framework of this Communiqué it is stated that they are accepted as the independent member of the board of directors. Currently, Hood Hashem Ahmed Hashem, Mustafa Büyükbacı are Independent Board Members.

On the other hand, Albaraka Turk, at the Ordinary General Assembly Meeting held in 2017, has selected Muhammad Zarrug M. Rajab and Prof. Dr. Kemal Varol who bears all the criteria for independent membership declared by the Capital Market Board, as the independent member of the board of directors. Independency declaration of Prof. Dr. Kemal Varol and Muhammed Zarrug M. Rajab who are selected as the independent member of the board of directors at the Ordinary General Assembly Meeting held in 2017 is as the following:

"To Albaraka Turk Katılım Bankası A.Ş. Corporate Governance Committee, I declare that I'm currently working as an "independent member" in the Board of Directors of your Bank according to the provisions of the Corporate Governance Communiqué number II-17.1 published by the Capital Market Board, and within the scope I do declare that;

- a) I have not been in the Membership of the Board of Directors of the Bank for more than six years in the last ten years,
- b) Among I myself, my spouse and blood relatives and relatives by marriage up to second-degree; there is no one having employment relation in executive position to undertake significant tasks and responsibilities in the last five years in the bank, at partnerships who have control or significant effect on the management or control of the bank, entities who own the management control of these partnerships or have more than 5% of the capital or voting rights or prestigious shares jointly or severally and have not established any significant commercial relation,
- c) I have not worked as an officer in management position taking important duties and responsibilities or a member of the board of directors at the companies making but audits (tax inspection, legal inspection, internal audit are included), rating or consultancy of another bank or within the framework of the agreements, at the companies the bank purchases or cells significant amount of service or product or in periods service or product are sold or purchased, partners (5% or over) within the last five years,
- d) I have the occupational education, knowledge and experience to fulfill duly the jobs I shall undertake for the independent membership of the board of directors,
- e) I am not working full-time as of now at public institutions and organizations,
- f) I'm settled in Turkey according to the Income Tax Law,

- g) I have strong ethical standards, occupational reputation and experience to make contributions to the activities of the bank, to protect my objectivity in conflicts of interest between the bank partners, and to decide independently considering the rights of the beneficiaries,
- h) I have the time to allocate for bank works to fulfill the requirements of the duties I undertake and follow the process of the bank activities,
- i) I have not worked as an independent member of the board of directors at the bank or at the companies holding the management of the bank or the companies which partners of all the control of the management of the bank also hold the control of the management of the company,
- j) I shall carry out membership duty in the Board of Directors of the bank is a real person and that I have not been registered or announced on behalf of any legal entity selected as a member of the board of directors in the scope."

On the other hand, there has been no condition removing the independency of the independent members of the board of directors within the activity year of 2017.

You may find the, CVs terms of duty and job distribution of the members of the Board of Directors on pages 54 and 58 in the Activity Report. Duties the members of the Board of Directors of our Bank have undertaken in the bank or out of the bank are stated in their CVs.

Turkish Commercial Code and regulations in compliance with the other relevant legal legislation are adopted in placing rules or restrictions for the members of the Board of Directors to take other job or jobs outside of the bank

#### **16. 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. In addition, board meetings can also be done electronically.

About matters which are explained in 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. And the establishment of committees of the Board composed of members of all the decisions that have been taken or reject the text stored in the procedures and requirements as defined in the legislation is archived. Although a legal obligation does not constitute, the foreign language (English) translations of decisions are available.

#### **17. 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 two 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 Chairman of the Board of Directors, the General Manager and two reserve 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.

Taking into consideration the best practices in the world in the field of social responsibility, the Sustainability and Social Responsibility Committee composed of three members of the Board of Directors in order to establish policies in line with the basic values of our Bank and the principle of Sustainability and Social Responsibility.

Detailed information regarding the formation and operation of all committees is provided in the "Committees and Committee Meetings Attendance" section of this report.

#### **18. 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.

No lawsuits, which might affect the financial position and the activities of the Bank, have been filed against the Bank, its shareholders, managers and employees during the reporting period.

#### **19. Strategic Goals of the Bank**

The Board of Albaraka Türk has clearly established the strategic targets of Albaraka Türk as specified in its 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.

#### **20. Fiscal Rights of the Board**

Conditions and scope of the financial rights to be provided for the Board of Directors are stated in the 20th article of the Articles of Association of our Bank. According to this; "(1) Payments as attendance fee, salary, bonus, premium, share from the annual profit or under any other name may be made to the Chairman of the Board of Directors, the vice president and to the other members, provided that the amount shall be determined by the decision of the General Assembly. The amounts of these payments may be determined for each member by considering issues as the meetings he shall attend, time and effort he shall spend at the meeting, before and after the meeting to fulfill his preparations and duties, committee memberships, and being assigned for specific duties.

(2) In addition to the payments to be determined by the General Assembly, all accommodation expenses and travel expenses of the members of the Board of Directors relevant to their duties and limited with their term of office shall be covered by the Bank."

Within the framework of these arrangements; it is decided at the Ordinary General Assembly Meeting held in 2017; to pay attendance fee not exceeding the amount of Turkish Liras corresponding to 900,000.00 USD (Nine-hundred American Dollars) net annually to all of the Members of the Board of Directors; besides, due to the Articles of Association, to pay separate fee for each of the Members of the Board of Directors to be assigned at the committees established or shall be established by the Board of Directors as Audit Committee and Finance Committee, for the determination of the fees and their quantities and methods to be paid to each member of the board of directors, to entitle the Board of Directors for determining for each year and separately with the offer of the Pricing Committee.

**SUMMARY  
FINANCIAL  
INFORMATION  
FOR THE FIVE-YEAR  
PERIOD**

<b>Key Financial Highlights (TL thousand)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total Assets	17,216,553	23,046,424	29,561,999	32,850,738	36,229,077
Collected Funds	12,526,212	16,643,218	20,346,178	23,155,134	25,309,840
Funded Credits*	12,059,901	16,183,692	19,505,392	22,722,054	25,193,463
Shareholders' Equity	1,497,268	1,790,927	2,103,914	2,279,593	2,481,506
Net Profit	241,409	252,631	302,863	217,609	237,093
Number of Personnel	3,057	3,510	3,736	3,796	3,899
Number of Branches	167	202	213	213	220

\*Includes financial leasing.

<b>Key Financial Ratios (%)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Funded Credits/Total Assets	70.0	70.2	66.0	69.2	69.4
Funded Credits/Collected Funds	96.3	97.2	95.9	98.13	99.5
Collected Funds/Total Assets	72.8	72.2	68.8	70.5	69.7
Return on Average Equity	17.7	15.4	15.6	9.9	10
Return on Average Assets	1.6	1.2	1.1	0.88	0.84
NPL Ratio	2.3	2.0	2.4	4.75	4.68
Net NPL Ratio	0.2	0.2	1.0	2.26	2.00
NPL Provisions Ratio	90.62	87.85	59.96	52.31	57.68
CAR	14.86	14.15	15.27	13.46	17.06

## ASSESSMENT ON FINANCIAL SITUATION, PROFITABILITY AND SOLVENCY

Despite the problems in the global markets and volatilities within the country, Albaraka Turk has increased its assets by 10.3% compared to the previous year and reached to TL 36.2 billion in 2017.

Albaraka Turk, continuing its support in real economy also in 2017, has increased funded credits\* TL 25.2 billion by increasing by 10.9% compared to the previous year-end. Share of the funded credits\* in the total assets have actualized as 69.5%. Collected Funds the Bank have increased by 9.3% and raised to TL 25.3 billion in 2017. The Bank has issued lease certificate for 7 times in 2017 with its subsidiary Bereket Varlık Kiralama A.Ş. Redemption of 3 issues is made within the year.

Source structure of the Bank is diversified with domestic lease certificates. Albaraka Turk has protected its strong equity structure by increasing its equities to TL 2.5 billion with an increase of 8.86% compared to the previous year. The Bank has gained a net profit of TL 237,1 million in 2017. The Bank raising its operational income to TL 1,583 million by increasing by 15.4%, has raised its net profit share income to TL 1,268 million by increasing by 23.85%.

Capital adequacy ratio of the Bank is actualized as 17.06% as of the end of 2017, which is above the level of legal liability.



## 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.

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) 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.

### 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 Risk

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

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

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

### **Operational Risk**

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.

Counterparty credit risk refers to the possibility that the counterparty of a transaction, which brings liabilities to both parties, defaults before making the final payment in the cash flow. The Bank manages counterparty credit risk according to the volume, nature and complexity of the activities, in due consideration of best practices and in line with the applicable legislation.

Country risk refers to the possible losses that the Bank may incur when the borrowers in a country cannot fulfill or avoid fulfilling their overseas obligations due to the uncertainty of economic, social and political conditions in this country. In due consideration of the legal obligations, market conditions and customer satisfaction, the Bank establishes its commercial connections with foreign financial institutions and countries in view of feasibility studies focusing on the economic conditions of each country.

Concentration risk is defined as the possibility that a single risk amount or risk amounts of certain types may incur high losses, which could threaten the Bank's functioning and its ability to perform its core activities. Policies concerning concentration risk are classified as sectoral concentration, concentration on the basis of collaterals, concentration on the basis of market risk type, concentration on the basis of loss type, and concentration arising from creditors.

## 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 Presidency of Inspection, Presidency of Internal Control, Presidency of Risk Management and Presidency of Legislation and Compliance. These units operate under the supervision of the audit committee and the board of directors.

Presidency of Inspection 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, and investigation. Efforts are made to provide assurances to senior management not only that the Bank's activities are being carried out in line with the requirements of current laws and regulations as well as with the Bank's own strategies, policies, principles, and objectives but also that the Bank's internal control and risk management systems are effective and adequate.

Inspection functions with an understanding of risk-focused audit. Technological resources are made use of in the performance of auditing functions. Inspectors' professional development is supported by means of both intramural and extramural training.

Operations are checked to ensure that they are in compliance with both internal and external regulations. Inspections are concerned with more than just the findings that are turned up: processes are analyzed, recommendations are made to improve efficacy, and corrective and other action is proactively followed up.

Under "Regulation for Bank Information System and Banking Process Audit by recognized Independent Audit Firms" the Bank's information systems and banking processes are audited each year by the Presidency of Inspection.

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 at the end of internal control activities are initially shared and evaluated. 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 back testing 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.

There are two separate tasks of Presidency of Regulation and Compliance which was founded in order to manage effectively compliance risks related with national and international legislation. First one is that analyze the effects of related international or regional legislation on Bank's activities; monitoring establishment of those mechanisms which will ensure full compliance of the Bank to updated legislation and reporting them to Senior Management, correspond with authorities and law makers about matters which are not clear in the legislative sources and sharing the results with related parties, inform other departments about the changes in legislation detected in daily controls, present opinion and information to the Board of Directors for new products and transactions or activities planned to be carried out.

**ASSESSMENT  
OF INTERNAL  
CONTROL,  
INTERNAL  
AUDIT AND RISK  
MANAGEMENT  
SYSTEMS BY THE  
AUDIT COMMITTEE**

Also, according to number of 5549 Preventing Money Laundering Proceeds of Crime Legislation, Legislation and Compliance Unit performs the following duties: composing relevant policies and procedures for the Bank, conducting risk management activities, conducting activities of monitoring and controlling, conducting training activities, establishing systems to ensure decreasing the risk of unexpected losses and damages to the image of the Bank; early recognition of problems which may result in losses by detecting defects and deficiencies; fixing the defects and deficiencies; setting up warning systems to check and monitor the processes and controlling whether the transactions in our Bank are done in compliance with the policies composed in the context of criminal proceeds legislations.

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.

**Mustafa BÜYÜKABACI**  
Chairman 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		Education	Field of Responsibility
		at Albaraka Türk (Years)	Length of Services in His Area (Years)		
Volkan Evcil	26	24	15	Bachelors Degree	Internal Systems Manager
Ahmet Uysal	12 y 8 m	12 y 8 m	10 y 6 m	Masters Degree	Inspection
Umut Çakmak	13	13	13	Bachelors Degree	Risk Management
Ahmet Faruk Değirmenci	10	10	10	Bachelors Degree	Internal Control
Hakan Kurbetci	27	23	6 y 3 m	Bachelors Degree	Regulation and Compliance

\* As of 19.01.2017, Mr. Ahmet Uysal has been appointed as the Chairman of the Internal Audit Department, Umut Çakmak as Risk Management Chairman, Ahmet Faruk Değirmenci Internal Control Chairman and Volkan Evcil Internal Systems Manager.

**RATINGS ISSUED  
BY INTERNATIONAL  
RATING AGENCIES  
TO ALBARAKA TÜRK**

**Standard & Poor's Results Issued In August 2017 & 27 January 2017**

Long Term Credit Rating	BB-
Short Term Credit Rating	B
Outlook	Stable
ABT Sukuk Ltd.	B-
Albaraka Sukuk Ltd.	CCC+
Bereket Varlık Kiralama A.S.	BB-

**Jcr Eurasia's Results Issued In May 2017**

	Foreign Currency	Local Currency	Outlook	Sponsor Support	Stand Alone
Long Term	BBB-	BBB-	Stable	3	AB
Short Term	A-3	A-3	Stable	-	-

**Albaraka Turk's Corporate Governance Compliance Ratings of CMB**

**Jcr Eurasia Rating Results Issued In July 2017**

Corporate Governance Compliance	8.81
Shareholders	8.83
Public Disclosure and Transparency	9.04
Stakeholders	8.90
Board of Directors and Executives	8.58





# ALBARAKA TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

**UNCONSOLIDATED FINANCIAL STATEMENTS AND  
RELATED DISCLOSURES AT DECEMBER 31, 2017  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**  
*(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE  
SECTION THREE NOTE XXIII)*

February 20, 2018

This report contains "independent auditors' report"  
comprising 3 pages and "Unconsolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 113 pages.



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**Convenience Translation of the Independent Auditor's Report Originally  
Prepared and Issued in Turkish to English (See Note I in Section Three)**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş.

**A) Audit of Unconsolidated Financial Statements**

*Opinion*

We have audited the accompanying unconsolidated financial statements of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2017 and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and unconsolidated notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2017, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

*Basis for Opinion*

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of unconsolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

*Impairment of loans and other receivables*

Refer to Section III, No: VII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment in loans and other receivables.



### Key audit matter

As of 31 December 2017, loans and other receivables comprise 68% of Bank's total assets.

The Bank recognizes its loans and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the "Regulation") published on the Official Gazette No. 26333 dated 1 November 2006. In accordance with the mentioned Regulation, the assessment of impairment is basically related to the proper classification of loan and other receivables.

The classification of loans and other receivables is performed in accordance with the criteria in the Regulation.

Those include both objective and subjective criteria which management judgment is applied.

Because of subjective criteria there is a risk of misclassification of loans and receivables which prevent any determination of impairment.

Disclosures related to credit risk are presented in Section IV, No II Credit Risk.

### How the matter is addressed in our audit

Our procedures for testing the classification of loans and advances in accordance with the Regulation and key assumptions made by management include below:

- We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures.
- We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information. In this context, the current status of the loan customer has been evaluated.

We tested the appropriateness of the provisions in accordance with the Regulation.

### *Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.



As part of an audit in accordance with BRSAs Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

### Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

  
Alper Güverç, SMMM  
Partner

20 February 2018  
İstanbul, Turkey

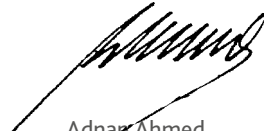
**UNCONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş.  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

Bank's headquarter address : 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.albarakatürk.com.tr  
Electronic mail contact info : albarakatürk@albarakatürk.com.tr

The unconsolidated year ended financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency Regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been independently audited and presented as attached.



Adnan Ahmed  
Yusuf ABDULMALEK

**Chairman of the Board of Directors**



Melikşah UTKU  
**General Manager**



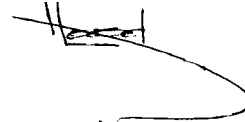
Temel HAZIROĞLU  
**Assistant General Manager**



Yunus AHLATCI  
**Financial Reporting Manager**



Mustafa BÜYÜKABACI  
**Chairman of the Audit Committee**



Hood Hashem Ahmed HASHEM  
**Member of the Audit Committee**

Contact information of the personnel in charge of the addressing of questions about this financial report:  
Name-Surname / Title : Bora ŞİMŞEK / Financial Reporting / Vice Manager  
Telephone : 00 90 216 666 05 59  
Facsimile : 00 90 216 666 16 11

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# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### SECTION ONE GENERAL INFORMATION

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

Albaraka Türk Katılım Bankası Anonim Şirketi (the Bank) was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of "Communiqué Related to the Incorporation and Activities of Special Finance Houses" published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency (BRSA). 'Communiqué Related to the Incorporation and Activities of Special Finance Houses' has been superseded by the 'Communiqué Related to Credit Operations of Banks' published in the Official Gazette dated November 1, 2006 numbered 26333 and the Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Bank's head office is located in Istanbul and is operating through 219 (December 31, 2016: 212) local branches and 1 (December 31, 2016: 1) foreign branch and with 3.899 (December 31, 2016: 3.796) staff as of December 31, 2017.

#### II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, if any:

As of December 31, 2017, 54,06% (December 31, 2016: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 25,16% (December 31, 2016: 24,84%) of the shares are publicly traded and quoted at Borsa İstanbul.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Bank, if any:

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
<b>Chairman of the Board of Directors (BOD):</b>	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	(*) 0,0000
<b>Members of BOD:</b>	Yalçın ÖNER	Vice Chairman of BOD	Master	-
	Osman AKYÜZ	Member of BOD	Bachelor	-
	İbrahim Fayez Humaid ALSHAMSI	Member of BOD	Bachelor	(*) 0,0000
	Hamad Abdulla A. ALOQAB	Member of BOD	Bachelor	(*) 0,0000
	Fahad Abdulla A. ALRAJHI	Member of BOD	Bachelor	(*) 0,0000
	Hood Hashem Ahmed HASHEM	Member of BOD	Master	(*) 0,0000
	Mustafa BÜYÜKABACI	Member of BOD	Master	-
	Dr. Khaled Abdulla Mohamed ATEEQ	Member of BOD	Doctorate	-
	Dr. Bekir PAKDEMİRLİ	Member of BOD	Doctorate	-
	Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	-
	Muhammad Zarrug M. RAJAB	Independent Member of BOD	Bachelor	-
<b>General Manager:</b>	Melikşah UTKU	Member of BOD / General Manager	Master	-
<b>Assistant General Managers:</b>	Turgut SİMİTCİOĞLU	Assistant General Manager Responsible for Business Branches (General Manager Deputy)	Master	-
	Mehmet Ali VERÇİN	Assistant General Manager Responsible for Support (General Manager Deputy)	Bachelor	-
	Nihat BOZ	Assistant General Manager Responsible for Legal	Bachelor	-
	Cenk DEMİRÖZ	Assistant General Manager Responsible for Credits	Master	-
	Deniz AKSU	Assistant General Manager Responsible for Risk Monitoring	Bachelor	-
	Temel HAZIROĞLU	Assistant General Manager Responsible for Finance and Strategy	Master	(*) 0,0342
	Nevzat BAYRAKTAR	Assistant General Manager Responsible for Sales	Bachelor	-
	Hasan ALTUNDAĞ	Assistant General Manager Responsible for Marketing	Bachelor	-
	Malek Khodr TEMSAH	Assistant General Manager Responsible for Treasury and Financial Institutions	Master	-
	Fatih BOZ	Assistant General Manager Responsible for Operations	Master	-
	Süleyman ÇELİK	Assistant General Manager Responsible for Human Values and Administrative Affairs	Bachelor	-
<b>Audit Committee:</b>	Mustafa BÜYÜKABACI	Chairman of Audit Committee	Master	-
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	(*) 0,0000

(\*) The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Bank's share capital (December 31, 2016: 0,0342%).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

#### IV. Information on the Bank's qualified shareholders:

The Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below.

Name / commercial name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486.523	54,06%	486.523	-

#### V. Summary on the Bank's service activities and field of operations:

The Bank operates in accordance with the principles of interest-free banking as a participation bank. The Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under six different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included), one year and more than one year (with monthly, quarterly, semiannual and annual profit share payment) and accumulated participation accounts.

The Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit.

The Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Bank operates as an insurance agency on behalf of Bereket Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services.

Moreover, the Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

Transactions which can be carried out by the Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### **VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:**

The Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control, and Bereket Varlık Kiralama A.Ş., Albaraka Portföy Yönetimi A.Ş. the subsidiaries of the Bank, through equity method and full consolidation method, respectively. ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity". Real Estate Investment Funds "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" have been consolidated as well.

### **VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the Bank and its subsidiaries:**

There is no immediate transfer of equity between the Bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

## **SECTION TWO**

### **The unconsolidated financial statements**

- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet
- III. Statement of income
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows
- VII. Statement of profit appropriation

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

ASSETS	Notes (Section Five-I)	Audited CURRENT PERIOD December 31, 2017			Audited PRIOR PERIOD December 31, 2016		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	422.105	5.334.890	5.756.995	940.247	4.058.805	4.999.052
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	990.788	3.363	994.151	1.022	65.074	66.096
2.1 Trading Financial Assets		990.788	3.363	994.151	1.022	65.074	66.096
2.1.1 Public Sector Debt Securities		916	-	916	-	-	-
2.1.2 Equity Securities		-	-	-	954	-	954
2.1.3 Derivative Financial Assets Held for Trading		225	-	225	55	65.013	65.068
2.1.4 Other Marketable Securities		989.647	3.363	993.010	13	61	74
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		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	706.186	805.221	1.511.407	656.410	1.501.767	2.158.177
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS-AVAILABLE FOR SALE (Net)</b>	(4)	937.211	412.022	1.349.233	996.067	386.623	1.382.690
5.1 Equity Securities		15	8.713	8.728	15	6.335	6.350
5.2 Public Sector Debt Securities		935.188	341.887	1.277.075	986.482	298.856	1.285.338
5.3 Other Marketable Securities		2.008	61.422	63.430	9.570	81.432	91.002
<b>VI. LOANS AND RECEIVABLES</b>	(5)	18.334.954	6.121.428	24.456.382	17.448.650	4.394.425	21.843.075
6.1 Loans and Receivables		17.821.846	6.121.363	23.943.209	16.921.201	4.394.425	21.315.626
6.1.1 Loans to Risk Group of The Bank		11.897	106.867	118.764	6.937	29.327	36.264
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		17.809.949	6.014.496	23.824.445	16.914.264	4.365.098	21.279.362
6.2 Non-performing loans		1.211.785	825	1.212.610	1.104.785	1.169	1.105.954
6.3 Specific Provisions (-)		698.677	760	699.437	577.336	1.169	578.505
<b>VII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	532.803	-	532.803	668.582	-	668.582
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	4.719	-	4.719	4.719	-	4.719
8.1 Accounted for under Equity Method		-	-	-	-	-	-
8.2 Unconsolidated Associates		4.719	-	4.719	4.719	-	4.719
8.2.1 Financial Associates		4.719	-	4.719	4.719	-	4.719
8.2.2 Non-Financial Associates		-	-	-	-	-	-
<b>IX. SUBSIDIARIES (Net)</b>	(8)	5.400	-	5.400	5.400	-	5.400
9.1 Unconsolidated Financial Subsidiaries		5.400	-	5.400	5.400	-	5.400
9.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>X. JOINT VENTURES (Net)</b>	(9)	20.000	-	20.000	20.000	-	20.000
10.1 Accounted for under Equity Method		-	-	-	-	-	-
10.2 Unconsolidated		20.000	-	20.000	20.000	-	20.000
10.2.1 Financial Joint Ventures		20.000	-	20.000	20.000	-	20.000
10.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
<b>XI. LEASE RECEIVABLES (Net)</b>	(10)	737.081	-	737.081	878.979	-	878.979
11.1 Finance Lease Receivables		807.540	-	807.540	996.206	-	996.206
11.2 Operational Lease Receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned Income (-)		70.459	-	70.459	117.227	-	117.227
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
12.1 Fair Value Hedge		-	-	-	-	-	-
12.2 Cash Flow Hedge		-	-	-	-	-	-
12.3 Hedge of Net Investment Risks in Foreign Operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>	(12)	589.430	236	589.666	516.340	791	517.131
<b>XIV. INTANGIBLE ASSETS (Net)</b>	(13)	28.397	78	28.475	35.157	305	35.462
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		28.397	78	28.475	35.157	305	35.462
<b>XV. INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>XVI. TAX ASSET</b>	(15)	55.029	-	55.029	25.100	-	25.100
16.1 Current Tax Asset		2.080	-	2.080	5.004	-	5.004
16.2 Deferred Tax Asset		52.949	-	52.949	20.096	-	20.096
<b>XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(16)	83.737	493	84.230	91.884	433	92.317
17.1 Assets Held for Sale		83.737	493	84.230	91.884	433	92.317
17.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	(17)	81.075	22.431	103.506	141.900	12.058	153.958
<b>TOTAL ASSETS</b>		<b>23.528.915</b>	<b>12.700.162</b>	<b>36.229.077</b>	<b>22.430.457</b>	<b>10.420.281</b>	<b>32.850.738</b>

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



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

LIABILITIES	Notes (Section Five-II)	Audited CURRENT PERIOD December 31, 2017			Audited PRIOR PERIOD December 31, 2016		
		TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	13.247.715	12.062.125	25.309.840	12.557.143	10.597.991	23.155.134
1.1 Funds from Risk Group of The Bank		36.844	585.641	622.485	18.908	467.738	486.646
1.2 Other		13.210.871	11.476.484	24.687.355	12.538.235	10.130.253	22.668.488
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	76	6.342	6.418	88	-	88
<b>III. FUNDS BORROWED</b>	(3)	798.755	4.613.214	5.411.969	181.593	4.242.602	4.424.195
<b>IV. BORROWINGS FROM MONEY MARKETS</b>		340.000	-	340.000	492.784	-	492.784
<b>V. SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>		604.017	90.087	694.104	634.215	68.144	702.359
<b>VII. OTHER LIABILITIES</b>	(4)	-	-	-	-	-	-
<b>VIII. LEASE PAYABLES</b>	(5)	-	-	-	-	-	-
8.1 Finance Lease Payables		-	-	-	-	-	-
8.2 Operational Lease Payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(6)	-	-	-	-	-	-
9.1 Fair Value Hedge		-	-	-	-	-	-
9.2 Cash Flow Hedge		-	-	-	-	-	-
9.3 Net Foreign Investment Hedge		-	-	-	-	-	-
<b>X. PROVISIONS</b>	(7)	233.722	31.098	264.820	191.485	42.364	233.849
10.1 General Provisions		119.052	23.368	142.420	110.416	25.847	136.263
10.2 Restructuring Reserves		-	-	-	-	-	-
10.3 Reserve for Employee Benefits		89.107	-	89.107	43.260	-	43.260
10.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.5 Other Provisions		25.563	7.730	33.293	37.809	16.517	54.326
<b>XI. TAX LIABILITY</b>	(8)	90.347	2.910	93.257	48.484	3.315	51.799
11.1 Current Tax Liability		90.347	2.910	93.257	48.484	3.315	51.799
11.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(9)	-	-	-	-	-	-
12.1 Assets Held for Sale		-	-	-	-	-	-
12.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	(10)	-	1.627.163	1.627.163	-	1.510.937	1.510.937
<b>XIV. SHAREHOLDERS' EQUITY</b>	(11)	2.481.652	(146)	2.481.506	2.288.359	(8.766)	2.279.593
14.1 Paid-In Capital		900.000	-	900.000	900.000	-	900.000
14.2 Capital Reserves		225.576	(146)	225.430	220.642	(8.766)	211.876
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Reserve		(18.740)	(146)	(18.886)	210	(8.766)	(8.556)
14.2.4 Revaluation Reserve on Tangible Assets		238.121	-	238.121	211.642	-	211.642
14.2.5 Revaluation Reserve on Intangible Assets		-	-	-	-	-	-
14.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
14.2.7 Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations		-	-	-	-	-	-
14.2.10 Other Capital Reserves		6.195	-	6.195	8.790	-	8.790
14.3 Profit Reserves		1.113.454	-	1.113.454	946.157	-	946.157
14.3.1 Legal Reserves		122.227	-	122.227	101.765	-	101.765
14.3.2 Status Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		991.227	-	991.227	844.392	-	844.392
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Profit or Loss		242.622	-	242.622	221.560	-	221.560
14.4.1 Prior Years Profit / (Loss)		5.529	-	5.529	3.951	-	3.951
14.4.2 Current Year Profit / (Loss)		237.093	-	237.093	217.609	-	217.609
<b>TOTAL LIABILITIES</b>		<b>17.796.284</b>	<b>18.432.793</b>	<b>36.229.077</b>	<b>16.394.151</b>	<b>16.456.587</b>	<b>32.850.738</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF INCOME

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

STATEMENT OF OFF-BALANCE SHEET	Notes (Section Five-III)	Audited CURRENT PERIOD December 31, 2017			Audited PRIOR PERIOD December 31, 2016		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>6.252.472</b>	<b>5.192.237</b>	<b>11.444.709</b>	<b>5.229.816</b>	<b>5.721.490</b>	<b>10.951.306</b>
<b>I. GUARANTEES AND SURETIES</b>		<b>4.136.465</b>	<b>3.996.159</b>	<b>8.132.624</b>	<b>4.003.878</b>	<b>4.697.315</b>	<b>8.701.193</b>
1.1. Letters of Guarantees		4.123.494	2.900.850	7.024.344	3.992.017	3.817.794	7.809.811
1.1.1. Guarantees Subject to State Tender Law		445.010	43.982	488.992	380.805	33.037	413.842
1.1.2. Guarantees Given for Foreign Trade Operations		1.860	677.380	679.240	5.911	875.341	881.252
1.1.3. Other Letters of Guarantee		3.676.624	2.179.488	5.856.112	3.605.301	2.909.416	6.514.717
1.2. Bank Loans		-	21.824	21.824	-	20.711	20.711
1.2.1. Import Letter of Acceptances		-	21.824	21.824	-	20.711	20.711
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letter of Credits		1.517	1.029.291	1.030.808	2.073	750.606	752.679
1.3.1. Documentary Letter of Credits		-	-	-	-	-	-
1.3.2. Other Letter of Credits		1.517	1.029.291	1.030.808	2.073	750.606	752.679
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		-	40.582	40.582	150	101.422	101.572
1.7. Other Collaterals		11.454	3.612	15.066	9.638	6.782	16.420
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>1.999.439</b>	<b>232.913</b>	<b>2.232.352</b>	<b>1.221.782</b>	<b>9.379</b>	<b>1.231.161</b>
2.1. Irrevocable Commitments		1.999.439	232.913	2.232.352	1.221.782	9.379	1.231.161
2.1.1. Asset Purchase and Sale Commitments		148.149	232.913	381.062	4.020	9.379	13.399
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		348.871	-	348.871	111.042	-	111.042
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6. Payment Commitment for Cheques		528.094	-	528.094	588.983	-	588.983
2.1.7. Tax And Fund Liabilities from Export Commitments		4.069	-	4.069	3.029	-	3.029
2.1.8. Commitments for Credit Card Expenditure Limits		528.560	-	528.560	475.270	-	475.270
2.1.9. Commitments for Promotions Related with Credit Cards and Banking Activities		363	-	363	963	-	963
2.1.10. Receivables From Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		441.333	-	441.333	38.475	-	38.475
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>116.568</b>	<b>963.165</b>	<b>1.079.733</b>	<b>4.156</b>	<b>1.014.796</b>	<b>1.018.952</b>
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		116.568	963.165	1.079.733	4.156	1.014.796	1.018.952
3.2.1. Forward Foreign Currency Buy/Sell Transactions		21.884	21.693	43.577	4.156	1.014.796	1.018.952
3.2.1.1. Forward Foreign Currency Transactions-Buy		5.259	16.516	21.775	2.078	539.810	541.888
3.2.1.2. Forward Foreign Currency Transactions-Sell		16.625	5.177	21.802	2.078	474.986	477.064
3.2.2. Other Forward Buy/Sell Transactions		94.684	941.472	1.036.156	-	-	-
3.3. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>59.076.439</b>	<b>9.015.013</b>	<b>68.091.452</b>	<b>46.841.565</b>	<b>7.544.333</b>	<b>54.385.898</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>2.064.347</b>	<b>1.266.279</b>	<b>3.330.626</b>	<b>1.598.038</b>	<b>1.363.315</b>	<b>2.961.353</b>
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		72	-	72	72	-	72
4.3. Cheques Received for Collection		1.590.693	149.772	1.740.465	1.214.349	110.011	1.324.360
4.4. Commercial Notes Received for Collection		442.531	45.071	487.602	351.020	31.674	382.694
4.5. Other Assets Received for Collection		103	-	103	103	-	103
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		999	224.453	225.452	2.534	153.793	156.327
4.8. Custodians		29.949	846.983	876.932	29.960	1.067.837	1.097.797
<b>V. PLEDGED ITEMS</b>		<b>57.012.092</b>	<b>7.748.734</b>	<b>64.760.826</b>	<b>45.243.527</b>	<b>6.181.018</b>	<b>51.424.545</b>
5.1. Marketable Securities		7.877.664	3.081.345	10.959.009	2.553.972	1.690.418	4.244.390
5.2. Guarantee Notes		1.476.104	157.116	1.633.220	1.461.797	180.826	1.642.623
5.3. Commodity		2.147.323	665.792	2.813.115	1.873.977	956.778	2.830.755
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		43.274.769	2.996.857	46.271.626	37.530.439	1.668.064	39.198.503
5.6. Other Pledged Items		2.072.592	843.336	2.915.928	1.571.336	1.681.591	3.252.927
5.7. Pledged Items-Depository		163.640	4.288	167.928	252.006	3.341	255.347
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>65.328.911</b>	<b>14.207.250</b>	<b>79.536.161</b>	<b>52.071.381</b>	<b>13.265.823</b>	<b>65.337.204</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF INCOME

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

INCOME AND EXPENSE ITEMS	Notes (Section Five-IV)	Audited CURRENT PERIOD		Audited PRIOR PERIOD	
		December 31, 2017	January 1- December 31, 2017	December 31, 2016	January 1- December 31, 2016
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>2.658.587</b>	<b>2.658.587</b>	<b>2.218.804</b>	<b>2.218.804</b>
1.1 Profit Share on Loans		2.360.098	2.360.098	1.965.135	1.965.135
1.2 Income Received from Reserve Deposits		32.547	32.547	18.811	18.811
1.3 Income Received from Banks		1.362	1.362	810	810
1.4 Income Received from Money Market Placements		-	-	-	-
1.5 Income Received from Marketable Securities Portfolio		197.103	197.103	159.663	159.663
1.5.1 Held-For-Trading Financial Assets		1.464	1.464	5	5
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-	-
1.5.3 Available-For-Sale Financial Assets		133.027	133.027	94.482	94.482
1.5.4 Investments Held to Maturity		62.612	62.612	65.176	65.176
1.6 Finance Lease Income		65.749	65.749	73.181	73.181
1.7 Other Profit Share Income		1.728	1.728	1.204	1.204
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>1.390.788</b>	<b>1.390.788</b>	<b>1.195.186</b>	<b>1.195.186</b>
2.1 Expense on Profit Sharing Accounts		1.006.362	1.006.362	870.132	870.132
2.2 Profit Share Expense on Funds Borrowed		358.493	358.493	266.000	266.000
2.3 Profit Share Expense on Money Market Borrowings		14.170	14.170	55.734	55.734
2.4 Profit Share Expense on Securities Issued		-	-	-	-
2.5 Other Profit Share Expense		11.763	11.763	3.320	3.320
<b>III. NET PROFIT SHARE INCOME (I – II)</b>		<b>1.267.799</b>	<b>1.267.799</b>	<b>1.023.618</b>	<b>1.023.618</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>148.457</b>	<b>148.457</b>	<b>145.935</b>	<b>145.935</b>
4.1 Fees and Commissions Received		216.704	216.704	208.127	208.127
4.1.1 Non-Cash Loans		102.563	102.563	104.868	104.868
4.1.2 Other	(12)	114.141	114.141	103.259	103.259
4.2 Fees and Commissions Paid		68.247	68.247	62.192	62.192
4.2.1 Non-Cash Loans		180	180	334	334
4.2.2 Other	(12)	68.067	68.067	61.858	61.858
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. TRADING INCOME/LOSS(net)</b>	<b>(4)</b>	<b>45.363</b>	<b>45.363</b>	<b>45.139</b>	<b>45.139</b>
6.1 Capital Market Transaction Income / (Loss)		53.031	53.031	200	200
6.2 Profit / (Loss) from Derivative Financial Instruments		(21.019)	(21.019)	102.994	102.994
6.3 Foreign Exchange Income / (Loss)		13.351	13.351	(58.055)	(58.055)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>122.146</b>	<b>122.146</b>	<b>141.628</b>	<b>141.628</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.583.765</b>	<b>1.583.765</b>	<b>1.356.320</b>	<b>1.356.320</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>460.758</b>	<b>460.758</b>	<b>356.274</b>	<b>356.274</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>834.207</b>	<b>834.207</b>	<b>736.126</b>	<b>736.126</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>288.800</b>	<b>288.800</b>	<b>263.920</b>	<b>263.920</b>
<b>XII. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. PROFIT / (LOSS) ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV. PROFIT / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. PROFIT / (LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(8)</b>	<b>288.800</b>	<b>288.800</b>	<b>263.920</b>	<b>263.920</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>51.707</b>	<b>51.707</b>	<b>46.311</b>	<b>46.311</b>
16.1 Provision for Current Taxes		76.256	76.256	53.999	53.999
16.2 Provision for Deferred Taxes		(24.549)	(24.549)	(7.688)	(7.688)
<b>XVII. NET INCOME / (LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>237.093</b>	<b>237.093</b>	<b>217.609</b>	<b>217.609</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Provision for Current Taxes		-	-	-	-
21.2 Provision for Deferred Taxes		-	-	-	-
<b>XXII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT / LOSS (XVII+XXII)</b>	<b>(11)</b>	<b>237.093</b>	<b>237.093</b>	<b>217.609</b>	<b>217.609</b>
Earnings Per Share (Full TL)		0,263	0,263	0,242	0,242

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

	Audited CURRENT PERIOD January 1- December 31, 2017	Audited PRIOR PERIOD January 1- December 31, 2016
<b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(13.244)</b>	<b>(24.059)</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>31.993</b>	<b>34.580</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>6.936</b>	<b>7.606</b>
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	<b>-</b>	<b>-</b>
<b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	<b>-</b>	<b>-</b>
<b>VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY IN ACCORDANCE WITH TAS</b>	<b>(8.928)</b>	<b>(2.833)</b>
<b>IX. DEFERRED TAX ON VALUATION DIFFERENCES</b>	<b>(1.699)</b>	<b>(1.538)</b>
<b>X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)</b>	<b>15.058</b>	<b>13.756</b>
<b>XI. PROFIT/LOSS</b>	<b>237.093</b>	<b>217.609</b>
11.1 Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	-	-
11.2 Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and presented in Income Statement	-	-
11.3 Part of Hedge of Net Investments in Foreign Operations reclassified and presented in Income Statement	-	-
11.4 Other	237.093	217.609
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>252.151</b>	<b>231.365</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

	Notes (Section Five-V)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Cancellation Premium	Share Certificate Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves(*)	Current Period Net Income / (Loss)	Prior Years Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Discop.	Total Equity
<b>CHANGES IN SHAREHOLDERS' EQUITY (Audited)</b>																	
<b>PRIOR PERIOD January 1, December 31, 2016</b>																	
<b>I. Beginning balance</b>	(V)	900.000	-	-	-	84.774	-	611.757	1.127	302.863	3.610	10.691	189.092	-	-	-	2.103.914
Changes In Period																	
II. Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(19.247)	-	-	-	-	(19.247)
IV. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge Of/Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	30.542	-	-	-	30.542
VI. Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-	-	7.606	-	-	-	-	-	-	-	7.606
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		-	-	-	-	-	-	(7.575)	57	3.951	-	-	(7.992)	-	-	-	(10.431)
XVII. Period Net Income/(Loss)		-	-	-	-	-	-	-	-	217.609	-	-	-	-	-	-	217.609
XVIII. Profit Distribution		-	-	-	-	-	-	2.40.210	-	(302.863)	(3.610)	-	-	-	-	-	(50.400)
18.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	(50.400)	-	-	-	-	-	(50.400)
18.2 Transfers To Reserves		-	-	-	-	-	-	2.40.210	-	(25.6.073)	-	-	-	-	-	-	(50.400)
18.3 Other		-	-	-	-	-	-	-	(302.863)	302.863	-	-	-	-	-	-	-
<b>Closing Balance (I+II+III+...+XVI+XVII+XVIII)</b>		900.000	-	-	-	101.765	-	844.392	8.790	217.609	3.951	(8.556)	211.642	-	-	-	2.279.593

(\*) As per Repurchase Programme accepted at the General Assembly on March 25, 2015 repurchased shares amount to TL 3.005 between January 18, 2016 and July 22, 2016 represented under other reserves.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

Notes (Section Five-V)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Cancellation Premium	Share Certificate Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves(*)	Current Period Net Income / Net Income / (Loss)	Prior Years Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
I.	(V)	900.000	-	-	101.765	-	844.392	8.790	217.609	3.951	(8.556)	211.642	-	-	-	2.279.593
Changes In Period																
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	(10.330)	-	-	-	-	(10.330)
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	25.594	-	-	-	25.594
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	6.936	-	-	-	-	-	-	-	6.936
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	9.582	-	(9.582)	(16.322)	-	1.578	-	-	885	-	-	(13.859)
XVIII.		-	-	-	-	-	-	-	237.093	-	-	-	-	-	-	237.093
18.1		-	-	-	10.880	-	156.417	6.791	(217.609)	-	-	-	-	-	-	(43.521)
18.2		-	-	-	10.880	-	156.417	6.791	-	(174.088)	-	-	-	-	-	(43.521)
18.3		-	-	-	-	-	-	-	(217.609)	-	-	-	-	-	-	-
		900.000	-	-	122.227	-	991.227	6.195	237.093	5.529	(18.886)	238.121	-	-	-	2.481.506

(\*) As per Repurchase Programme accepted at the General Assembly on March 25, 2015 repurchased shares amount to TL 9.471 between March 13, 2017 and November 22, 2017 represented under other reserves and legal reserve has been allocated for the related amount as per Turkish

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



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CASH FLOWS

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

	Notes (Section Five-VI)	Audited CURRENT PERIOD January 1- December 31, 2017	Audited PRIOR PERIOD January 1- December 31, 2016
<b>STATEMENT OF CASH FLOWS</b>			
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating Profit Before Changes in Operating Assets And Liabilities</b>	<b>1.121.264</b>	<b>1.332.741</b>
1.1.1	Profit Share Income Received	2.512.374	2.026.802
1.1.2	Profit Share Expense Paid	(1.340.914)	(1.171.483)
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	114.141	103.259
1.1.5	Other Income	96.696	75.806
1.1.6	Collections from Previously Written Off Loans	(V-I-5,h2) 260.414	164.013
1.1.7	Payments to Personnel and Service Suppliers	(443.362)	(416.420)
1.1.8	Taxes Paid	(70.091)	(88.261)
1.1.9	Others	(V-VI-3) (7.994)	639.025
<b>1.2</b>	<b>Changes In Operating Assets And Liabilities</b>	<b>(1.881.790)</b>	<b>(1.083.854)</b>
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets	(874.860)	(43.813)
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	(301.559)	695.562
1.2.4	Net (Increase) Decrease in Loans	(2.582.313)	(3.152.211)
1.2.5	Net (Increase) Decrease in Other Assets	(46.465)	72.688
1.2.6	Net Increase (Decrease) in Funds Collected From Banks	(322.394)	1.239.937
1.2.7	Net Increase (Decrease) in Other Funds Collected	1.818.459	300.995
1.2.8	Net Increase (Decrease) in Funds Borrowed	-	-
1.2.9	Net Increase (Decrease) in Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	(V-VI-3) 427.342	(197.012)
<b>I.</b>	<b>Net Cash Flow From Banking Operations</b>	<b>(760.526)</b>	<b>248.887</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash flow from investing activities</b>	<b>(26.527)</b>	<b>(153.294)</b>
2.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries	-	(4.650)
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries	-	-
2.3	Fixed Assets Purchases	(37.554)	(29.938)
2.4	Fixed Assets Sales	55.411	57.326
2.5	Cash Paid for Purchase of Financial Assets Available for Sale	(842.254)	(1.024.093)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale	623.144	723.577
2.7	Cash Paid for Purchase of Investment Securities	(V-I-6) (244.500)	(259.396)
2.8	Cash Obtained from Sale of Investment Securities	(V-I-6) 419.226	383.880
2.9	Other	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Flow From Financing Activities</b>	<b>102.644</b>	<b>(769.107)</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued	7.257.049	3.005.907
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(7.110.884)	(3.724.614)
3.3	Issued Capital Instruments	-	-
3.4	Dividends Paid	(43.521)	(50.400)
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(V-VI-3) 109.649</b>	<b>329.943</b>
<b>V.</b>	<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(574.760)</b>	<b>(343.571)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>(V-VI-a) 3.464.483</b>	<b>3.808.054</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>(V-VI-b) 2.889.723</b>	<b>3.464.483</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF PROFIT APPROPRIATION AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

STATEMENT OF PROFIT APPROPRIATION	THOUSAND TURKISH LIRA	
	CURRENT PERIOD December 31, 2017	PRIOR PERIOD December 31, 2016
<b>I. Distribution of current year income</b>		
1.1. Current year income	288.800	263.920
1.2. Taxes and duties payable (-)	51.707	46.311
1.2.1. Corporate tax (Income tax)	76.256	53.999
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities (*)	(24.549)	(7.688)
<b>A. Net income for the year (1.1-1.2)</b>	<b>237.093</b>	<b>217.609</b>
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	10.880
1.5. Other statutory reserves (-)	4.580	6.791
<b>B. Distributable net period income [(A)-(1.3+1.4+1.5)] (**)</b>	<b>232.513</b>	<b>199.938</b>
1.6. First dividend to shareholders (-)	-	43.521
1.6.1. To owners of ordinary shares	-	43.521
1.6.2. To owners of preferred shares	-	-
1.6.3. To owners of preferred shares (Preemptive rights)	-	-
1.6.4. To Profit sharing bonds	-	-
1.6.5. To owners of the profit /loss sharing certificates	-	-
1.7. Dividend to personnel (-)	-	-
1.8. Dividend to board of directors (-)	-	-
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. Second legal reserve (-)	-	-
1.11. Status reserves (-)	-	-
1.12. Extraordinary reserves	-	156.417
1.13. Other reserves	-	-
1.14. Special funds	-	-
<b>II. Distribution from reserves</b>		
2.1. Distributed reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Share to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of preferred shares	-	-
2.3.3. To owners of preferred shares (Preemptive rights)	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To owners of the profit /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1. To owners of ordinary shares (***) (Full TL)	0,258	0,222
3.2. To owners of ordinary shares (%)	25,8	22,2
3.3. To owners of preferred shares	-	-
3.4. To owners of preferred shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1. To owners of ordinary shares (Full TL)	-	0,048
4.2. To owners of ordinary shares (%)	-	4,84
4.3. To owners of preferred shares	-	-
4.4. To owners of preferred shares (%)	-	-

(\*) Deferred tax income is presented in "other taxes and legal liabilities" line. Deferred tax income is not subject to profit appropriation; thus it is classified under extraordinary reserves.

(\*\*) General Assembly of the Bank is the authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of the preparation of these financial statements.

(\*\*\*) 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.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### SECTION THREE ACCOUNTING POLICIES

#### I. Explanations on basis of presentation:

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

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated June 28, 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities and revalued real estates carried at fair value.

##### b. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. The aforementioned accounting policies and valuation principles are explained in Notes II to XXII below.

TAS/TFRS changes which are effective from January 1, 2017 do not have a significant effect on the Bank's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective, except TFRS 9 financial instruments, do not have a significant effect on the Bank's accounting policies, financial position or performance.

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after December 31, 2017) "Financial Instruments" before January 1, 2018. Since the Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

The preparation of the unconsolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Bank's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### c. Restatement of the financial statements according to the current purchasing power of money:

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

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

The Bank creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency performing loans which were funded from these accounts is evaluated at current foreign exchange rates.

The Bank's share of foreign currency non performing loans funded by profit sharing accounts and foreign currency non performing loans funded by equity are evaluated at the exchange rates at their switch from performing to non performing and booked under Turkish lira accounts.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21.

Precious metals (gold and silver) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Bank.

### III. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Bank, generally, consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The Bank's derivative transactions, even though they provide effective economic hedges under the Bank's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement. The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

#### IV. Explanations on profit share income and expenses:

##### *Profit share income*

Profit share income is accounted in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

##### *Profit share expense*

The Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account "Funds Collected" in the balance sheet.

#### V. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income /expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Bank records the related cash and non-cash loans commissions directly as income.

#### VI. Explanations on financial assets:

The Bank categorizes and records its financial assets as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale", "Loans and Receivables" or "Financial Assets Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Bank is determined and accounted at the time of purchase by the Bank management taking into consideration the purpose of the investment.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of December 31, 2017, the Bank has not any financial assets classified as financial assets at fair value through profit or loss except for trading financial assets (December 31, 2016: None).

### Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

### Loans and receivables:

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

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

### Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under "Loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### VII. Explanations on impairment of financial assets:

At each balance sheet date, the Bank evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related amount of impairment.

A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

### VIII. Explanations on offsetting of financial instruments:

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in available for sale and subordinated loan accounts.

### IX. Explanations on sale and repurchase agreements and lending of securities:

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available for sale" and "held to maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Bank has not any securities lending transactions.

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### **X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:**

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discontinued operations to tangible assets.

A discontinued operation is a part of the Bank's business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has not any discontinued operations.

### **XI. Explanations on goodwill and other intangible assets:**

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank's intangible assets consist of softwares and intangible rights. The Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line.

basis. Useful lives of the Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

### **XII. Explanations on tangible assets:**

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance TAS 16 and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2016, the Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

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Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate (%)
Buildings	2
Motor vehicles	20 – 25
Furniture, fixture and office equipment	4 – 33
Safe-deposit boxes	2 – 20
Operational lease improvement costs (Leasehold improvements)	Leasing period – 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Bank estimates the recoverable amount of the tangible asset in accordance with TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

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

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

### **XIII. Explanations on leasing transactions:**

#### *Transactions as a lessee*

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

#### *Transactions as a lessor*

The Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

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### **XIV. Explanations on provisions and contingent liabilities:**

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

### **XV. Explanations on liabilities regarding employee rights:**

#### *i) Defined benefit plans:*

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income. As of December 31, 2017, actuarial loss amounts to TL 14.925 (December 31, 2016: TL 9.729 actuarial loss).

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

#### *ii) Defined contribution plans:*

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

#### *iii) Short term benefits to employees:*

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

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### XVI. Explanations on taxation:

#### Current tax:

The Bank is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%. However, this ratio will be applied as 22% for a period of three years, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated 5 December 2017. In addition, the council of ministers is authorized to decrease the ratio from 22% to 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.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovable are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years. However, in accordance with Article 89 a Law No. 7061 and Article 5.1.e and Article 5.1.f of the Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261 the 75% applied in terms of immovable sales mentioned above has been reduced to 50% which is effective from the date of publication of the Law.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In accordance with the last paragraph of the first article of the law dated February 11, 1986 and numbered 3259 "Law related to granting tax exemption to Islamic Development Bank" dividends paid to Islamic Development Bank is exempt from corporate tax. Therefore, dividend distributed to Islamic Development Bank as a shareholder of the Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Bank. As of report date, there is no information or written report transmitted to the Bank.

#### Deferred tax:

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and 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 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.

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Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts. According to a change in Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, Article 91, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020. The Bank calculates deferred taxes using related ratios considering the realization period of the temporary differences.

### Transfer pricing:

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

### XVII. Additional explanations on borrowings:

The Bank records borrowings in accordance with TAS 39 "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Bank. The Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka Sukuk Limited.

The Bank has subordinated loans borrowed through sukuk issuance which has convertible nature to the shares.

### XVIII. Explanations on issued share certificates:

None.

### XIX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

### XX. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Bank.

### XXI. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note XI.



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### XXII. Explanations on other matters:

#### Classifications:

The financial statements of the Bank are prepared in order to reach an opinion on financial position and performance trends. If necessary, in order to ensure consistency between current term and previous term, the comparative information are reclassified again and significant differences are explained.

Classifications on financial statements of 2016:

The Bank, starting from current term, started to use netting method for the accounts of Specific provisions for non-cash loans that are not indemnified and its reversals (income) and Provisions allocated from profit shares to be distributed to profit sharing accounts and its reversals (income) considering the net results and representing these net results in the related income or expense titles. Hence, at December 31, 2017, TL 15.883 under reversal of prior year provisions in other operating income is netted from other item in provisions for loan losses and other receivables of the Bank

#### TFRS 9 effect:

In January 2017, Public Oversight Accounting and Auditing Standards Authority ("POA") published the final version of TFRS 9 which replaces TAS 39. TFRS 9 has entered into force in January 1, 2018.

In this context, it became compulsory for banks to adopt TFRS 9 effective from January 1 2018 based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans. The Bank has been analysing the potential impact of the new standard on both in the classification of portfolios and in the valuation models of financial instruments ever since publication of the initial drafts of the standard.

#### Measurement and Classification of Financial Instruments

##### Financial Assets

It is anticipated that the financial assets valued at fair value through profit or loss will continue to be measured at fair value. On the other hand, there might be classifications among the financial assets classified as financial assets valued at amortized cost or valued at fair value with changes in other comprehensive income depending on the characteristics of their business models.

Loans and receivables are held to collect contractual cash flows and such cash flows consist of principal and interest collections. The Bank analysed contractual cash flow characteristics of these financial instruments and decided to classify such instruments as financial assets valued at amortised cost. Accordingly, it shall not be possible to classify these financial instruments into a different category.

Based on the analysis carried out up until today, the Bank considers that the new classification requirements under TFRS 9 will not have a significant impact on the balance sheet of the Bank.

##### Financial Liabilities

TFRS 9 maintains the requirements in TAS 39 for the classification of financial liabilities based on the evaluation of the Bank, it is not anticipated a significant impact regarding accounting of financial liabilities based on the scope of TFRS 9.

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### Impairment

As of 1 January 2018, the Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9.

The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

**Stage 1:**  
For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

**Stage 2:**  
In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to Stage 2. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

**Stage 3:**  
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

As of January 1, 2018, under TFRS 9, The Bank does not expect material effects of the provisions related to credits and other receivables on the equity of the bank. The Bank continues to make controls and development on TFRS 9 implementation.

### XXIII. Additional paragraph for convenience translation:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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### SECTION FOUR INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

#### I. Explanations on capital adequacy standard ratio:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2017 the Bank's total capital has been calculated as TL 4.108.617, capital adequacy standard ratio is 17,06%. As of December 31, 2016, Bank's total capital amounted to TL 3.064.000, capital adequacy ratio was 13,46% calculated. This ratio is above the minimum ratio required by the legislation.

#### a. Information on capital:

	Current Period	Amounts related to treatment before 1 January 2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	1.113.454	
Gains recognized in equity as per TAS	272.371	
Profit	242.622	
Current Period Profit	237.093	
Prior Period Profit	5.529	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2.528.447</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	46.941	
Improvement costs for operating leasing	24.242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	21.171	26.464
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>92.354</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2.436.093</b>	

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	Current Period	Amounts related to treatment before 1 January 2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>	-	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	5.293	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.430.800</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	1.610.280	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	71.830	
<b>Tier II Capital Before Deductions</b>	<b>1.682.110</b>	
<b>Deductions From Tier II Capital</b>	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	3.361	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>3.361</b>	
<b>Total Tier II Capital</b>	<b>1.678.749</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>4.109.549</b>	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	932	

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	Current Period	Amounts related to treatment before 1 January 2014 <sup>(1)</sup>
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
<b>Total Capital</b>	<b>4.108.617</b>	
<b>Total risk weighted amounts</b>	<b>24.089.261</b>	
<b>Capital Adequacy Ratios</b>	-	
Core Capital Adequacy Ratio (%)	10,11	
Tier 1 Capital Adequacy Ratio (%)	10,09	
Capital Adequacy Ratio (%)	17,06	
<b>BUFFERS</b>		
The total additional capital requirement ratio (a + b + c)	1,25	
a) Capital conservation buffer requirement (%)	1,25	
b) Bank specific counter-cyclical buffer requirement (%)	0,00	
c) Systemic significant bank buffer ratio (%)	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5,61	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	70.535	
<b>Limits related to provisions considered in Tier II calculation</b>	-	
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	71.830	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &-,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>	-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

<sup>(1)</sup> Amounts in this column represents the amounts of items that are subject to transition provisions.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

	Prior Period	Amounts related to treatment before 1 January 2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	946.157	
Gains recognized in equity as per TAS	232.165	
Profit	221.560	
Current Period Profit	217.609	
Prior Period Profit	3.951	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2.299.882</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	20.289	
Improvement costs for operating leasing	27.695	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	19.895	33.159
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>67.879</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2.232.003</b>	



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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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	Prior Period	Amounts related to treatment before 1 January 2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>	-	-
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	13.264	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.218.739</b>	-
<b>TIER II CAPITAL</b>	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	793.260	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	60.956	-
<b>Tier II Capital Before Deductions</b>	<b>854.216</b>	-
<b>Deductions From Tier II Capital</b>	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>854.216</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>3.072.955</b>	-
<b>Deductions from Total Capital</b>	-	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	5.813	-
Other items to be defined by the BRSA	3.142	-

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

	Prior Period	Amounts related to treatment before 1 January 2014 <sup>(1)</sup>
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
<b>Total Capital</b>	<b>3.064.000</b>	
<b>Total risk weighted amounts</b>	<b>22.757.911</b>	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	9,81	
Tier 1 Capital Adequacy Ratio (%)	9,75	
Capital Adequacy Ratio (%)	13,46	
<b>BUFFERS</b>		
Bank-specific total core capital ratio	0,63	
Capital conservation buffer requirement (%)	0,63	
Bank specific counter-cyclical buffer requirement (%)	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5,31	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	32.927	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	60.956	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &- 6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

<sup>(1)</sup> Amounts in this column represents the amounts of items that are subject to transition provisions.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### **b. Information on reconciliation of total capital and equity**

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provisions and debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, general provision up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### c. Details on subordinated liabilities:

Issuer	Albaraka Sukuk Ltd.	ABT Sukuk Ltd.
Unique Identifier (CUSIP, ISIN etc.)	XS1301525207	XS0927211754
Governing Law(s) of the Instrument	English Law	English Law
<b>Special Consideration in the Calculation of Equity</b>		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated / Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Sukuk Wakala	Sukuk Murabaha
Amount recognized in regulatory capital (as of most recent reporting date)	TL 854.280	TL 756.000
Par Value of Instrument	TL 854.280	TL 756.000
Accounting Classification	Subordinated Loan	Subordinated Loan
Original date of Issuance	November 30, 2015	May 7, 2013
Perpetual or dated	Dated	Dated
Maturity date	November 30, 2025	May 7, 2023
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: Nov 30, 2020 Total Repayment Amount of Profit Share: USD 131.250.000, Repayment Period: 6 months Principal Payment: USD 250.000.000	
Total Repayment Amount of Profit Share: USD 77.500.000 , Repayment Period: 6 months Principal Payment: USD 200.000.000		
Subsequent call dates	-	-
<b>Profit Share / Dividends</b>		
Fixed or floating profit share / dividend	Fixed	Fixed
Profit share rate and any related index	10,50%	7,75%
Existence of a dividend stopper	As per BRSA regulations and Communiqués it is payable	As per BRSA regulations and Communiqués it is payable
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
<b>Convertible or Non-convertible</b>		
If convertible, conversion trigger	As per BRSA regulations and Communiqués it is convertible	As per BRSA regulations and Communiqués it is convertible
If convertible, fully or partially	As per BRSA approval it is convertible fully or partially	As per BRSA approval it is convertible fully or partially
If convertible, conversion rate	As per BRSA approval it is convertible and the rate may be determined.	As per BRSA approval it is convertible and the rate may be determined.
If convertible, mandatory or optional conversion	Subject to BRSA's approval.	Subject to BRSA's approval.
If convertible, specify instrument type convertible into	Share certificate	Share certificate
If convertible, specify issuer of instrument it converts into	-	-
<b>Write-down feature</b>		
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners	After all creditors and participation fund owners
In compliance with article number 7 and 8 of "Own fund regulation"	No	No
Details of incompliance with article number 7 and 8 of "Own fund regulation"	No	No

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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 primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Bank, the Bank cannot grant loans above 15% of its equity to a real person or legal entity (Exception to this decision is subject to the decision of the Board of Directors). Distributing the risk in a balanced manner to the sectors is observed, therefore in their marketing operations the branches strive for reaching various firms existing in different sectors. As a principle, each branch oversee the balanced distribution of the total risk to the sectors and progress of the firms existing in critical sectors.

The credibility of the debtors of loans and other receivables are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Bank's credit limit renewal procedure. The Bank obtains necessary collaterals for loans and other receivables by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

Loans which are past due up to 90 days as of period ends but not impaired are defined as "Past Due Receivables". "General provision" is set aside for these loans in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

Loans which are past due for more than 90 days as of period ends or assessed as impaired based on risk assessment made are defined as "Impaired Loans". "Specific provision" is set aside for these in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

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The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk Categories	Current Period Risk Amount	Average Risk Amount <sup>(1)</sup>
Receivables from central governments or central banks	5.218.032	5.012.138
Receivables from regional or local governments	32	304
Receivables from administrative units and non-commercial enterprises	199.448	110.934
Receivables from multilateral development banks	-	54
Receivables from international organizations	-	-
Receivables from banks and brokerage houses	1.771.717	2.016.715
Receivables from corporates	12.970.989	12.322.066
Retail receivables	5.524.653	5.149.934
Receivables secured by mortgages on property	3.283.907	3.073.964
Past due receivables	305.597	359.174
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	78.499
Other receivables	2.076.495	1.666.569
Equity share investments	-	-
<b>TOTAL<sup>(2)</sup></b>	<b>31.350.870</b>	<b>29.790.351</b>

<sup>(1)</sup> Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2017.

<sup>(2)</sup> The credit risk undertaken for forwards, options and similar agreements is managed together with the risks arising from market movements.

<sup>(3)</sup> The risks of forwards, options and similar agreements are followed regularly and the Bank utilizes risk mitigation methods if needed.

<sup>(4)</sup> Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments.

The Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.

<sup>(5)</sup> The Bank has credit lines in different countries within the scope of its banking activity and due inquiries (economic, cyclical, etc.) are carried out during the allocation and revision of such credit lines.

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

<sup>(6)</sup> Share of cash receivables of the Bank from its top 100 and top 200 cash loan customers in total cash loans is 40% (December 31, 2016: 41%) and 49% (December 31, 2016: 48%) respectively. Share of non-cash receivables of the Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 47% (December 31, 2016: 44%) and 58% (December 31, 2016: 56%) respectively.

Share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan and non-cash loan customers in total of balance sheet and off balance sheet commitments is 37% (December 31, 2016: 36%) and 45% (December 31, 2016: 44%) respectively.

<sup>(7)</sup> The Bank's general provision amount for its credit risk is TL 142.420 (December 31, 2016: TL 136.263).



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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2017

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#### (8) Profile on significant risks in significant regions:

Current Period	Risk Categories (*)										Total
	1	2	3	4	5	6	7	8	9	10	
Domestic	5.218.032	32	199.448	-	983.019	12.355.026	5.510.539	3.270.206	290.367	2.016.549	29.843.218
EU Countries	-	-	-	-	215.986	121.848	1.712	2.018	4.459	14.175	360.198
OECD Countries (**)	-	-	-	-	9.056	-	6	16	-	-	9.078
Off-shore banking regions	-	-	-	-	67.835	54.801	10.294	2.963	9.344	-	145.237
USA, Canada	-	-	-	-	123.592	90.682	137	15	-	-	214.426
Other countries	-	-	-	-	372.229	348.632	1.965	8.689	1.427	15.652	748.594
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	30.119
Unallocated assets/liabilities (***)	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5.218.032</b>	<b>32</b>	<b>199.448</b>	<b>-</b>	<b>1.771.717</b>	<b>12.970.989</b>	<b>5.524.653</b>	<b>3.283.907</b>	<b>305.597</b>	<b>2.076.495</b>	<b>31.350.870</b>
<b>Prior Period</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>Total</b>
Domestic	5.290.150	536	38.092	-	1.913.188	12.334.111	5.264.405	2.486.291	296.839	1.360.372	28.983.984
EU Countries	-	-	-	-	138.869	143.118	4.123	2.286	-	1	288.397
OECD Countries (**)	-	-	-	-	11.394	-	28	-	-	-	11.422
Off-shore banking regions	-	-	-	-	21.256	44.369	9.755	7.903	43.954	-	127.237
USA, Canada	-	-	-	-	85.415	83.885	8	-	-	-	169.308
Other countries	-	-	-	66	150.102	257.785	4.118	9.919	-	40.670	462.660
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	27.469
Unallocated assets/liabilities (***)	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5.290.150</b>	<b>536</b>	<b>38.092</b>	<b>66</b>	<b>2.320.224</b>	<b>12.863.268</b>	<b>5.282.437</b>	<b>2.506.399</b>	<b>340.793</b>	<b>1.428.512</b>	<b>30.070.477</b>

(\*) Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.

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

(\*\*\*) Assets and liabilities are not allocated on a consistent basis

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from multilateral development banks
- 5- Receivables from banks and brokerage houses
- 6- Receivables from corporates
- 7- Retail receivables
- 8- Receivables secured by mortgages on property
- 9- Past due receivables
- 10- Other receivables

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LİRA (TL) UNLESS OTHERWISE STATED)

#### Risk Profile according to sectors and counterparties:

Sectors / Counterparties	Risk Categories										Total		
	1	2	3	4	5	6	7	8	9	10		TL	FC
<b>1 Agriculture</b>	-	-	-	-	-	<b>106.760</b>	<b>56.826</b>	<b>17.821</b>	<b>3.185</b>	-	<b>156.412</b>	<b>28.180</b>	<b>184.592</b>
1.1 Farming and stockbreeding	-	-	-	-	-	26.433	15.697	8.978	2.644	-	42.057	11.695	53.752
1.2 Forestry	-	-	-	-	-	80.312	40.204	8.435	541	-	113.007	16.485	129.492
1.3 Fishery	-	-	-	-	-	15	925	408	-	-	1.348	-	1.348
<b>2 Manufacturing</b>	-	-	<b>1.073</b>	-	-	<b>6.043.903</b>	<b>2.256.163</b>	<b>1.122.966</b>	<b>166.668</b>	-	<b>6.160.415</b>	<b>3.430.358</b>	<b>9.590.773</b>
2.1 Mining	-	-	-	-	-	314.516	27.878	24.009	724	-	243.987	123.140	367.127
2.2 Production	-	-	122	-	-	4.964.236	2.195.248	1.016.395	163.386	-	5.580.050	2.759.337	8.339.387
2.3 Electricity, gas, water	-	-	951	-	-	765.151	33.037	82.562	2.558	-	336.378	547.881	884.259
<b>3 Construction</b>	-	-	<b>181.184</b>	-	-	<b>3.728.580</b>	<b>567.483</b>	<b>1.199.952</b>	<b>63.410</b>	-	<b>3.786.922</b>	<b>1.953.687</b>	<b>5.740.609</b>
<b>4 Services</b>	<b>3.406.507</b>	-	<b>15.874</b>	-	<b>1.761.469</b>	<b>2.724.064</b>	<b>998.874</b>	<b>380.556</b>	<b>63.191</b>	<b>30.119</b>	<b>3.620.011</b>	<b>5.760.643</b>	<b>9.380.654</b>
4.1 Wholesale and retail trade	-	-	74	-	900	1.392.415	779.663	221.797	51.822	-	2.036.461	410.210	2.446.671
4.2 Hotel, food and beverage services	-	-	-	-	-	86.677	32.420	21.294	17	-	29.837	110.571	140.408
4.3 Transportation and telecommunication	-	-	-	-	-	146.494	61.148	11.085	5.623	-	94.287	130.063	224.350
4.4 Financial institutions	3.406.507	-	26	-	1.760.569	899.197	21.635	90.282	3.933	30.119	1.132.071	5.080.197	6.212.268
4.5 Real estate and renting services	-	-	-	-	-	131.853	8.412	2.171	75	-	130.983	11.528	142.511
4.6 Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education services	-	-	5.888	-	-	3.774	8.576	8.649	712	-	27.426	173	27.599
4.8 Health and social services	-	-	9.886	-	-	63.654	87.020	25.278	1.009	-	168.946	17.901	186.847
<b>5 Other</b>	<b>1.811.525</b>	<b>32</b>	<b>1.317</b>	-	<b>10.248</b>	<b>367.682</b>	<b>1.645.307</b>	<b>562.612</b>	<b>9.143</b>	<b>2.046.376</b>	<b>4.801.806</b>	<b>1.652.436</b>	<b>6.454.242</b>
<b>6 Total</b>	<b>5.218.032</b>	<b>32</b>	<b>199.448</b>	-	<b>1.771.717</b>	<b>12.970.989</b>	<b>5.524.653</b>	<b>3.283.907</b>	<b>305.597</b>	<b>2.076.495</b>	<b>18.525.566</b>	<b>12.825.304</b>	<b>31.350.870</b>

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments alacaklar
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from multilateral development banks
- 5- Receivables from banks and brokerage houses
- 6- Receivables from corporates
- 7- Retail receivables
- 8- Receivables secured by mortgages on property
- 9- Past due receivables
- 10- Other receivable

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

Distribution of risks with term structure according to remaining maturities:

Risk Categories	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	1 year and over
1 Receivables from central governments or central banks	-	366.869	-	343.367	1.099.959
2 Receivables from regional or local governments	-	-	-	-	-
3 Receivables from administrative units and non-commercial enterprises	294	76	153	1.835	196.776
4 Receivables from multilateral development banks	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-
6 Receivables from banks and brokerage houses	109.582	37.497	4.994	17.492	88.101
7 Receivables from corporates	676.657	803.013	986.419	2.165.667	8.255.796
8 Retail receivables	283.518	337.377	586.012	1.058.499	3.127.311
9 Receivables secured by mortgages on property	78.789	264.853	159.049	388.266	2.386.178
10 Past due receivables	5.557	3.737	8.944	11.785	275.575
11 Receivables defined in high risk category by BRSA	-	-	-	-	-
12 Securities collateralized by mortgages	-	-	-	-	-
13 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
14 Investments similar to collective investment funds	-	-	-	-	-
15 Other receivables	14.175	-	-	-	-
16 Equity share investments	-	-	-	-	-
<b>17 TOTAL</b>	<b>1.168.572</b>	<b>1.813.422</b>	<b>1.745.571</b>	<b>3.986.911</b>	<b>15.429.696</b>

(9) While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks" are presented below:

Risk Weights	%0	%10	%20	%35	%50	%75	%100	%150	%200	Deductions from Shareholders' Equity
1 Amount before credit risk mitigation	5.330.393	-	1.941.737	861.798	3.035.528	5.524.653	14.429.656	227.105	-	54.999
2 Amount after credit risk mitigation	6.784.019	-	2.036.995	845.958	3.087.541	4.589.966	13.780.447	225.944	-	54.999

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

(10) Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:

For loans which are classified as impaired loans due to delay of collection of principal or profit share 90 days and above, and/or negative risk assessments of credit worthiness of the debtor; "specific provision" is set aside in the accompanying financial statements as of December 31, 2017.

For loans which are classified as past due not impaired loans due to delay of collection of principal or profit share up to 90 days; "general provision" is set aside in the accompanying financial statements as of December 31, 2017.

		<b>Loans</b>			
<b>Sectors / Counterparties</b>		<b>Impaired Loans</b>	<b>Past Due (*)</b>	<b>Value Adjustments (**)</b>	<b>Provisions</b>
<b>1</b>	<b>Agriculture</b>	<b>18.182</b>	<b>1.914</b>	<b>24</b>	<b>14.197</b>
1.1	Farming and stockbreeding	15.340	742	8	12.570
1.2	Forestry	2.840	1.172	16	1.625
1.3	Fishery	2	-	-	2
<b>2</b>	<b>Manufacturing</b>	<b>700.237</b>	<b>523.353</b>	<b>4.828</b>	<b>399.615</b>
2.1	Mining	4.592	2.491	7	3.009
2.2	Production	687.681	507.388	4.821	393.194
2.3	Electricity, gas, water	7.964	13.474	-	3.412
<b>3</b>	<b>Construction</b>	<b>261.547</b>	<b>342.525</b>	<b>2.487</b>	<b>166.916</b>
<b>4</b>	<b>Services</b>	<b>198.241</b>	<b>114.084</b>	<b>1.214</b>	<b>100.991</b>
4.1	Wholesale and retail trade	138.791	60.468	483	67.274
4.2	Hotel, food and beverage services	273	12	-	256
4.3	Transportation and telecommunication	21.468	22.349	156	11.743
4.4	Financial institutions	16.548	6.328	118	9.424
4.5	Real estate and renting services	4.499	896	10	3.874
4.6	Self-employment services	3.554	119	1	3.104
4.7	Education services	7.352	-	-	1.998
4.8	Health and social services	5.756	23.912	446	3.318
<b>5</b>	<b>Other</b>	<b>34.403</b>	<b>226.376</b>	<b>3.317</b>	<b>17.718</b>
<b>6</b>	<b>Total</b>	<b>1.212.610</b>	<b>1.208.252</b>	<b>11.870</b>	<b>699.437</b>

(\*) Only overdue projects of the relevant credits are represented.

(\*\*) The amounts represent general provisions.

### (11) Information related to value adjustments and credit provisions:

The Bank provides specific provisions for loans which are overdue for 90 days or more. The collaterals are being taken into consideration while providing specific provisions in accordance with the Provisioning Communiqué.

The bank provides general loan provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the "Regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provisions to be set aside" communique.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

Risk Weight	Opening Balance	Provision made during the period	Reversal of Provisions	Other Adjustments (*)	Closing Balance
1 Specific Provisions	578.505	442.637	(350.612)**	28.907	699.437
2 General Provisions	136.263	15.416	(10.951)	1.692	142.420

(\*) Determined according to currency differences.

(\*\*) Includes TL 309.387 assigned from non performing portfolio to asset management companies and written off amount TL 4.952 as per decision of the bank management.

### III. Explanations on risks including countercyclical capital buffer calculation:

Explanations on receivables from consolidated private sector:

Country where risk is ultimately taken	Private sector loans in banking books	Risk weighted amount calculated within trading book	Total
Turkey	18.058.242	79.284	18.137.526
Iraq	218.488	-	218.488
United States of America	90.701	-	90.701
Georgia	86.918	-	86.918
Malta	71.633	-	71.633
Marshall Islands	48.991	-	48.991
Malaysia	20.784	-	20.784
Panama	10.585	-	10.585
Romania	9.396	-	9.396
Other	49.259	-	49.259

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

#### IV. Explanations on currency risk:

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

a. The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.

b. The Bank does not have any derivative financial instruments held for hedging purposes.

c. As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.

ç. Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

	USD	EUR
As of December 31, 2017 - Balance sheet evaluation rate	3,780	4,533
As of December 29, 2017	3,780	4,533
As of December 28, 2017	3,768	4,501
As of December 27, 2017	3,815	4,540
As of December 26, 2017	3,800	4,511
As of December 25, 2017	3,796	4,507

d. The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 3,832 for 1 USD (December 2016: TL 3,494), TL 4,535 for 1 EUR (December 2016: TL 3,679).

The Bank is mainly exposed to EUR and USD currency risks.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### Information on currency risk of the Bank:

Current Period	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Assets</b>				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	1.134.693	3.201.015	999.182	5.334.890
Banks	282.394	330.469	192.358	805.221
Financial assets at fair value through profit and loss	-	3.363	-	3.363
Money market placements	-	-	-	-
Available-for-sale financial assets	188	411.834	-	412.022
Loans and financial lease receivables <sup>(**)</sup>	3.809.916	8.232.284	375	12.042.575
Subsidiaries, associates and joint ventures	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	236	236
Intangible assets	-	-	78	78
Other assets <sup>(***)</sup>	3.225	16.334	4.017	23.576
<b>Total assets</b>	<b>5.230.416</b>	<b>12.195.299</b>	<b>1.196.246</b>	<b>18.621.961</b>
<b>Liabilities</b>				
Current account and funds collected from banks via participation accounts	915.162	503.465	5.592	1.424.219
Other current and profit sharing accounts	2.813.964	6.926.317	897.625	10.637.906
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.231.572	5.008.805	-	6.240.377
Marketable securities issued	-	-	-	-
Miscellaneous payables	10.270	77.957	1.860	90.087
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	4.408	9.588	2.986	16.982
<b>Total liabilities</b>	<b>4.975.376</b>	<b>12.526.132</b>	<b>908.063</b>	<b>18.409.571</b>
<b>Net balance sheet position</b>	<b>255.040</b>	<b>(330.833)</b>	<b>288.183</b>	<b>212.390</b>
<b>Net off balance sheet position</b>	<b>(225.109)</b>	<b>361.039</b>	<b>(245.184)</b>	<b>(109.254)</b>
Derivative financial instruments assets <sup>(****)</sup>	26.065	511.411	5.936	543.412
Derivative financial instruments liabilities <sup>(****)</sup>	251.174	150.372	251.120	652.666
Non-cash loans <sup>(*****)</sup>	1.323.750	2.648.158	24.251	3.996.159
<b>Prior Period</b>				
Total assets	4.803.238	10.449.176	1.139.478	16.391.892
Total liabilities	4.767.097	11.015.341	657.068	16.439.506
<b>Net balance sheet position</b>	<b>36.141</b>	<b>(566.165)</b>	<b>482.410</b>	<b>(47.614)</b>
<b>Net off balance sheet position</b>	<b>(222)</b>	<b>534.761</b>	<b>(473.712)</b>	<b>60.827</b>
Derivative financial instruments assets	2.886	538.533	1.082	542.501
Derivative financial instruments liabilities	3.108	3.772	474.794	481.674
Non-cash loans	1.429.354	3.231.964	35.997	4.697.315

<sup>(1)</sup> TL 973.313 (December 31, 2016: TL 790.486) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 116.046 (December 31, 2016: TL 274.919) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 849.627 (December 31, 2016: TL 599.733) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

<sup>(\*\*)</sup> The balance includes foreign currency indexed loans and financial lease receivables of TL 5.921.147 (December 31, 2016: TL 5.971.045).

<sup>(\*\*\*)</sup> Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 652 (December 31, 2016: TL 566) is included in other assets.

<sup>(\*\*\*\*)</sup> In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 107.178 (December 31, 2016: TL 2.691) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 125.735 (December 31, 2016: TL 6.688).

<sup>(\*\*\*\*\*)</sup> Does not have any effect on the net off-balance sheet position.



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### V. Explanations on position risk of equity securities in banking book:

The Bank does not have any associate and subsidiary quoted at Borsa İstanbul. "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" which are managed and founded by Albaraka Portföy Yönetimi A.Ş. are traded in Borsa İstanbul under qualified trading market. Albaraka Portföy Yönetimi A.Ş. is the subsidiary of the bank.

### VI. Explanations on liquidity risk:

Liquidity Risk is managed by Asset and Liability Committee (ALCO) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Risk Management Contingency Funding Plan" in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators in each stress.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### Liquidity Coverage Ratio:

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value <sup>(*)</sup>		Rate of "Percentage to be taken into account" Implemented Total value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 HIGH QUALITY LIQUID ASSETS			5.243.029	4.555.563
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Funds Collected	14.800.394	6.349.221	1.304.781	634.922
3 Stable Funds Collected	3.505.163	-	175.258	-
4 Less stable Funds Collected	11.295.231	6.349.221	1.129.523	634.922
5 Unsecured Funding other than Retail and Small Business Customers				
Deposits	7.911.834	5.136.242	4.751.807	3.233.620
6 Operational Funds Collected	657.255	650.261	164.314	162.565
7 Non-Operational Funds Collected	3.484.214	1.958.013	1.915.091	1.221.911
8 Other Unsecured Funding	3.770.365	2.527.968	2.672.402	1.849.144
9 Secured funding			-	-
10 Other Cash Outflows	681.339	588.084	681.339	588.084
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	681.339	588.084	681.339	588.084
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	8.878.390	3.510.911	754.795	347.691
<b>16 TOTAL CASH OUTFLOWS</b>			<b>7.492.722</b>	<b>4.804.317</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	3.588.340	1.582.596	2.782.126	1.442.761
19 Other contractual cash inflows	679.681	301.854	679.681	301.854
<b>20 TOTAL CASH INFLOWS</b>	<b>4.268.021</b>	<b>1.884.450</b>	<b>3.461.807</b>	<b>1.744.615</b>
<b>21 TOTAL HQLA</b>			<b>5.243.029</b>	<b>4.555.563</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>4.030.915</b>	<b>3.059.702</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>130,07</b>	<b>148,89</b>

(\*) Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dated on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

### Liquidity Coverage Ratio (%)

	Current Period	
	TL+FC	FC
Lowest	115,60	122,03
Date	November 30, 2017	October 31, 2017
Highest	156,98	214,45
Date	October 11, 2017	December 15, 2017
Average (%)	130,07	148,89

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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Prior period	Rate of "Percentage to be taken into account" not Implemented Total value <sup>(*)</sup>		Rate of "Percentage to be taken into account" Implemented Total value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 HIGH QUALITY LIQUID ASSETS			4.284.356	3.183.015
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Funds Collected	12.007.743	4.522.901	1.050.523	452.290
3 Stable Funds Collected	3.005.018	-	150.251	-
4 Less stable Funds Collected	9.002.725	4.522.901	900.272	452.290
5 Unsecured Funding other than Retail and Small Business Customers Deposits	5.880.405	3.358.936	3.296.235	1.958.555
6 Operational Funds Collected	442.615	441.165	110.654	110.291
7 Non-Operational Funds Collected	3.321.805	1.797.946	1.840.626	1.138.890
8 Other Unsecured Funding	2.115.985	1.119.825	1.344.955	709.374
9 Secured funding	-	-	-	-
10 Other Cash Outflows	726.241	698.029	726.241	698.029
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	726.241	698.029	726.241	698.029
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	9.455.208	4.249.207	747.162	362.820
<b>16 TOTAL CASH OUTFLOWS</b>			<b>5.820.161</b>	<b>3.471.694</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	3.437.727	1.606.509	2.704.696	1.510.024
19 Other contractual cash inflows	731.192	172.774	731.192	172.774
<b>20 TOTAL CASH INFLOWS</b>	<b>4.168.919</b>	<b>1.779.283</b>	<b>3.435.888</b>	<b>1.682.798</b>
<b>21 TOTAL HQLA</b>			<b>4.284.356</b>	<b>3.183.015</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>2.384.273</b>	<b>1.788.896</b>
<b>23 Liquidity Coverage Ratio (%)</b>	-		<b>179,69</b>	<b>177,93</b>

<sup>(\*)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2016 are as follows.

Liquidity Coverage Ratio (%)	Prior period	
	TL+FC	FC
Lowest	128,75	137,50
Date	October 29, 2016	October 10, 2016
Highest	235,90	254,80
Date	December 26, 2016	December 3, 2016
Average (%)	179,69	177,93

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated <sup>(**)(***)</sup>	Total
<b>Assets</b>								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	2.028.552	3.728.443	-	-	-	-	-	5.756.995
Banks	842.873	603.215	65.319	-	-	-	-	1.511.407
Financial Assets at Fair Value Through Profit and Loss	402.713	463	-	-	916	590.059	-	994.151
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	8.728	378	408.790	200.178	678.879	52.280	-	1.349.233
Loans <sup>(*)</sup>	-	1.618.961	1.471.976	5.365.469	13.825.762	2.269.208	642.087	25.193.463
Held-To-Maturity Investments	-	-	27.648	143.588	361.567	-	-	532.803
Other Assets	-	-	-	-	71	-	890.954	891.025
<b>Total Assets</b>	<b>3.282.866</b>	<b>5.951.460</b>	<b>1.973.733</b>	<b>5.709.235</b>	<b>14.867.195</b>	<b>2.911.547</b>	<b>1.533.041</b>	<b>36.229.077</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	563.256	701.548	161.437	-	-	-	-	1.426.241
Other current and profit sharing accounts	6.589.976	14.869.502	1.383.281	989.394	51.446	-	-	23.883.599
Funds provided from other financial institutions and subordinated loans	-	1.224.909	813.401	1.745.544	1.644.998	1.610.280	-	7.039.132
Money Market Borrowings	-	340.000	-	-	-	-	-	340.000
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	221.377	54.153	15.770	-	-	402.804	694.104
Other liabilities	-	34.978	-	-	-	-	2.811.023	2.846.001
<b>Total Liabilities</b>	<b>7.153.232</b>	<b>17.392.314</b>	<b>2.412.272</b>	<b>2.750.708</b>	<b>1.696.444</b>	<b>1.610.280</b>	<b>3.213.827</b>	<b>36.229.077</b>
<b>Net Liquidity Gap</b>	<b>(3.870.366)</b>	<b>(11.440.854)</b>	<b>(438.539)</b>	<b>2.958.527</b>	<b>13.170.751</b>	<b>1.301.267</b>	<b>(1.680.786)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(1.387)</b>	<b>(5.992)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.379)</b>
Financial Derivative Assets	-	346.103	189.180	894	-	-	-	536.177
Financial Derivative Liabilities	-	347.490	195.172	894	-	-	-	543.556
<b>Non-cash Loans</b>	<b>4.773.783</b>	<b>110.085</b>	<b>464.673</b>	<b>1.523.918</b>	<b>1.222.066</b>	<b>38.099</b>	<b>-</b>	<b>8.132.624</b>
<b>Prior period</b>								
Total Assets	3.353.916	5.376.599	1.826.859	7.070.374	12.139.159	1.473.542	1.610.289	32.850.738
Total Liabilities	5.430.950	15.035.467	2.984.109	3.460.644	1.449.996	1.495.260	2.994.312	32.850.738
<b>Net Liquidity Gap</b>	<b>(2.077.034)</b>	<b>(9.658.868)</b>	<b>(1.157.250)</b>	<b>3.609.730</b>	<b>10.689.163</b>	<b>(21.718)</b>	<b>(1.384.023)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>-</b>	<b>64.824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64.824</b>
Financial Derivative Assets	-	945	538.765	2.178	-	-	-	541.888
Financial Derivative Liabilities	-	945	473.941	2.178	-	-	-	477.064
<b>Non-cash Loans</b>	<b>8.216.684</b>	<b>7.177</b>	<b>64.783</b>	<b>172.892</b>	<b>221.384</b>	<b>18.273</b>	<b>-</b>	<b>8.701.193</b>

(\*) Leasing receivables are included under loans. Unallocated amount represents the amount arising from advances granted for leasing receivables and net non-performing loans.

(\*\*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses are included here.

(\*\*\*) The unallocated other liabilities column consists of equity, provisions and (if any) deferred tax liabilities.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### VII. Explanations on leverage ratio:

As of December 31, 2017, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 5,00% (December 31, 2016: 5,27%). Leverage ratio is required to remain minimum 3% as per Communiqué on Measurement and Evaluation for Leverage Ratios of Banks. The reason for the difference in leverage ratio between current and previous period is the average increase ratio of total risk amount is more than the average increase ratio of core capital.

	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
<b>Balance sheet assets</b>		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	36.009.484	31.308.239
2 (Assets deducted from Core capital)	(49.583)	(62.304)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	35.959.901	31.245.935
<b>Derivatives financial assets and credit derivatives</b>		
4 Cost of replenishment for derivative financial assets and credit derivatives	18.858	45.286
5 Potential credit risk amount of derivative financial assets and credit derivatives	19.061	9.860
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	37.919	55.146
<b>Financing transactions secured by marketable security or commodity</b>		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	1.469.254	218.594
8 Risk amount arising from intermediary transactions	-	-
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	1.469.254	218.594
<b>Off-balance sheet transactions</b>		
10 Gross notional amount of off-balance sheet transactions	9.818.003	9.809.355
11 (Correction amount due to multiplication with credit conversion rates)	-	-
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	9.818.003	9.809.355
<b>Capital and total risk</b>		
13 Core Capital	2.361.558	2.176.537
14 Total risk amount (sum of lines 3, 6, 9 and 12)	47.285.077	41.329.030
<b>Leverage ratio</b>		
15 Leverage ratio (%)	5,00	5,27

(\*) The arithmetic average of the last 3 months in the related periods

### VIII. Explanations on presentation of financial assets and liabilities at fair value:

#### a. Information on fair value of financial assets and liabilities:

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated profit share accruals of corresponding financial assets or liabilities.

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of held-to-maturity investments are determined based on market prices.

The fair value of loans and receivables are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

The fair values of funds collected from financial institutions are determined by calculating the discounted cash flows using the current market profit share rates.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

	Carrying value		Fair value	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Financial Assets</b>				
Money market placements	-	-	-	-
Banks	1.511.407	2.158.177	1.511.407	2.158.177
Financial assets at fair value through profit and loss	994.151	66.096	994.151	66.096
Financial assets available for sale	1.349.233	1.382.690	1.349.233	1.382.690
Held to maturity investments	532.803	668.582	549.136	683.944
Loans and financial lease receivables	25.193.463	22.722.054	24.381.770	21.821.559
<b>Financial Liabilities</b>				
Funds collected from banks via current accounts and profit sharing accounts	1.426.241	1.798.016	1.426.241	1.798.016
Other current and profit sharing accounts	23.883.599	21.357.118	23.883.599	21.357.118
Funds provided from other financial institutions	7.039.132	5.935.132	6.705.248	5.028.727
Marketable securities issued	-	-	-	-
Miscellaneous payables	694.104	702.359	694.104	702.359

### b. Information on fair value measurement recognized in the financial statements:

TFRS 7 "Financial Instruments: Turkish Financial Reporting Standard Related to Explanations" sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish a basis for fair value measurement. Aforesaid fair value hierarchy is determined as follows:

- 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).

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles are given in the table below:

Current period (*)	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	993.926	225	-	994.151
Public sector debt securities	916	-	-	916
Equity securities	-	-	-	-
Derivative financial assets held for trading	-	225	-	225
Other	993.010	-	-	993.010
Financial assets- available for sale	1.346.422	-	-	1.346.422
Equity securities (**)	5.917	-	-	5.917
Public sector debt securities	1.277.075	-	-	1.277.075
Other marketable securities	63.430	-	-	63.430
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	6.418	-	6.418
Derivative financial liabilities for hedging purposes	-	-	-	-

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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Prior period	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	954	65.142	-	66.096
Public sector debt securities	-	-	-	-
Equity securities	954	-	-	954
Derivative financial assets held for trading	-	65.068	-	65.068
Other	-	74	-	74
Financial assets- available for sale	1.380.099	-	-	1.380.099
Equity securities (**)	3.759	-	-	3.759
Public sector debt securities	1.285.338	-	-	1.285.338
Other marketable securities	91.002	-	-	91.002
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	88	-	88
Derivative financial liabilities for hedging purposes	-	-	-	-

(\*) In the current period, there is no classification between level I and level II.

(\*\*) Represent the amount of Visa accounted in Available For Sale.

Apart from financial assets and financial liabilities, as of December 31, 2017 and 2016, the Bank carries the real estates at fair value under tangible assets. Level III section is used in determining the related fair values.

### IX. Explanations regarding the activities carried out on behalf and account of other persons:

The Bank does not perform purchases, sales and custody services on behalf of its customers. The Bank has no fiduciary transactions.

### X. Explanations on risk management:

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables which have to be prepared within the scope of Internal rating-based (IRB) approach have not been presented.

#### a. Risk management strategy and weighted amounts:

##### a.1. Risk management strategy:

The aim of the Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

The Board of Directors has a responsibility of establishing and providing compatible, adequate and effective system on internal control, risk management and internal auditing as anticipated by the Banking Law for the purpose of monitoring and controlling risks emerging from operations. The Board of Directors is responsible for establishing risk management policies and strategies. These policies are revised and evaluated periodically according to prevailing market conditions.



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The general manager is responsible from ensuring that departments of the bank operate in accordance with the specified policies and strategies about risk management as determined by the Board of Directors.

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

The related limits are monitored, reported and maintained within the set limits by the units under the internal systems and the related departments in the bank. Risk Management Department, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting of risks.

Ultimate goal of the bank's risk management system is to allocate capital in accordance with risks that functional activities have (economical capital), to maximize return on capital adjusted according to risk and to increase added value created.

In Asset and Liability Committee, asset-liability structure is managed via evaluating fund collection activities in line with risk management policies and domestic and foreign conditions regarding the bank's fund lending.

The risks that the Bank is exposed to or may be exposed to in the future are determined and the definition of these risks is made. Defined risks are measured and prioritized as far as possible. It is provided that all important risks are in the risk appetite considering the potential impact of the risks and the strategy arising from the bank's strategies to risk profile. The bank's strategies are integrated with risk profile and risk appetite. If it is expected that the risk profile is going to change in the future, this change is assessed with the degree of capital impact. While a risk profile is being developed, the risk profile is analyzed based on the risk type, the sector and/or the geographic location.

The bank's risk tolerance is the most comprehensive calculated risk amount which may be accepted in accordance with the determined mission and vision. In other words, before deciding on the necessity of taking measures, it is the bank's readiness to exposure of any risk amount. In this respect, the risk tolerance, in connection with the variety of services offered by the bank, is the level of risk it identifies as acceptable.

The bank's risk appetite means the amount of risk that can be accepted by the bank in order to reach the strategic targets, and it includes an acceptable variability around the targets as well.

The common feature of the bank's risk appetite and risk tolerance is to drive the lines regarding risk acceptance. However, risk tolerance is more comprehensive.

By means of "Risk Appetite Policy" approved by the board of directors, risk levels can be taken to implement risk strategies and to achieve the objectives of the Banks were identified. Limits, which are determined within the framework of risk profile of the bank in accordance with the bank's risk appetite and risk tolerance, and triggering functions, were described in detail.

Considering the bank's financial position, activity profile and the growth expectations of the future, the amount of capital needed for the strategic targets to be met have been calculated by the basis of static and dynamic stress tests and scenario analyses.

Considering the factors that may affect the bank operates market today and in the future, stress tests and scenario analysis studies on the financial structure of the bank have been assessed together with the other financial indicators; in this context, a coordination based on harmony was created between prepared capital plans and processes of the bank.

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

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### Market Risk

The Bank's market risk; refers to the probability of loss may be exposed to exchange rate risk, equity position risk, profit rate risk and commodity risk. Within the coverage of market risk, Albaraka Türk calculates the foreign currency position risk and the security risk, as well as specific risks associated with market risk, by using the Standard approach and reports to it the authorities accordingly on a regular basis. Additionally, for test-purpose, foreign currency position risk of our Bank is measured by internal models. With backtesting applications, deviations between actual values and daily VaR values, predicted by internal models, are observed in order to control accuracy and performance of these models. Potential strength of portfolio against to unexpected risks is measured with stress tests including stress scenarios.

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

### Liquidity risk

The Bank's liquidity risk, consists of funding related liquidity risk and market-related liquidity risk.

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

Market liquidity risk is an expression of the likelihood of the bank's suffering a loss because the bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility.

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis.

In order to manage liquidity risk, the Bank monitors the cash flows on a daily basis and takes preventive and improving measures taken so that commitments are met duly in time. The Liquidity risk is also evaluated by ALCO on a weekly basis.

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

### Credit risk

Credit risk is defined as the probability of losses to the Bank due to customers failing to partially or completely pay their commitments to the Bank in a timely manner, in violation of the provisions of their credit contracts. This risk also contains any losses in the market value of the customers due to any deterioration in the financial position of the customer. The definition of credit risk 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 "Regulation on Credit Policies and Implementation Procedures".

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### Operational risk

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

Operational risk is a type of risk present in all activities of the Bank. It could arise from errors of the staff or the system, from such transactions as may have been made based on insufficient or incorrect legal information or documents, due to impediments in the flow of information between the divisions in the organizational structure of the Bank, due to uncertainties in the definition of limits of authorities or from structural and/or operational changes, natural disasters, terror and frauds.

The Bank classifies operational risks into five groups according to their sources: staff risks, technological risks, organizational risks, legal and compliance risks and external risks.

The Bank also takes required measures to maintain operational risks at acceptable levels.

### Other risks

The other risks that The Bank could encounter include strategic and reputational risk, counterparty credit risk, country risk, and concentration risk.

For the management of strategic risk, the Bank keeps a close watch on the domestic and international situation, on technological, financial, and social developments, on the legal and regulatory frameworks, and on the banking industry as a whole in order to make rational decisions and to change them as circumstances warrant.

The Bank regards reputational risk as anything that might lead to the Bank's suffering a loss on account of adverse developments such as a reduction in the confidence that is had in it or any impairment in its good standing due to unfavorable opinions that existing or potential customers, shareholders, competitors, regulatory agencies, or other outside or associated parties may have about it or due to any breach of existing laws and regulations.

For the risk of reputation to be avoided and/or controlled by the Bank's Risk Management System, a proactive communication mechanism that gives the customer priority is established any time a condition that could detriment the Bank's reputation or image is detected.

Preparations are made for the worst-case scenarios in advance. In the evaluation of the reputation risk, the relationship, level and impact of operational risks to the reputation risk are also taken into account.

Counterparty credit risk is an expression of the likelihood that the counterparty in any transaction that imposes an obligation on two parties will default on the obligation before the final payment in the transaction's cash flow sequence. The Bank manages its counterparty credit risk exposure as required by laws and regulations, taking best practices into consideration, and compatibly with the volume, nature, and complexity of its operations.

Country risk is an expression of the likelihood that the bank will suffer a loss because debtors in another country fail to fulfill or avoid fulfilling their obligations owing to uncertainties in the economic, social, and/or political conditions of that country. The Bank enters into business relationships with foreign financial institutions and/or the agencies of foreign countries taking legal and regulatory restrictions, market conditions, and customer satisfaction into consideration and on the basis of feasibility studies that take the country's economic conditions into account.

Concentration risk is defined as the likelihood that a single risk or several risks that have some attribute in common may, if realized, cause losses that are capable of endangering the bank itself or its ability to carry out its essential activities. Policies aimed at managing concentration risk are formulated so as to deal with particular aspects of it such as sectoral concentration, collateral concentration, market risk concentration, types of loss concentration, and creditor concentration.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### a.2. Risk weighted amounts:

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	19.809.092	20.911.373	1.584.727
2 Standardised approach (SA)	19.809.092	20.911.373	1.584.727
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	2.271	37.318	182
5 Standardised approach for counterparty credit risk (SA-CCR)	2.271	37.318	182
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-
10 Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	2.279.589	88.758	182.367
17 Standardised approach (SA)	2.279.589	88.758	182.367
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	1.998.309	1.720.462	159.865
20 Basic Indicator Approach	1.998.309	1.720.462	159.865
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>24.089.261</b>	<b>22.757.911</b>	<b>1.927.141</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### b. Financial statements and regulatory exposures reconciliation:

#### b.1. Differences and Matching Between Accounting-related Consolidation and Legal Consolidation:

Current Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk <sup>(*)</sup>	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and balances with the central bank	5.756.995	5.756.995	-	-	-	-
Trading financial assets	994.151	-	225	-	990.565	3.361
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Banks	1.511.407	1.511.407	-	-	-	-
Money market placements	-	-	-	-	-	-
Financial assets-available for sale (net)	1.349.233	1.349.233	-	-	-	-
Loans and receivables	24.456.382	24.455.450	-	-	-	932
Factoring receivables	-	-	-	-	-	-
Investments held to maturity (net)	532.803	532.803	-	-	-	-
Investments in associates (net)	4.719	4.719	-	-	-	-
Subsidiaries (net)	5.400	5.400	-	-	-	-
Joint ventures (net)	20.000	20.000	-	-	-	-
Lease receivables	737.081	737.081	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-	-
Tangible assets (net)	589.666	565.424	-	-	-	24.242
Intangible assets (net)	28.475	2.011	-	-	-	26.464
Investment property (net)	-	-	-	-	-	-
Tax asset	55.029	55.029	-	-	-	-
Assets held for sale and assets of discontinued operations (net)	84.230	84.230	-	-	-	-
Other assets	103.506	103.506	-	-	-	-
<b>Total assets</b>	<b>36.229.077</b>	<b>35.183.288</b>	<b>225</b>	<b>-</b>	<b>990.565</b>	<b>54.999</b>
<b>Liabilities</b>						
Funds collected	25.309.840	-	-	-	-	25.309.840
Derivative financial liabilities held for trading	6.418	-	-	-	6.418	-
Funds borrowed	5.411.969	-	-	-	-	5.411.969
Borrowings from money markets	340.000	-	340.000	-	-	-
Securities issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous payables	694.104	-	-	-	-	694.104
Other liabilities	-	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Lease payables	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-
Provisions	264.820	-	-	-	-	264.820
Tax liability	93.257	-	-	-	-	93.257
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated loans	1.627.163	-	-	-	-	1.627.163
Shareholders' equity	2.481.506	-	-	-	-	2.481.506
<b>Total liabilities</b>	<b>36.229.077</b>	<b>-</b>	<b>340.000</b>	<b>-</b>	<b>6.418</b>	<b>35.882.659</b>

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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Prior Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk <sup>(1)</sup>	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and balances with the central bank	4.999.052	4.999.052	-	-	-	-
Trading financial assets	66.096	-	65.068	-	1.028	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Banks	2.158.177	2.158.177	-	-	-	-
Money market placements	-	-	-	-	-	-
Financial assets-available for sale (net)	1.382.690	1.382.690	-	-	-	-
Loans and receivables	21.843.075	21.839.933	-	-	-	3.142
Factoring receivables	-	-	-	-	-	-
Investments held to maturity (net)	668.582	668.582	-	-	-	-
Investments in associates (net)	4.719	4.719	-	-	-	-
Subsidiaries (net)	5.400	5.400	-	-	-	-
Joint ventures (net)	20.000	20.000	-	-	-	-
Lease receivables	878.979	878.979	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-	-
Tangible assets (net)	517.131	489.435	-	-	-	27.696
Intangible assets (net)	35.462	-	-	-	-	35.462
Investment property (net)	-	-	-	-	-	-
Tax asset	25.100	25.100	-	-	-	-
Assets held for sale and assets of discontinued operations (net)	92.317	92.317	-	-	-	-
Other assets	153.958	148.145	-	-	-	5.813
<b>Total assets</b>	<b>32.850.738</b>	<b>32.712.529</b>	<b>65.068</b>	<b>-</b>	<b>1.028</b>	<b>72.113</b>
<b>Liabilities</b>						
Funds collected	23.155.134	23.155.134	-	-	-	-
Derivative financial liabilities held for trading	88	-	88	-	-	-
Funds borrowed	4.424.195	4.424.195	-	-	-	-
Borrowings from money markets	492.784	492.784	-	-	-	-
Securities issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous payables	702.359	702.359	-	-	-	-
Other liabilities	-	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Lease payables	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-
Provisions	233.849	233.849	-	-	-	-
Tax liability	51.799	51.799	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated loans	1.510.937	1.510.937	-	-	-	-
Shareholders' equity	2.279.593	2.279.593	-	-	-	-
<b>Total liabilities</b>	<b>32.850.738</b>	<b>32.850.650</b>	<b>88</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### b.2. Main reasons of the differences between the risk amounts and Carrying Value in accordance with Turkish Accounting Standards (TAS):

Current Period	Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(1)</sup>
1 Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	36.229.077	35.183.288	-	225	990.565
2 Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	-	-	-	6.418
3 Total net amount within the scope of legal consolidation	36.229.077	35.183.288	-	225	996.983
4 Off balance sheet amounts	11.444.709	5.160.655	-	5.362	-
5 Repo and similar transactions <sup>(**)</sup>	-	-	-	384.000	-
6 Differences in valuations	-	-	-	-	-
7 Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8 Differences arising from consideration of provisions	-	-	-	-	-
9 Differences arising from BRSA's applications	-	-	-	-	-
<b>10 Risk amounts</b>	<b>-</b>	<b>40.343.943</b>	<b>-</b>	<b>389.587</b>	<b>996.983</b>

<sup>(1)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

Prior Period	Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(1)</sup>
1 Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	32.850.738	32.712.529	-	65.068	1.028
2 Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	-	-	(88)	-
3 Total net amount within the scope of legal consolidation	32.850.738	32.712.529	-	65.156	1.028
4 Off balance sheet amounts	10.951.306	5.622.397	-	70.487	-
5 Repo and similar transactions <sup>(**)</sup>	-	-	-	4.818	-
6 Differences in valuations	-	-	-	-	-
7 Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8 Differences arising from consideration of provisions	-	-	-	-	-
9 Differences arising from BRSA's applications	-	-	-	-	-
<b>10 Risk amounts</b>	<b>-</b>	<b>38.334.926</b>	<b>-</b>	<b>140.461</b>	<b>1.028</b>

<sup>(1)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

<sup>(\*\*)</sup> In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.



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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### b.3. Explanations on differences between carrying values in accordance with Turkish Accounting Standards (TAS) and risk amounts:

There is no significant difference between the financial statement amounts of assets and liabilities and the amounts included in capital adequacy calculation.

### c. Credit risk:

#### c.1. General information on credit risk:

##### c.1.1. General qualitative information on credit risk:

This information is already included in Explanations on Credit Risk and (a.) The Bank's risk management approach.

##### c.1.2. Credit quality of assets:

Current Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	1.212.610	24.764.879	784.026	25.193.463
2 Debt securities	-	1.886.655	9.306	1.877.349
3 Off-balance sheet exposures	49.285	10.315.691	19.478	10.345.498
<b>4 Total</b>	<b>1.261.895</b>	<b>36.967.225</b>	<b>812.810</b>	<b>37.416.310</b>

Prior Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	1.105.954	22.313.281	697.181	22.722.054
2 Debt securities	-	2.052.558	7.585	2.044.973
3 Off-balance sheet exposures	90.015	9.842.339	37.036	9.895.318
<b>4 Total</b>	<b>1.195.969</b>	<b>34.208.178</b>	<b>741.802</b>	<b>34.662.345</b>

##### c.1.3. Changes in stock of default loans and debt securities:

	Current Period	Prior Period
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>1.195.969</b>	<b>519.163</b>
2 Loans and debt securities that have defaulted since the last reporting period	686.675	790.342
3 Receivables back to non-defaulted status	2.165	287
4 Amounts written off	314.339	76
5 Other changes	304.245	113.173
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>1.261.895</b>	<b>1.195.969</b>

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### c.1.4. Additional information on credit quality of assets:

The scope and definitions of past due receivables and the methods used by the bank to determine the provisions are mentioned in the Explanations on Credit risk.

The Bank may restructure not only non-performing credits and receivables but also the first and the second group credits and other receivables. Restructuring for the first and the second group credits and other receivables are made for improvement the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk. Restructuring for non-performing credits and receivables are made for providing collection possibility by establishing a new payment plan.

Breakdowns for receivables in terms of sectors are mentioned in the footnote numbered VIII (Explanations on Credit Risk).

Breakdowns according to the remaining maturity for past due receivables and in terms of geographic locations receivables that specific provisions are set are shown below. The Bank has assigned its non performing loans amount to TL 309.387 to asset management companies. In addition, TL 4.952 has been written off as per the decision of bank management.

### Aging analysis for past due receivables:

As per Financial instruments segmentations, aging analysis of past due but not impaired financial assets is as follows:

	0-30 Days	31-60 Days	61-90 Days	Total
Current Period	1.087.281	570.250	406.214	2.063.745
Prior Period	739.521	742.806	575.145	2.057.472

### Receivables that provisions are set in terms of geographical region:

Current Period	Non-performing Loans <sup>(*)</sup>	Specific Provision <sup>(*)</sup>
Domestic	1.171.635	680.906
Off-shore Banking Countries	22.781	8.634
Other Countries	18.194	9.897
General Total	1.212.610	699.437

<sup>(\*)</sup> Represents amounts for cash loans.

Prior Period	Non-performing Loans <sup>(*)</sup>	Specific Provision <sup>(*)</sup>
Domestic	1.043.911	563.492
Off-shore Banking Countries	60.761	13.731
Other Countries	1.282	1.282
General Total	1.105.954	578.505

<sup>(\*)</sup> Represents amounts for cash loans.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### c.2. Credit risk mitigation

#### c.2.1 Qualitative disclosure on credit risk mitigation techniques:

On and off balance sheet offsetting agreements are not utilized.

The risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below.

a) Financial Collaterals (Government Securities, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)

b) Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods.

Collaterals obtained by the Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding. If there are indicators on significant decreases of real estate's value in comparison to general market prices, the real estate's valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

The Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Bank and the market fluctuations are considered in credit activities.

#### c.2.2 Credit risk mitigation techniques:

	Exposures unsecured: carrying amount as pes TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
<b>Current Period</b>							
1 Loans	16.412.347	8.781.116	4.211.764	978.202	242.969	-	-
2 Debt securities	1.877.349	-	-	-	-	-	-
<b>3 Total</b>	<b>18.289.696</b>	<b>8.781.116</b>	<b>4.211.764</b>	<b>978.202</b>	<b>242.969</b>	-	-
4 Of which defaulted	408.285	104.888	64.068	2.176	687	-	-
	Exposures unsecured: carrying amount as pes TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
<b>Prior Period</b>							
1 Loans	17.191.241	5.530.813	3.856.520	1.342.508	670.447	-	-
2 Debt securities	2.044.973	-	-	-	-	-	-
<b>3 Total</b>	<b>19.236.214</b>	<b>5.530.813</b>	<b>3.856.520</b>	<b>1.342.508</b>	<b>670.447</b>	-	-
4 Of which defaulted	424.410	103.039	89.234	1.778	916	-	-

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### c.3. Credit risk under standardised approach:

#### c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

Explanations on rating grades that the banks use for calculation of credit risk by the standardised approach are mentioned in the footnote numbered (IX) for Explanations on Credit Risk.

#### c.3.2. Credit risk exposure and credit risk mitigation techniques:

Current Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Receivables from central governments or central banks	5.217.509	1.717	5.217.509	523	171.177	3,28%
2 Receivables from regional or local governments	32	-	32	-	16	50,00%
3 Receivables from administrative units and non-commercial enterprises	182.037	36.888	182.037	17.411	197.226	98,89%
4 Receivables from multilateral development banks	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	1.521.372	266.601	1.521.372	250.345	761.503	42,98%
7 Receivables from corporates	9.712.410	5.489.944	9.712.410	3.258.579	12.353.192	95,24%
8 Retail receivables	4.256.559	3.559.863	4.256.559	1.268.094	3.458.735	62,61%
9 Receivables secured by mortgages on property	845.512	52.355	845.512	22.561	302.913	34,89%
10 Receivables secured by mortgages on commercial property	2.073.506	552.999	2.073.506	342.328	1.236.170	51,17%
11 Past due receivables	305.597	-	305.597	-	390.073	127,64%
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13 Securities collateralized by mortgages	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-
16 Other receivables	2.075.681	4.069	2.075.681	814	938.087	45,18%
17 Equity share investments	-	-	-	-	-	-
<b>18 Total</b>	<b>26.190.215</b>	<b>9.964.436</b>	<b>26.190.215</b>	<b>5.160.655</b>	<b>19.809.092</b>	<b>63,19%</b>

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Prior Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Receivables from central governments or central banks	5.289.536	2.377	5.289.536	614	1.449.554	27,40%
2 Receivables from regional or local governments	17	1.049	17	519	268	50,00%
3 Receivables from administrative units and non-commercial enterprises	19.694	38.499	19.694	18.398	37.659	98,86%
4 Receivables from multilateral development banks	-	330	-	66	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	2.193.259	160.958	2.193.259	126.965	974.683	42,01%
7 Receivables from corporates	9.037.195	6.043.517	9.037.194	3.826.074	12.252.669	95,25%
8 Retail receivables	4.045.396	3.073.087	4.045.397	1.237.040	3.796.230	71,87%
9 Receivables secured by mortgages on property	511.961	157.291	511.961	80.985	212.268	35,80%
10 Receivables secured by mortgages on commercial property	1.582.323	410.033	1.582.323	331.130	977.531	51,09%
11 Past due receivables	340.793	-	340.793	-	393.759	115,54%
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13 Securities collateralized by mortgages	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-
16 Other receivables	1.427.906	3.992	1.427.906	606	816.752	57,18%
17 Equity share investments	-	-	-	-	-	-
<b>18 Total</b>	<b>24.448.080</b>	<b>9.891.133</b>	<b>24.448.080</b>	<b>5.622.397</b>	<b>20.911.373</b>	<b>69,54%</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

#### c.3.3 Exposures by asset classes and risk weights:

Current Period	35% secured by Property mortgage					Total risk amount (post-CCF and CRM)				
	0%	10%	20%	50%	75%					
<b>Risk Classes/Risk Weighted</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Others</b>	
1 Receivables from central governments or central banks	4.875.912	-	-	341.885	-	235	-	-	5.218.032	
2 Receivables from regional or local governments	-	-	-	32	-	-	-	-	32	
3 Receivables from administrative units and non-commercial enterprises	2.215	-	9	-	-	197.224	-	-	199.448	
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	
6 Receivables from banks and brokerage houses	9.093	-	1.078.597	276.487	-	407.540	-	-	1.771.717	
7 Receivables from corporates	558.851	-	50.204	37.565	-	12.324.369	-	-	12.970.989	
8 Retail receivables	875.843	-	43.870	14.974	4.589.966	-	-	-	5.524.653	
9 Receivables secured by mortgages on property	13.737	-	899	845.958	1.663	5.816	-	-	868.073	
10 Receivables secured by mortgages on commercial property	-	-	-	-	2.359.328	56.506	-	-	2.415.834	
11 Past due receivables	472	-	276	55.607	-	23.298	225.944	-	305.597	
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	
13 Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	
16 Other receivables	447.896	-	863.140	-	-	765.459	-	-	2.076.495	
17 Equity share investments	-	-	-	-	-	-	-	-	-	
<b>18 Total</b>	<b>6.784.019</b>	<b>-</b>	<b>2.036.995</b>	<b>845.958</b>	<b>3.087.541</b>	<b>4.589.966</b>	<b>13.780.447</b>	<b>225.944</b>	<b>-</b>	<b>31.350.870</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2017

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Prior Period	35% secured by Property mortgage						Total risk amount (post-CCF and CRM)			
	0%	10%	20%	50%	75%	100%		150%	200%	Others
1 Receivables from central governments or central banks	2.391.042	-	-	2.899.108	-	-	-	-	-	5.290.150
2 Receivables from regional or local governments	-	-	-	536	-	-	-	-	-	536
3 Receivables from administrative units and non-commercial enterprises	385	-	61	-	-	37.646	-	-	-	38.092
4 Receivables from multilateral development banks	66	-	-	-	-	-	-	-	-	66
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	11.502	-	888.583	1.246.346	-	173.793	-	-	-	2.320.224
7 Receivables from corporates	392.535	-	131.612	225.544	-	12.113.577	-	-	-	12.863.268
8 Retail receivables	186.598	-	35.901	23.616	5.036.322	-	-	-	-	5.282.437
9 Receivables secured by mortgages on property	10.334	-	6.507	559.076	3.479	13.550	-	-	-	592.946
10 Receivables secured by mortgages on commercial property	-	-	-	1.871.842	-	41.611	-	-	-	1.913.453
11 Past due receivables	763	-	255	80.367	-	71.176	188.232	-	-	340.793
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
13 Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16 Other receivables	300.810	-	388.688	-	-	739.014	-	-	-	1.428.512
17 Equity share investments	-	-	-	-	-	-	-	-	-	-
<b>18 Total</b>	<b>3.294.035</b>	<b>-</b>	<b>1.451.607</b>	<b>6.350.838</b>	<b>5.036.322</b>	<b>13.190.367</b>	<b>188.232</b>	<b>-</b>	<b>-</b>	<b>30.070.477</b>



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### ç. Counterparty credit risk:

#### ç.1. Qualitative disclosure on counterparty credit risk:

Derivatives and repurchase transactions in the calculation of counterparty credit risk are calculated according to the fair value in accordance with "Appendix-2 of Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette dated November 23, 2015 and numbered 29511. The sum of potential future exposures and positive replacement costs is taken in the calculation of the risk amount related to derivative transactions.

The Bank prepared "Charter on the Counterparty Credit Risk Management Policy and Implementation Procedures" in order to determine the basic principles that manage the counterparty credit risk and this regulation was approved by the Board of Directors. The Board of Directors periodically reviews and assesses the related policy.

#### ç.2. Counterparty credit risk (CCR) approach analysis:

Current Period	Replacement cost	Potential Future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1 Standardised Approach - CCR (for derivatives)	225	5.362		-	5.587	2.215
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					384.000	-
<b>6 Total</b>						<b>2.215</b>

(\*) Effective Expected Positive Exposure

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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Prior Period	Replacement cost	Potential Future exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1 Standardised Approach - CCR (for derivatives)	65.068	5.419		-	70.487	35.278
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					125.130	-
<b>6 Total</b>						<b>35.278</b>

<sup>(1)</sup> Effective Expected Positive Exposure

### ç.3. Capital requirement for credit valuation adjustment (CVA):

	Current Period		Prior Period	
	EAD post-CRM	RWA	EAD post-CRM	RWA
<b>Total portfolios subject to the Advanced CVA capital obligation</b>	-	-	-	-
1 (i) VaR component (including the 3xmultiplier)		-		-
2 (ii) Stressed VaR component (including the 3xmultiplier)		-		-
3 All portfolios subject to the Standardised CVA capital obligation	5.587	56	70.487	2.040
<b>4 Total subject to the CVA capital obligation</b>	<b>5.587</b>	<b>56</b>	<b>70.487</b>	<b>2.040</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### ç.4. CCR exposures by risk class and risk weights:

Current Period		Risk Weighted								Total credit exposure <sup>(1)</sup>
Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other		
Receivables from central governments or central banks	384.000	-	-	-	-	-	-	-	-	384.000
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	2.093	3.396	-	-	-	-	-	5.489
Receivables from corporates	-	-	-	-	-	98	-	-	-	98
Retail receivables	-	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>384.000</b>	<b>-</b>	<b>2.093</b>	<b>3.396</b>	<b>-</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>389.587</b>

<sup>(1)</sup> Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

Prior Period		Risk Weighted								Total credit exposure <sup>(1)</sup>
Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other		
Receivables from central governments or central banks	125.130	-	-	-	-	-	-	-	-	125.130
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	10	70.401	-	-	-	-	-	70.411
Receivables from corporates	-	-	-	-	-	76	-	-	-	76
Retail receivables	-	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>125.130</b>	<b>-</b>	<b>10</b>	<b>70.401</b>	<b>-</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195.617</b>

<sup>(1)</sup> Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### ç.5. Collaterals for CCR

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collaterals received		Collaterals granted		Collaterals received	Collaterals granted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	384.000
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	<b>384.000</b>

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collaterals received		Collaterals granted		Collaterals received	Collaterals granted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	125.130
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	<b>125.130</b>

### ç.6. Information on the risks of the Bank arising from purchased or sold credit derivatives

The Bank does not have any risks arising from purchased or sold credit derivatives (December 31, 2016: None).

### ç.7. Information on risks of the Bank arising from central counterparty

The Bank does not have any risks arising from central counterparty (December 31, 2016: None).

### d. Information to be announced to public on Securitization:

There is not any information to be announced to public on securitization (December 31, 2016: None).

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### e. Market risk

#### e.1. Qualitative disclosure on market risk:

The Bank measures market risk by using the standard method in accordance with "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks" dated October 23, 2015 and numbered 29511 and allocates legal capital on this basis. On the other hand, the market risk is also calculated by using the internal model for testing (Value at Risk) and the results found are supported by considering backtesting results. The market risk value (Value at Risk) calculated by using the internal model is calculated on a daily basis by using Variance-Covariance, EWMA, Monte Carlo and Historical Simulation methods and is reported to the top management.

The Board of Directors sets limits for these risks by considering the main risks and revises these limits periodically in line with market conditions and Bank's strategies. In addition, the Board of Directors ensures that the risk management unit and senior management take all necessary measures to identify, to measure, to prioritize, to reduce at an acceptable level and to manage the various risks that the Bank is exposed to.

Risks that positions held by the Bank under on-balance sheet and off-balance sheet accounts may occur due to fluctuations in financial markets are measured. Information about the market risk considered in the calculation of legal capital as follows.

#### e.2 Market risk under standardised approach:

	Current Period	Prior Period
	RWA	RWA
<b>Outright products</b>		
1 Profit rate risk (general and specific)	1.196	37
2 Equity risk (general and specific)	1.978.822	1.908
3 Foreign exchange risk	299.110	86.813
4 Commodity risk	461	-
<b>Options</b>		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
<b>9 Total</b>	<b>2.279.589</b>	<b>88.758</b>

### f. Operational risk:

Capital requirement for operational risk is calculated annually by using the Basic Indicator Method in accordance with Article 24 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks. As of December 31, 2017, amount subject to operational risk and the calculation information are given below.

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	887.798	1.082.210	1.227.287	1.065.765	15	159.865
Amount subject to Operational Risk (Total*12,5)						1.998.309

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### g. Qualitative disclosure on profit rate risk arising from banking books

#### a) Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk

Profit rate risk arising from banking books measures profit rate risk arising from on-balance sheet and off-balance sheet positions in the Bank's banking books by standard shock method.

The Bank calculates and measures legal ratio for profit rate risk arising from banking books on a monthly basis in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk arising from Banking Books by Standard Shock Method" that have been published in Official Gazette numbered 28034 and dated August 23, 2011.

Profit share-yield assets, liabilities that profit share is paid, restructuring risk, yield curve risk in banking books and changes in profit rates occurred in market conditions are monitored, assessed, measured and managed by the Bank in the calculations made within the scope of the related regulation. Against the risk that these matters may affect the Bank's capital negatively, these risks are assessed and managed on a weekly basis within the scope of the Charters established by the Board of Directors.

#### b) Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method:

Currency	Applied Shock (+/-x basis point)	Gains/ (Losses)	Gains/Equity (Losses/Equity) (%)
TL	(+) 500bp	(493.525)	(12,01)
TL	(-) 400bp	481.259	11,71
USD Dollar	(+) 200bp	(39.604)	(0,96)
USD Dollar	(-) 200bp	46.447	1,13
EUR	(+) 200bp	(32.100)	(0,78)
EUR	(-) 200bp	503	0,01
<b>Total (For Negative Shocks)</b>	-	<b>528.209</b>	<b>12,86</b>
<b>Total (For Positive Shocks)</b>	-	<b>(565.229)</b>	<b>(13,76)</b>

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### XI. Explanations on business segments:

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

Current Period	Commercial and		Treasury	Undistributed	Total
	Retail	Corporate			
<b>Total Assets</b>	<b>3.274.207</b>	<b>22.458.692</b>	<b>8.917.201</b>	<b>1.578.977</b>	<b>36.229.077</b>
<b>Total Liabilities</b>	<b>16.715.105</b>	<b>9.551.341</b>	<b>7.315.945</b>	<b>165.180</b>	<b>33.747.571</b>
<b>Total Equity</b>	-	-	-	<b>2.481.506</b>	<b>2.481.506</b>
Net profit share income/(expense) <sup>(*)</sup> (**)	(367.131)	1.251.586	228.239	155.105	1.267.799
Net fees and commissions income/(expense)	34.825	264.869	948	(152.185)	148.457
Other operating income/(expense)	6.269	64.960	48.989	(786.916)	(666.698)
Provision for loan losses and other receivables	(3.077)	(358.419)	(441)	(98.821)	(460.758)
Profit/(loss) before tax	(329.114)	1.222.996	277.735	(882.817)	288.800
Provision for tax	-	-	-	(51.707)	(51.707)
<b>Net profit/(loss) for the period</b>	<b>(329.114)</b>	<b>1.222.996</b>	<b>277.735</b>	<b>(934.524)</b>	<b>237.093</b>

Prior Period	Commercial and		Treasury	Undistributed	Total
	Retail	Corporate			
<b>Total Assets</b>	<b>3.143.162</b>	<b>19.700.717</b>	<b>8.605.896</b>	<b>1.400.963</b>	<b>32.850.738</b>
<b>Total Liabilities</b>	<b>14.306.903</b>	<b>9.396.852</b>	<b>6.398.938</b>	<b>468.452</b>	<b>30.571.145</b>
<b>Total Equity</b>	-	-	-	<b>2.279.593</b>	<b>2.279.593</b>
Net profit share income/(expense) <sup>(*)</sup> (**)	(312.738)	996.126	177.275	162.955	1.023.618
Net fees and commissions income/(expense)	27.659	276.025	613	(158.362)	145.935
Other operating income/(expense)	(352)	21.635	48.338	(618.980)	(549.359)
Provision for loan losses and other receivables	(2.563)	(322.627)	-	(31.084)	(356.274)
Profit/(loss) before tax	(287.994)	971.159	226.226	(645.471)	263.920
Provision for tax	-	-	-	(46.311)	(46.311)
<b>Net profit/(loss) for the period</b>	<b>(287.994)</b>	<b>971.159</b>	<b>226.226</b>	<b>(691.782)</b>	<b>217.609</b>

(\*) 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.



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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	138.354	227.082	123.254	148.150
CBRT	193.426	4.307.563	735.118	3.599.536
Other <sup>(*)</sup>	90.325	800.245	81.875	311.119
<b>Total</b>	<b>422.105</b>	<b>5.334.890</b>	<b>940.247</b>	<b>4.058.805</b>

<sup>(\*)</sup> Includes precious metals amounting to TL 27.429 (December 31, 2016: TL 4.306) and cash in transit amounting to TL 863.141 (December 31, 2016: TL 388.688) as of December 31, 2017.

##### b. Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	192.354	580.192	733.965	522.979
Unrestricted time deposit	-	-	-	-
Restricted time deposit <sup>(*)</sup>	1.072	3.727.371	1.153	3.076.557
<b>Total</b>	<b>193.426</b>	<b>4.307.563</b>	<b>735.118</b>	<b>3.599.536</b>

<sup>(\*)</sup> As of December 31, 2017, the reserve requirement held in standard gold is TL 945.884 (December 31, 2016: TL 786.181).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of December 31, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on maturity of deposits.

The Central Bank of Republic of Turkey has started to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.

##### 2. a. Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

None (December 31, 2016: None).

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### b. Table of positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	95	-	55	65.013
Swap Transactions	130	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>225</b>	<b>-</b>	<b>55</b>	<b>65.013</b>

### c. Information on Other Securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Real estate investment fund participation certificates (net)(*)	989.411	-	-	-
Other	236	3.363	13	61
<b>Total</b>	<b>989.647</b>	<b>3.363</b>	<b>13</b>	<b>61</b>

(\*) Includes participation certificates of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu".

### 3. a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic <sup>(*)</sup>	706.186	259.348	656.410	1.230.805
Abroad	-	545.873	-	270.962
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>706.186</b>	<b>805.221</b>	<b>656.410</b>	<b>1.501.767</b>

(\*) Includes blockaged amount TL 622.752 (December 31, 2016: TL 610.730) booked under TL accounts arising from POS transactions.

### b. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	215.353	-	117.081	-
USA and Canada	121.241	-	85.415	-
OECD Countries <sup>(*)</sup>	9.056	-	6.656	-
Off-shore banking regions	19.572	-	3.367	-
Other <sup>(**)</sup>	170.196	10.455	58.443	-
<b>Total</b>	<b>535.418</b>	<b>10.455</b>	<b>270.962</b>	<b>-</b>

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

(\*\*) Represents the balance amounts to TL 149.742 (December 31, 2016: TL 43.106) in Iraq Banks belonging to Bank's foreign branch "Erbil".

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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#### 4. Information on financial assets available for sale:

##### a. Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

The Bank does not have any sukuk investments with respect to money market transactions and subject to repurchase agreements (December 31, 2016: TL 292.937).

As of December 31, 2017, available for sale investments' nominal amount given as a guarantee or blocked is TL 1.252.731 (December 31, 2016: TL 223.346).

##### b. Information on financial assets available for sale:

	Current Period	Prior Period
Debt securities	1.348.779	1.383.925
Quoted on a stock exchange <sup>(*)</sup>	1.348.779	1.383.925
Unquoted	-	-
Share certificates	8.728	6.350
Quoted on a stock exchange	-	-
Unquoted	8.728	6.350
Impairment provision (-)	8.274	7.585
<b>Total</b>	<b>1.349.233</b>	<b>1.382.690</b>

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

#### 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	133.994	7.593	272	62.130
Corporate shareholders	133.664	7.243	-	61.780
Real person shareholders	330	350	272	350
Indirect loans granted to shareholders	118.658	22.039	35.550	24.249
Loans granted to employees	12.548	2	8.905	28
<b>Total</b>	<b>265.200</b>	<b>29.634</b>	<b>44.727</b>	<b>86.407</b>

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### b. Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

Cash loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>23.029.443</b>	<b>469.344</b>	<b>33.672</b>	<b>913.766</b>	<b>252.361</b>	<b>16.649</b>
Export loans	946.953	22.861	-	10.655	-	-
Import loans	1.749.578	24.857	25	3.623	598	-
Business loans	12.084.833	371.776	17.916	664.272	132.896	12.223
Consumer loans	3.114.308	11.613	9.917	66.049	8.348	3.557
Credit cards	253.695	-	-	2.383	-	-
Loans given to financial sector	145.426	-	-	-	-	-
Other <sup>(*)</sup>	4.734.650	38.237	5.814	166.784	110.519	869
<b>Other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>23.029.443</b>	<b>469.344</b>	<b>33.672</b>	<b>913.766</b>	<b>252.361</b>	<b>16.649</b>

(\*) Details of other loans are provided below:

Commercial loans with installments	1.941.518
Other investment credits	763.078
Loans given to abroad	761.586
Profit and loss sharing investments <sup>(**)</sup>	1.052.340
Loans for purchase of marketable securities for customer	375.627
Other	7.285
<b>Total</b>	<b>4.901.434</b>

(\*\*) As of December 31, 2017, the related balance represents profit and loss sharing investment projects (10 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project / stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Bank's share of loss is limited with the funds invested in the project by the Bank. In the current period the Bank recognized TL 233.165 (December 31, 2016: TL 63.818) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.

	Extension of Repayment Plan	
	Standard loans and other receivables	Loans and other receivables under close monitoring
1 or 2 times	469.344	252.361
3, 4 or 5 times	-	-
Over 5 times	-	-

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Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring
6 months	167.629	103.996
6 - 12 months	16.647	21.767
1 - 2 years	98.887	32.692
2 - 5 years	120.176	62.911
5 years and over	66.005	30.995

### 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 <sup>(*)</sup>	Loans and Other Receivables	Restructured or Rescheduled
Short term loans and other receivables	3.914.147	1.754	176.234	56
Loans	3.914.147	1.754	176.234	56
Other receivables	-	-	-	-
Medium and long-term loans and other receivables <sup>(*)</sup>	18.612.280	501.262	468.522	268.954
Loans	18.612.280	501.262	468.522	268.954
Other receivables	-	-	-	-
<b>Total</b>	<b>22.526.427</b>	<b>503.016</b>	<b>644.756</b>	<b>269.010</b>

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

<sup>(\*\*)</sup> Includes extensions, reductions and other changes in payment plans.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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
<b>Consumer loans-TL</b>	<b>48.674</b>	<b>3.123.746</b>	<b>3.172.420</b>
Housing loans	5.682	2.886.619	2.892.301
Vehicle loans	4.211	112.738	116.949
Consumer loans	38.781	124.389	163.170
Other	-	-	-
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	<b>476</b>	<b>101</b>	<b>577</b>
Housing loans	476	101	577
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	<b>75.643</b>	<b>-</b>	<b>75.643</b>
With installment	26.885	-	26.885
Without installment	48.758	-	48.758
<b>Retail credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	<b>5.422</b>	<b>1.938</b>	<b>7.360</b>
Housing loans	-	210	210
Vehicle loans	35	1.444	1.479
Consumer loans	5.387	284	5.671
Other	-	-	-
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>5.188</b>	<b>-</b>	<b>5.188</b>
With installment	2.285	-	2.285
Without installment	2.903	-	2.903
<b>Personnel credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>135.403</b>	<b>3.125.785</b>	<b>3.261.188</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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

	Short-term	Medium and long-term	Total
<b>Commercial installment loans-TL</b>	<b>50.341</b>	<b>1.164.053</b>	<b>1.214.394</b>
Business loans	3.694	337.217	340.911
Vehicle loans	16.908	281.050	297.958
Consumer loans	29.739	545.786	575.525
Other	-	-	-
<b>Commercial installment loans-FC indexed</b>	<b>6.122</b>	<b>500.595</b>	<b>506.717</b>
Business loans	2.869	245.232	248.101
Vehicle loans	1.523	89.010	90.533
Consumer loans	1.730	166.353	168.083
Other	-	-	-
<b>Commercial installment Loans-FC</b>	<b>-</b>	<b>220.407</b>	<b>220.407</b>
Business loans	-	122.679	122.679
Vehicle loans	-	-	-
Consumer loans	-	97.728	97.728
Other	-	-	-
<b>Corporate credit cards-TL</b>	<b>175.247</b>	<b>-</b>	<b>175.247</b>
With installment	44.961	-	44.961
Without installment	130.286	-	130.286
<b>Corporate credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>231.710</b>	<b>1.885.055</b>	<b>2.116.765</b>

### e. Allocation of loans by customers:

	Current Period	Prior Period
Public	-	-
Private	23.943.209	21.315.626
<b>Total</b>	<b>23.943.209</b>	<b>21.315.626</b>

### f. Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	23.181.623	20.731.548
Foreign loans	761.586	584.078
<b>Total</b>	<b>23.943.209</b>	<b>21.315.626</b>



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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 collectability	7.198	31.504
Loans and receivables with doubtful collectability	94.536	140.892
Uncollectible loans and receivables	582.484	387.789
<b>Total</b>	<b>684.218</b>	<b>560.185</b>

In addition to specific provision for loans amounting TL 684.218 (December 31, 2016: TL 560.185), provision amounting to TL 15.219 (December 31, 2016: TL 18.320) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 699.437 (December 31, 2016: TL 578.505). Specific provision for loans amounting to TL 356.615 (December 31, 2016: TL 316.517) represents participation account share of specific provisions of loans provided from participation accounts.

### h. Information on non-performing loans and receivables (net):

#### h.1. Non-performing loans and receivables which are restructured or rescheduled:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period</b>			
(Gross amount before specific provisions)	191	11.137	47.302
Restructured loans and other receivables	191	11.137	47.302
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
(Gross amounts before specific provisions)	464	3.973	10.726
Restructured loans and other receivables	464	3.973	10.726
Rescheduled loans and other receivables	-	-	-

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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	236.903	355.038	495.693
Additions in the current period (+)	547.618	69.963	69.094
Transfers from other categories of non-performing loans (+)	-	668.162	725.265
Transfers to other categories of non-performing loans (-)	668.162	725.265	-
Transfers to standard loans (-)	82	2.083	-
Collections in the current period (-)	46.971	95.054	118.389
Write offs (-)	1.040	5.018	308.281
Corporate and commercial loans	-	-	4.949
Retail loans	-	-	3
Credit cards	-	-	-
Other (*)	1.040	5.018	303.329
<b>Closing balance of the current period</b>	<b>68.266</b>	<b>265.743</b>	<b>863.382</b>
Specific provisions (-)	7.198	94.536	582.484
<b>Net balance at the balance sheet</b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>

(\*) The Bank has assigned TL 309.387 from its non performing loan portfolio to asset management companies.

Non-performing loans and receivables in the amount of TL 1.197.391 (December 31, 2016: TL 1.087.634) comprise TL 646.203 (December 31, 2016: TL 572.551) of participation account share of loans and receivables provided from participation accounts. In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 15.219 (December 31, 2016: TL 18.320).

### 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
<b>Current period:</b>			
Period end balance	10.392	23.678	52.562
Specific provision (-)	1.005	11.038	24.859
<b>Net balance</b>	<b>9.387</b>	<b>12.640</b>	<b>27.703</b>
<b>Prior period:</b>			
Period end balance	62.883	1.885	20.518
Specific provision (-)	8.006	298	12.845
<b>Net balance</b>	<b>54.877</b>	<b>1.587</b>	<b>7.673</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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
<b>Current period (net)<sup>(*)</sup></b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>
Loans to individuals and corporates (gross)	68.266	265.743	863.382
Specific provision (-)	7.198	94.536	582.484
<b>Loans to individuals and corporates (net)</b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (net)<sup>(*)</sup></b>	<b>205.399</b>	<b>214.146</b>	<b>107.904</b>
Loans to individuals and corporates (gross)	236.903	355.038	495.588
Specific provision (-)	31.504	140.892	387.684
<b>Loans to individuals and corporates (net)</b>	<b>205.399</b>	<b>214.146</b>	<b>107.904</b>
Banks (gross)	-	-	105
Specific provision (-)	-	-	105
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability and their full specific provision both amounting to TL 15.219 (December 31, 2016: TL 18.320).

#### 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 amount to TL 309.387, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette numbered 26333 dated November 01, 2006 have been assigned to asset management companies. TL 4.952 have been written off as per the decision of the bank management (December 31, 2016: TL 76).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 6. Information on held-to-maturity investments:

#### a. Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of December 31, 2017, nominal value of held to maturity investments given as a guarantee/blocked is TL 503.500. The Bank does not have any held to maturity investments subject to repurchase transactions. (December 31, 2016: The Bank does not have any held to maturity investments given as a guarantee/blocked. Nominal value of held to maturity investments subject to repurchase agreements is TL 188.888).

#### b. Information related to government securities held to maturity:

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities <sup>(*)</sup>	532.803	668.582
<b>Total</b>	<b>532.803</b>	<b>668.582</b>

<sup>(\*)</sup> Consists of Sukuk certificates issued by Undersecretariat of Treasury of Turkey.

#### c. Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	532.803	668.582
Quoted on a stock exchange <sup>(*)</sup>	532.803	668.582
Unquoted	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>532.803</b>	<b>668.582</b>

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

#### ç. Movement of held-to-maturity investments:

	Current Period	Prior Period
Balance at beginning of period	668.582	762.890
Foreign currency differences on monetary assets	-	-
Purchases during period	244.500	259.396
Disposals through sales and redemptions	(419.226)	(383.880)
Impairment provision (-)	-	-
Income accruals	38.947	30.176
<b>Closing balance</b>	<b>532.803</b>	<b>668.582</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 7. Associates (net):

#### a. Information on unconsolidated associates:

Since the Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara / Turkey	1,54	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2016.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
296.098	268.121	7.898	-	-	372	(12.443)	-

#### b. Information on consolidated associates:

As of balance sheet date, the Bank does not have any consolidated associates.

### 8. Information on subsidiaries (net):

#### a. Information on unconsolidated subsidiaries:

As of balance sheet date, the Bank does not have any unconsolidated subsidiary.

#### b. Information on consolidated subsidiaries:

i. The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from unaudited financial statements as of December 31, 2017.

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Risk share percentage of other shareholders (%)
Bereket Varlık Kiralama A.Ş.	Istanbul / Turkey	100,00	-

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/ loss	Prior period income/loss	Fair value
1.780.852	427	3	-	-	236	(209)	-

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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ii. In the Board of Directors meeting dated February 25, 2015, the Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The title of the company was changed to "Albaraka Portföy Yönetimi A.Ş." upon the decision of "2018 Extraordinary General Assembly" dated December 20, 2017. The balances of Albaraka Portföy Yönetimi A.Ş. presented in the table below have been obtained from unaudited financial statements as of December 31, 2017.

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Risk share percentage of other shareholders (%)
Albaraka Portföy Yön. A.Ş.	Istanbul / Turkey	100,00	-

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
10.337	9.614	3	355	177	5.358	(744)	-

iii. Movement and Sectoral Information on consolidated subsidiaries:

	Current Period	Prior Period
Amount at the beginning of the period	5.400	5.250
Movements inside the term	-	-
Purchases / new incorporations / capital increases	-	150
Bonus shares	-	-
Profit received from current year share	-	-
Sales	-	-
Revaluation increases	-	-
Impairments	-	-
Amount at the end of the period	5.400	5.400
Capital commitments	-	-
<b>Share of the capital at the end of the period (%)</b>	<b>100,00</b>	<b>100,00</b>

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	-	-
Other Financial Subsidiaries	5.400	5.400

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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### 9. Information on investments in joint- ventures:

The Bank founded Katılım Emeklilik ve Hayat A.Ş. ("Company") – a private pension and insurance company- through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company was registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. The financial data from unaudited financial statements as of December 31, 2017 are below.

Joint-Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non-Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	79.900	1.055.496	1.064.760	69.337	61.129

Investment in joint venture in the unconsolidated financial statements is carried at cost.

### 10. Information on lease receivables (net):

#### a. Presentation of remaining maturities of funds lent under finance lease method:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	302.955	255.990	377.436	300.158
1 to 4 years	491.302	469.172	489.465	453.402
More than 4 years	13.283	11.919	129.305	125.419
<b>Total</b>	<b>807.540</b>	<b>737.081</b>	<b>996.206</b>	<b>878.979</b>

#### b. Information on net investments through finance lease:

	Current Period	Prior Period
Financial lease receivables (Gross)	807.540	996.206
Unearned financial lease receivable (-)	70.459	117.227
<b>Net receivable from financial leases</b>	<b>737.081</b>	<b>878.979</b>



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### c. General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements. Information on leasing receivables:

	Standard loans and Other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Financial lease receivables (Net)	674.383	119.219	17	62.698	5.212	4.544

### 11. Information on derivative financial assets for hedging purposes:

None (December 31, 2016: None).

### 12. Information on tangible assets:

Current period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
<b>Cost</b>						
Opening balance: January 1, 2017	395.798	-	970	229.430	82.088	708.286
Additions	3.288	-	62	17.929	18	21.297
Revaluation differences	31.993	-	-	-	-	31.993
Disposals	(10.250)	-	(224)	(1.796)	(15.512)	(27.782)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	-	-
Transfers	-	-	-	-	78.680	78.680
<b>Ending balance: December 31, 2017</b>	<b>420.829</b>	<b>-</b>	<b>808</b>	<b>245.563</b>	<b>145.274</b>	<b>812.474</b>
<b>Accumulated depreciation(-)</b>						
Opening balance: January 1, 2017	38.971	-	811	147.844	3.529	191.155
Depreciation expense	8.995	-	54	28.548	-	37.597
Reversal of depreciation of the disposed assets	(1.728)	-	(212)	(3.675)	(329)	(5.944)
Transfers	-	-	-	-	-	-
<b>Ending balance: December 31, 2017</b>	<b>46.238</b>	<b>-</b>	<b>653</b>	<b>172.717</b>	<b>3.200</b>	<b>222.808</b>
<b>Total cost at the end of the year</b>	<b>420.829</b>	<b>-</b>	<b>808</b>	<b>245.563</b>	<b>145.274</b>	<b>812.474</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(46.238)</b>	<b>-</b>	<b>(653)</b>	<b>(172.717)</b>	<b>(3.200)</b>	<b>(222.808)</b>
<b>Closing net book value</b>	<b>374.591</b>	<b>-</b>	<b>155</b>	<b>72.846</b>	<b>142.074</b>	<b>589.666</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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Prior period	Immovables	Leased tangible assets	Vehicles	Other	Assets Held for sale	Total
<b>Cost</b>						
<b>Opening balance: January 1, 2016</b>	<b>364.021</b>	<b>-</b>	<b>1.647</b>	<b>215.973</b>	<b>73.963</b>	<b>655.604</b>
Additions	2.552	-	126	14.816	-	17.494
Revaluation differences	34.580	-	-	-	-	34.580
Disposals	(5.355)	-	(803)	(1.359)	(7.224)	(14.741)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	(3.804)	(3.804)
Transfers	-	-	-	-	19.153	19.153
<b>Ending balance: December 31, 2016</b>	<b>395.798</b>	<b>-</b>	<b>970</b>	<b>229.430</b>	<b>82.088</b>	<b>708.286</b>
<b>Accumulated depreciation(-)</b>						
<b>Opening balance: January 1, 2016</b>	<b>32.687</b>	<b>-</b>	<b>899</b>	<b>118.344</b>	<b>2.535</b>	<b>154.465</b>
Depreciation expense	7.523	-	70	29.500	1.593	38.686
Reversal of depreciation of the disposed assets	(1.239)	-	(158)	-	(599)	(1.996)
Transfers	-	-	-	-	-	-
<b>Ending balance: December 31, 2016</b>	<b>38.971</b>	<b>-</b>	<b>811</b>	<b>147.844</b>	<b>3.529</b>	<b>191.155</b>
<b>Total cost at the end of the year</b>	<b>395.798</b>	<b>-</b>	<b>970</b>	<b>229.430</b>	<b>82.088</b>	<b>708.286</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(38.971)</b>	<b>-</b>	<b>(811)</b>	<b>(147.844)</b>	<b>(3.529)</b>	<b>(191.155)</b>
<b>Closing net book value</b>	<b>356.827</b>	<b>-</b>	<b>159</b>	<b>81.586</b>	<b>78.559</b>	<b>517.131</b>

As of December 31, 2017, the immovables of the Bank have been revalued by an independent valuer and revaluation fund of TL 238.121 (December 31, 2016: TL 211.642) net of deferred tax and depreciation has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 115.278 (December 31, 2016: TL 110.342) 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	124.736	101.689
Accumulated depreciation (-)	96.261	66.227
<b>Total (net)</b>	<b>28.475</b>	<b>35.462</b>

#### b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
Opening balance	35.462	44.272
Additions	16.257	14.990
Disposals (-) (net)	-	-
Depreciation expense (-)	23.244	23.800
<b>Closing net book value</b>	<b>28.475</b>	<b>35.462</b>

### 14. Information on investment property:

None (December 31, 2016: None).

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### 15. Information related to deferred tax asset:

As of December 31, 2017, the Bank calculated net deferred tax asset of TL 52.949 (December 31, 2016: TL 20.096) by netting off deferred tax asset of TL 86.158 (December 31, 2016: TL 52.576) and deferred tax liability of TL 33.209 (December 31, 2016: TL 32.480) on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

	Current Period	Prior Period
Rediscount on profit share and prepaid fees and commission income and unearned revenues	40.816	37.806
Provisions for retirement premium and vacation pay liabilities	17.844	8.652
Difference between carrying value and tax base of tangible assets	4.920	3.013
Revaluation difference of available for sale	5.052	2.139
Derivative Financial Instruments	14.271	-
Provision for impairment	2.300	772
Other	955	194
<b>Deferred tax asset</b>	<b>86.158</b>	<b>52.576</b>
Revaluation difference of property	14.445	22.183
Trading securities valuation difference	-	8
Rediscount on profit share	15.487	7.662
Other	3.277	2.627
<b>Deferred tax liability</b>	<b>33.209</b>	<b>32.480</b>
<b>Deferred tax asset (net)</b>	<b>52.949</b>	<b>20.096</b>

### 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans.

	Current Period	Prior Period
Opening Balance	92.317	22.819
Additions	100.284	117.190
Disposals	(26.758)	(28.834)
Transfers <sup>(*)</sup>	(78.680)	(19.153)
Impairment Provision(-)/Reversal of Impairment Provision	(2.933)	295
<b>Net closing balance</b>	<b>84.230</b>	<b>92.317</b>

<sup>(\*)</sup> The balance has been transferred from assets held for sale tangible assets to assets to be sold.

As of December 31, 2017, TL 81.252 (December 31, 2016: TL 88.341) of the assets held for sale is comprised of real estates, TL 2.978 (December 31, 2016: TL 3.976) is comprised of other tangible assets.

The Bank has not any discontinued operations and assets of discontinued operations (December 31, 2016: None).

### 17. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 103.506 (December 31, 2016: TL 153.958) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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
<b>I. Real Persons Current Accounts Non-Trade TL</b>	<b>1.210.837</b>	-	-	-	-	-	-	-	<b>1.210.837</b>
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	<b>2.687.839</b>	<b>4.459.640</b>	<b>136.450</b>	-	<b>34.112</b>	<b>409.812</b>	<b>6.974</b>	<b>7.734.827</b>
<b>III. Current Account other-TL</b>	<b>1.984.912</b>	-	-	-	-	-	-	-	<b>1.984.912</b>
Public Sector	18.088	-	-	-	-	-	-	-	18.088
Commercial Institutions	1.868.045	-	-	-	-	-	-	-	1.868.045
Other Institutions	93.305	-	-	-	-	-	-	-	93.305
Commercial and Other Institutions	3.956	-	-	-	-	-	-	-	3.956
Banks and Participation Banks	1.518	-	-	-	-	-	-	-	1.518
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	97	-	-	-	-	-	-	-	97
Foreign Banks	1.388	-	-	-	-	-	-	-	1.388
Participation Banks	33	-	-	-	-	-	-	-	33
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	<b>370.428</b>	<b>1.811.322</b>	<b>42.977</b>	-	<b>7.375</b>	<b>54.191</b>	<b>26</b>	<b>2.286.319</b>
Public Sector	-	149	-	-	-	-	-	-	149
Commercial Institutions	-	346.321	1.650.343	39.880	-	3.777	46.480	26	2.086.827
Other Institutions	-	23.931	159.464	3.097	-	3.598	6.047	-	196.137
Commercial and Other Institutions	-	27	1.011	-	-	-	1.664	-	2.702
Banks and Participation Banks	-	-	504	-	-	-	-	-	504
<b>V. Real Persons Current Accounts Non- Trade FC</b>	<b>1.561.961</b>	-	-	-	-	-	-	-	<b>1.561.961</b>
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	<b>1.625.686</b>	<b>2.818.937</b>	<b>226.199</b>	-	<b>22.495</b>	<b>570.529</b>	<b>30</b>	<b>5.263.876</b>
<b>VII. Other Current Accounts FC</b>	<b>2.130.281</b>	-	-	-	-	-	-	-	<b>2.130.281</b>
Residents in Turkey-Corporate	1.447.642	-	-	-	-	-	-	-	1.447.642
Residents Abroad-Corporate	120.901	-	-	-	-	-	-	-	120.901
Banks and Participation Banks	561.738	-	-	-	-	-	-	-	561.738
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	560.807	-	-	-	-	-	-	-	560.807
Participation Banks	931	-	-	-	-	-	-	-	931
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	-	<b>826.424</b>	<b>1.254.293</b>	<b>110.653</b>	-	<b>53.276</b>	<b>11.734</b>	-	<b>2.256.380</b>
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	230.375	735.810	6.128	-	43.587	11.716	-	1.027.616
Other institutions	-	1.873	27.682	25	-	-	-	-	29.580
Commercial and Other Institutions	-	153.935	182.180	-	-	570	18	-	336.703
Banks and Participation Banks	-	440.241	308.621	104.500	-	9.119	-	-	862.481
<b>IX. Precious Metals Deposits</b>	<b>265.241</b>	<b>141.931</b>	<b>410.938</b>	<b>15.588</b>	-	<b>1.091</b>	<b>14.804</b>	<b>34</b>	<b>849.627</b>
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	<b>30.820</b>	-	-	-	-	<b>30.820</b>
Residents in Turkey	-	-	-	30.820	-	-	-	-	30.820
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools – FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>7.153.232</b>	<b>5.652.308</b>	<b>10.755.130</b>	<b>562.687</b>	-	<b>118.349</b>	<b>1.061.070</b>	<b>7.064</b>	<b>25.309.840</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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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
<b>I. Real Persons Current Accounts Non-Trade TL</b>	<b>996.122</b>	-	-	-	-	-	-	-	<b>996.122</b>
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	<b>1.287.069</b>	<b>5.505.341</b>	<b>79.907</b>	-	<b>93.100</b>	<b>545.201</b>	<b>2.136</b>	<b>7.512.754</b>
<b>III. Current Account other-TL</b>	<b>1.670.418</b>	-	-	-	-	-	-	-	<b>1.670.418</b>
Public Sector	25.325	-	-	-	-	-	-	-	25.325
Commercial Institutions	1.591.526	-	-	-	-	-	-	-	1.591.526
Other Institutions	49.820	-	-	-	-	-	-	-	49.820
Commercial and Other Institutions	1.857	-	-	-	-	-	-	-	1.857
Banks and Participation Banks	1.890	-	-	-	-	-	-	-	1.890
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	13	-	-	-	-	-	-	-	13
Foreign Banks	1.866	-	-	-	-	-	-	-	1.866
Participation Banks	11	-	-	-	-	-	-	-	11
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	<b>267.671</b>	<b>2.027.700</b>	<b>27.837</b>	-	<b>18.341</b>	<b>36.263</b>	<b>37</b>	<b>2.377.849</b>
Public Sector	-	2.512	3	-	-	-	-	-	2.515
Commercial Institutions	-	255.797	1.848.641	15.773	-	16.647	33.044	37	2.169.939
Other Institutions	-	9.358	151.778	12.064	-	1.694	3.219	-	178.113
Commercial and Other Institutions	-	4	26.832	-	-	-	-	-	26.836
Banks and Participation Banks	-	-	446	-	-	-	-	-	446
<b>V. Real Persons Current Accounts Non- Trade FC</b>	<b>888.794</b>	-	-	-	-	-	-	-	<b>888.794</b>
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	<b>712.667</b>	<b>2.864.441</b>	<b>92.024</b>	-	<b>159.176</b>	<b>575.077</b>	-	<b>4.403.385</b>
<b>VII. Other Current Accounts FC</b>	<b>1.685.795</b>	-	-	-	-	-	-	-	<b>1.685.795</b>
Residents in Turkey-Corporate	922.978	-	-	-	-	-	-	-	922.978
Residents abroad-Corporate	86.906	-	-	-	-	-	-	-	86.906
Banks and Participation Banks	675.911	-	-	-	-	-	-	-	675.911
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	583.218	-	-	-	-	-	-	-	583.218
Participation Banks	92.693	-	-	-	-	-	-	-	92.693
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	-	<b>612.934</b>	<b>1.942.665</b>	<b>256.436</b>	-	<b>60.743</b>	<b>147.506</b>	-	<b>3.020.284</b>
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	215.473	936.309	107.745	-	59.170	8.315	-	1.327.012
Other Institutions	-	2.749	127.976	-	-	18	-	-	130.743
Commercial and Other Institutions	-	24.224	279.641	-	-	1.555	137.340	-	442.760
Banks and Participation Banks	-	370.488	598.739	148.691	-	-	1.851	-	1.119.769
<b>IX. Precious Metals Deposits</b>	<b>189.821</b>	<b>68.938</b>	<b>323.920</b>	<b>4.833</b>	-	<b>4.696</b>	<b>7.525</b>	-	<b>599.733</b>
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools -FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>5.430.950</b>	<b>2.949.279</b>	<b>12.664.067</b>	<b>461.037</b>	-	<b>336.056</b>	<b>1.311.572</b>	<b>2.173</b>	<b>23.155.134</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### a. Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund:

#### b.1. Exceeding the limit of Insurance Fund:

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarantee of Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions				
Turkish Lira accounts	4.723.871	4.644.005	4.251.791	3.864.868
Foreign currency accounts	2.023.522	1.563.947	5.546.939	4.259.604
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

#### b.2. Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	13.179	26.805
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	9.787	10.556
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities	-	-

### 2. Information on derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	76	-	88	-
Swap transactions	-	6.342	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>76</b>	<b>6.342</b>	<b>88</b>	<b>-</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### 3. Information on borrowings:

The Bank has obtained Syndicated Murabaha Loans from international markets amounting to USD 314.000.000 with maturity of more than one year (December 31, 2016: more than one-year maturity: USD 458.500.000 and EUR 56.250.000).

As of December 31, 2017, the Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 197.595.236 and EUR 232.150.880 (December 31, 2016: USD 84.171.095 and EUR 132.496.602).

The table below represents the sukuk issued by Bank through its subsidiary Bereket Varlık Kiralama A.Ş. to collect funds from various investors:

Issue Date	Amount <sup>(*)</sup>	FC	Maturity	Profit Share % (Yearly)	Profit Share % (92/175/178 days)
June 30, 2014	350.000.000	USD	5 Years	6,25	
September 26, 2017	150.000.000	TL	178 Days		5,85
November 16, 2017	150.000.000	TL	92 Days		3,10
December 19, 2017	150.000.000	TL	175 Days		6,02

(\*) Represented in full amount

### 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	484.497	1.618.733	181.593	1.511.415
Loans from foreign banks, institutions and funds	314.258	2.994.481	-	2.731.187
<b>Total</b>	<b>798.755</b>	<b>4.613.214</b>	<b>181.593</b>	<b>4.242.602</b>

### b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	641.459	1.803.899	181.593	996.686
Medium and Long-Term	157.296	2.809.315	-	3.245.916
<b>Total</b>	<b>798.755</b>	<b>4.613.214</b>	<b>181.593</b>	<b>4.242.602</b>

### c. Additional disclosures on concentration areas of Bank's liabilities:

The Bank does not have concentration on customer or sector group providing funds.

### 4. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None (December 31, 2016: None).



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### 5. Lease payables:

#### a. Information on financial lease transactions:

##### a.1. Information on financial lease agreements:

The Bank has no obligation from finance lease operations as of balance sheet date.

##### a.2. Explanations on the changes in agreements and new obligations originating from these changes:

None.

##### a.3. Explanations on the obligations originating from financial leases:

None.

#### b. Explanations on operational leases:

The Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	53.352	44.067
1 to 4 years	145.089	118.697
Over 4 years	120.905	104.791
<b>Total</b>	<b>319.346</b>	<b>267.555</b>

### 6. Information on hedging derivative financial liabilities:

None (December 31, 2016: None).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### 7. Information on provisions:

#### a. Information on general provisions:

	Current Period	Prior Period
<b>General provision for</b>	<b>142.420</b>	<b>136.263</b>
<b>I. Group loans and receivables (Total)</b>	<b>116.470</b>	<b>107.707</b>
Participation Accounts' Share	63.406	64.059
Bank's Share	53.064	43.648
Others	-	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group I</b>	<b>8.069</b>	<b>3.821</b>
Participation Accounts' Share	3.327	2.295
Bank's Share	4.742	1.526
Others	-	-
<b>II. Group loans and receivables (Total)</b>	<b>14.242</b>	<b>17.086</b>
Participation Accounts' Share	7.184	11.248
Bank's Share	7.058	5.838
Others	-	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group II</b>	<b>5.223</b>	<b>3.104</b>
Participation Accounts' Share	2.409	1.422
Bank's Share	2.814	1.682
Others	-	-
<b>Non-cash loans</b>	<b>11.708</b>	<b>11.470</b>
<b>Others</b>	<b>-</b>	<b>-</b>

#### b. Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2017, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 14.130 (December 31, 2016: TL 1.449) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

#### c. Information on specific provisions for non-cash loans that are not indemnified:

As of December 31, 2017, the Bank has provided specific provisions amounting to TL 29.905 (December 31, 2016: TL 37.036) for non-cash loans that are not indemnified.

#### ç. Other provisions:

##### ç.1. Information on provisions for cases on trial:

	Current Period	Prior Period
Provisions for cases on trial	2.264	14
<b>Total</b>	<b>2.264</b>	<b>14</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### ç.2. Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing accounts <sup>(*)</sup>	-	15.884
Provision for unindemnified letter of guarantees	19.479	27.822
Payment commitments for cheques	10.426	9.214
Provision for promotions related with credit cards and promotion of banking services	205	172
Provisions for cases on trial	2.264	14
Financial assets at fair value through profit and loss	232	3
Other	687	1.217
<b>Total</b>	<b>33.293</b>	<b>54.326</b>

<sup>(\*)</sup> Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

### d. Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 50.623 (December 31, 2016: TL 35.925), vacation pay liability amounting to TL 8.484 (December 31, 2016: TL 7.335) totaling to TL 59.107 (December 31, 2016: TL 43.260). Moreover, provisions for performance premium has been allocated amounting to TL 30.000 (December 31, 2016: None). The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	11,70	11,60
Estimated increase rate of salary ceiling (%)	8,50	7,50

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	35.925	30.235
Change in the period	10.733	8.288
Actuarial (gain)/loss	8.928	2.833
Paid during the period	(4.963)	(5.431)
<b>Balance at the end of the period</b>	<b>50.623</b>	<b>35.925</b>

### 8. Information on taxes payable:

#### a. Explanations on current tax liability:

##### a.1. Explanations on Tax Provisions:

As of December 31, 2017, the Bank's corporate tax payable is TL 45.998 (December 31, 2016: TL 7.091) after offsetting prepaid corporate tax.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	45.998	7.091
Banking insurance transaction tax	15.942	16.364
Taxation on securities income	12.769	11.162
Value added tax payable	1.058	1.274
Taxation on real estate income	887	754
Foreign exchange transaction tax	-	-
Other	8.115	8.052
<b>Total</b>	<b>84.769</b>	<b>44.697</b>

### a.3. Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	3.704	3.101
Social security premiums-employer	3.999	3.344
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	262	219
Unemployment insurance-employer	523	438
Other	-	-
<b>Total</b>	<b>8.488</b>	<b>7.102</b>

### 9. Liabilities for assets held for sale and discontinued operations:

None (December 31, 2016: None).

### 10. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Domestic Banks	-	-	-	-
Loans from other Institutions	-	-	-	-
Loans from Foreign Banks	-	-	-	-
Loans from other Foreign Institutions	-	1.627.163	-	1.510.937
<b>Total</b>	<b>-</b>	<b>1.627.163</b>	<b>-</b>	<b>1.510.937</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

The Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity ABT Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of five years with 10 years total maturity' was determined as 7,75%.

The Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Bank has repurchased the sukuk issued in the amount of USD 24.000.000 and this amount is offset in available for sale assets and subordinated loans.

### 11. Information on shareholders' equity:

#### a. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	900.000	900.000
Preferred stock	-	-

#### b. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Bank has taken a resolution on transition to registered capital system. The application dated December 27, 2016 for the extension of the Registered Capital Ceiling to the Capital Markets Board was approved on January 10, 2017 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2021.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500.000

#### c. Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

There is no capital increase in the current period.

#### ç. Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

#### d. Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.

#### e. Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

#### f. Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### g. Information on marketable securities valuation reserve:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference <sup>(*)</sup>	(18.740)	(146)	210	(8.766)
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>(18.740)</b>	<b>(146)</b>	<b>210</b>	<b>(8.766)</b>

<sup>(\*)</sup> The amount represents the net balance after deferred tax calculation.

### III. Explanations and notes related to off-balance sheet:

#### 1. Explanations on off balance sheet:

##### a. Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	528.560	475.270
Payment commitments for cheques	528.094	588.983
Asset purchase and sale commitments	381.062	13.399
Loan granting commitments	348.871	111.042
Tax and funds liabilities arising from export commitments	4.069	3.029
Commitments for promotions related with credit cards and banking activities	363	963
Other irrevocable commitments	441.333	38.475
<b>Total</b>	<b>2.232.352</b>	<b>1.231.161</b>

##### b. Type and amount of possible losses and commitments arising from off-balance sheet items:

b.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Letters of guarantees	7.024.344	7.809.811
Bank loans	21.824	20.711
Letters of credit	1.030.808	752.679
Other guaranties and sureties	55.648	117.992
<b>Total</b>	<b>8.132.624</b>	<b>8.701.193</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	7.024.344	7.809.811
Long standing letters of guarantees	4.441.424	4.845.313
Temporary letters of guarantees	229.023	240.046
Advance letters of guarantees	229.973	257.462
Letters of guarantees given to customs	238.333	229.514
Letters of guarantees given for obtaining cash loans	1.885.591	2.237.476
Sureties and similar transactions	55.648	117.992
<b>Total</b>	<b>7.079.992</b>	<b>7.927.803</b>

### c. Within the Non-cash Loans

#### c.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	1.885.591	2.237.476
With original maturity of 1 year or less	346.696	369.164
With original maturity of more than 1 year	1.538.895	1.868.312
Other non-cash loans	6.247.033	6.463.717
<b>Total</b>	<b>8.132.624</b>	<b>8.701.193</b>



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### c.2. Sectoral risk concentration of non-cash loans:

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>48.093</b>	<b>1,16</b>	<b>25.832</b>	<b>0,65</b>	<b>58.865</b>	<b>1,47</b>	<b>51.815</b>	<b>1,10</b>
Farming and stockbreeding	29.916	0,72	19.865	0,50	42.142	1,05	15.099	0,32
Forestry	16.977	0,41	5.967	0,15	16.289	0,41	28.643	0,61
Fishery	1.200	0,03	-	-	434	0,01	8.073	0,17
<b>Manufacturing</b>	<b>1.002.554</b>	<b>24,24</b>	<b>2.224.375</b>	<b>55,66</b>	<b>966.599</b>	<b>24,14</b>	<b>2.756.795</b>	<b>58,69</b>
Mining	19.474	0,47	17.856	0,45	27.815	0,69	101.604	2,16
Production	506.728	12,25	1.798.977	45,01	742.159	18,54	1.937.520	41,25
Electricity, gas and water	476.352	11,52	407.542	10,20	196.625	4,91	717.671	15,28
<b>Construction</b>	<b>1.370.455</b>	<b>33,13</b>	<b>499.958</b>	<b>12,51</b>	<b>1.237.368</b>	<b>30,90</b>	<b>618.243</b>	<b>13,16</b>
<b>Services</b>	<b>1.615.178</b>	<b>39,05</b>	<b>1.182.673</b>	<b>29,60</b>	<b>1.374.381</b>	<b>34,33</b>	<b>1.107.492</b>	<b>23,58</b>
Wholesale and retail trade	766.658	18,54	594.046	14,86	558.903	13,96	472.816	10,07
Hotel, food and beverage services	28.618	0,69	67.206	1,68	27.885	0,70	102.249	2,18
Transportation and telecommunication	77.651	1,88	108.913	2,73	66.772	1,67	113.148	2,41
Financial Institutions	48.832	1,18	232.100	5,81	24.247	0,61	78.803	1,68
Real estate and renting services	395.337	9,56	91.794	2,30	438.701	10,96	98.139	2,09
Self-employment services	126.499	3,06	51.682	1,29	83.412	2,08	220.644	4,70
Education services	35.345	0,85	346	0,01	29.779	0,74	1.792	0,04
Health and social services	136.238	3,29	36.586	0,92	144.682	3,61	19.901	0,41
<b>Other</b>	<b>100.185</b>	<b>2,42</b>	<b>63.321</b>	<b>1,58</b>	<b>366.665</b>	<b>9,16</b>	<b>162.970</b>	<b>3,47</b>
<b>Total</b>	<b>4.136.465</b>	<b>100,00</b>	<b>3.996.159</b>	<b>100,00</b>	<b>4.003.878</b>	<b>100,00</b>	<b>4.697.315</b>	<b>100,00</b>

### c.3) Information on the non-cash loans classified in Group I and Group II:

Current Period	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>4.040.156</b>	<b>3.883.488</b>	<b>63.239</b>	<b>95.041</b>
Letters of guarantee	4.027.185	2.788.179	63.239	95.041
Bank loans	-	21.824	-	-
Letters of credit	1.517	1.029.291	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	11.454	44.194	-	-

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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Prior Period	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>3.892.986</b>	<b>4.445.491</b>	<b>70.902</b>	<b>213.354</b>
Letters of guarantee	3.881.125	3.568.248	70.902	211.076
Bank loans	-	20.711	-	-
Letters of credit	2.073	748.328	-	2.278
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	9.788	108.204	-	-

### 2. Explanations on derivative transactions:

	Derivative transactions according to purpose	
	December 31, 2017	December 31, 2016
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>1.079.733</b>	<b>1.018.952</b>
Currency Forwards-Purchases, sales	43.577	1.018.952
Currency Swaps-Purchases, sales	1.036.156	-
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Profit share Rate Related Derivative Transactions (II)</b>	<b>-</b>	<b>-</b>
Profit share rates forwards-Purchase, sales	-	-
Profit share rates swaps-Purchases, sales	-	-
Profit share rates options-Purchases, sales	-	-
Profit share rates futures-Purchases, sales	-	-
<b>Other Trading Derivatives (III)</b>	<b>-</b>	<b>-</b>
<b>A. Total Trading Derivatives (I + II + III)</b>	<b>1.079.733</b>	<b>1.018.952</b>
<b>Hedging Derivatives</b>	<b>-</b>	<b>-</b>
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>1.079.733</b>	<b>1.018.952</b>

### 3. Explanations on contingent assets and liabilities:

The Bank has made a provision amounting to TL 2.264 (December 31, 2016: TL 14), as presented under "Other Provisions" note in Section Five Note II.7.ç.1, for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Bank, the Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

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#### 4. Explanations on services rendered on behalf of third parties:

The Bank has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

#### IV. Explanations and notes related to the statement of income:

##### 1. Information on profit share income:

##### a. Information on profit share income received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share received from loans<sup>(*)</sup></b>				
Short Term Loans	417.701	24.609	460.671	23.155
Medium and Long Term Loans	1.577.475	313.058	1.267.637	197.539
Profit Share on Non-Performing Loans	27.255	-	16.133	-
<b>Total</b>	<b>2.022.431</b>	<b>337.667</b>	<b>1.744.441</b>	<b>220.694</b>

<sup>(\*)</sup> Includes fees and commission income on cash loans.

##### b. Information on profit share income received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	4.019	28.528	6.902	11.909
Domestic Banks	-	1.362	-	779
Foreign Banks	-	-	-	31
Head Offices and Branches Abroad	-	-	-	-
<b>Total</b>	<b>4.019</b>	<b>29.890</b>	<b>6.902</b>	<b>12.719</b>

##### c. Information on profit share income received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets held for trading	1.115	349	-	5
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets available-for-sale	106.299	26.728	79.323	15.159
From held-to-maturity investments	62.612	-	65.176	-
<b>Total</b>	<b>170.026</b>	<b>27.077</b>	<b>144.499</b>	<b>15.164</b>

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### ç. Information on profit share income received from associates and subsidiaries:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit shares income received from associates and subsidiaries	1.154	3.388	-	1.993
<b>Total</b>	<b>1.154</b>	<b>3.388</b>	<b>-</b>	<b>1.993</b>

### 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	21.012	64.473	-	53.314
CBRT	-	-	-	-
Domestic banks	-	7.745	-	6.360
Foreign banks	21.012	56.728	-	46.954
Head offices and branches abroad	-	-	-	-
Other institutions	35.001	238.007	2.656	210.030
<b>Total</b>	<b>56.013</b>	<b>302.480</b>	<b>2.656</b>	<b>263.344</b>

#### b. Profit share expense paid to associates and subsidiaries:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share paid to investments in associates and subsidiaries	34.497	80.234	12.331	70.565
<b>Total</b>	<b>34.497</b>	<b>80.234</b>	<b>12.331</b>	<b>70.565</b>

#### c. Profit share expenses paid to marketable securities issued:

None (December 31, 2016: None).

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### ç. Distribution of profit share expense on funds collected based on maturity of funds collected:

Account name	Profit sharing accounts						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	More than 1 year		
<b>TL</b>								
Funds collected from banks through current and profit sharing accounts	-	38	-	-	-	-	-	38
Real persons' non-trading profit sharing accounts	197.303	381.652	13.696	-	4.261	42.233	446	639.591
Public sector profit sharing accounts	4	-	-	-	-	-	-	4
Commercial sector profit sharing accounts	33.200	151.214	6.126	-	786	3.340	-	194.666
Other institutions profit sharing accounts	3.798	20.799	984	-	167	646	-	26.394
<b>Total</b>	<b>234.305</b>	<b>553.703</b>	<b>20.806</b>	<b>-</b>	<b>5.214</b>	<b>46.219</b>	<b>446</b>	<b>860.693</b>
<b>FC</b>								
Banks	5.253	7.864	2.436	-	165	43	-	15.761
Real persons' non-trading profit sharing accounts	23.909	50.701	3.404	-	806	11.781	-	90.601
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	6.564	15.780	1.185	-	675	242	-	24.446
Other institutions profit sharing accounts	1.069	5.121	1	-	16	3.024	-	9.231
Precious metals deposits	854	4.401	149	-	20	206	-	5.630
<b>Total</b>	<b>37.649</b>	<b>83.867</b>	<b>7.175</b>	<b>-</b>	<b>1.682</b>	<b>15.296</b>	<b>-</b>	<b>145.669</b>
<b>Grand total</b>	<b>271.954</b>	<b>637.570</b>	<b>27.981</b>	<b>-</b>	<b>6.896</b>	<b>61.515</b>	<b>446</b>	<b>1.006.362</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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Prior Period	Profit sharing accounts							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	More than 1 year			
<b>TL</b>									
Funds collected from banks through current and profit sharing accounts	-	938	-	-	-	-	-	-	938
Real persons' non-trading profit sharing accounts	94.177	410.685	7.218	-	7.565	51.339	37	571.021	
Public sector profit sharing accounts	34	63	-	-	-	-	-	97	
Commercial sector profit sharing accounts	16.923	138.630	2.980	-	1.327	6.788	-	166.648	
Other institutions profit sharing accounts	1.102	19.958	984	-	136	158	-	22.338	
<b>Total</b>	<b>112.236</b>	<b>570.274</b>	<b>11.182</b>	<b>-</b>	<b>9.028</b>	<b>58.285</b>	<b>37</b>	<b>761.042</b>	
<b>FC</b>									
Banks	1.602	5.548	1.344	-	98	1	-	8.593	
Real persons' non-trading profit sharing accounts	10.897	43.795	1.535	-	2.882	11.397	-	70.506	
Public sector profit sharing accounts	-	-	-	-	-	-	-	-	
Commercial sector profit sharing accounts	2.466	15.401	303	-	801	179	-	19.150	
Other institutions profit sharing accounts	364	6.627	65	-	96	1.206	-	8.358	
Precious metals deposits	474	1.784	58	-	66	101	-	2.483	
<b>Total</b>	<b>15.803</b>	<b>73.155</b>	<b>3.305</b>	<b>-</b>	<b>3.943</b>	<b>12.884</b>	<b>-</b>	<b>109.090</b>	
<b>Grand total</b>	<b>128.039</b>	<b>643.429</b>	<b>14.487</b>	<b>-</b>	<b>12.971</b>	<b>71.169</b>	<b>37</b>	<b>870.132</b>	

### 3. Information on dividend income:

None (December 31, 2016: None).

### 4. Explanations on trading income/loss (net):

	Current Period	Prior Period
<b>Income</b>	<b>6.692.490</b>	<b>7.412.267</b>
Income from capital market transactions	53.890	212
Income from derivative financial instruments	17.992	104.570
Foreign exchange income	6.620.608	7.307.485
<b>Loss (-)</b>	<b>6.647.127</b>	<b>7.367.128</b>
Loss on capital market transactions	859	12
Loss on derivative financial instruments	39.011	1.576
Foreign exchange losses	6.607.257	7.365.540
<b>Trading Income/Loss (net)</b>	<b>45.363</b>	<b>45.139</b>

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### 5. Explanations related to other operating income:

	Current Period	Prior Period
Reversal of prior year provisions	73.460	98.473
Income from sale of assets	37.845	20.581
Reimbursement for communication expenses	5.380	4.334
Reimbursement of vacation pay expenses	-	-
Cheque book charges	1.315	1.316
Other income	4.146	16.924 <sup>(*)</sup>
<b>Total</b>	<b>122.146</b>	<b>141.628</b>

<sup>(\*)</sup> Visa Inc has purchased Visa Europe Ltd. on June 21, 2016. Following this transaction, TL 8.692 has been transferred to bank accounts and accounted as "Other Operating Income".

### 6. Provisions for loan losses and other receivables of the Bank:

	Current Period	Prior Period
<b>Specific provisions for loans and other receivables</b>	<b>442.637</b>	<b>305.593</b>
Loans and receivables in III. Group	7.989	32.470
Loans and receivables in IV. Group	84.021	131.925
Loans and receivables in V. Group	339.310	129.671
Doubtful commission, fee and other receivables	11.317	11.527
<b>General provision expenses</b>	<b>15.416</b>	<b>17.856</b>
<b>Provision expenses for ongoing lawsuit</b>	<b>2.264</b>	<b>-</b>
<b>Impairment losses on marketable securities</b>	<b>441</b>	<b>154</b>
Financial assets at fair value through profit and loss	441	-
Financial assets available for sale	-	154
<b>Impairment losses on associates, subsidiaries, joint ventures and held to maturity investments</b>	<b>-</b>	<b>-</b>
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
<b>Other<sup>(*)</sup></b>	<b>-</b>	<b>32.671</b>
<b>Total</b>	<b>460.758</b>	<b>356.274</b>

TL 173.161 (December 31, 2016: TL 139.990) of the total specific provisions provided for loan and other receivables amounting to TL 442.637 (December 31, 2016: TL 305.593) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 2.896 (December 31, 2016: TL 17.683) participation accounts portion of general loan loss provision provided for loans and other receivables of the total general loan loss provisions amounts to TL 15.416 (December 31, 2016: TL 17.856).



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(<sup>(1)</sup>) Details of the "other" amount is as follows:

	Current Period	Prior Period
Specific provisions for non-cash loans that are not indemnified ( <sup>(1)</sup> )	-	14.972
Provisions allocated from profit shares to be distributed to profit sharing accounts ( <sup>(1)</sup> )	-	17.455
Other	-	244
<b>Total</b>	<b>-</b>	<b>32.671</b>

(<sup>(1)</sup>) Specific provisions (reversals) for non-cash loans that are not indemnified and Provisions (reversals) allocated from profit shares to be distributed to profit sharing accounts are represented net.

### 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	443.362	416.420
Provision for retirement pay liability	5.771	2.857
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	37.597	38.686
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	23.244	23.800
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	255	2.264
Depreciation expenses of assets to be disposed	-	1.592
Impairment expenses of assets held for sale and assets of discontinued operations	2.988	55
Other business expenses	174.504	157.116
<i>Operating lease expenses</i>	69.411	60.429
<i>Maintenance expenses</i>	12.374	12.213
<i>Advertisement expenses</i>	23.229	18.264
<i>Other expenses</i> ( <sup>(1)</sup> )	69.490	66.210
Loss on sale of assets	234	677
Other( <sup>(2)</sup> )	146.252	92.659
<b>Total</b>	<b>834.207</b>	<b>736.126</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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(<sup>1</sup>) Other expenses under "other business expenses" are provided as below:

	Current Period	Prior Period
Communication Expenses	13.621	11.439
Donations	5.718	10.604
Cleaning expenses	12.215	11.703
Heating, lighting and water expenses	7.497	6.643
Representation and Hosting expenses	6.303	5.282
Vehicle expenses	4.845	3.615
Lawsuit and court expenses	3.125	4.116
Movables Insurance Expenses	2.290	2.060
Stationery Expenses	2.611	2.128
Expense Share for Common Expenses	1.250	967
Other	10.015	7.653
<b>Total</b>	<b>69.490</b>	<b>66.210</b>

(<sup>\*\*</sup>) Details of "other" balance are provided as below:

	Current Period	Prior Period
Saving Deposit Insurance Fund	39.372	36.192
Taxes, Duties, Charges and Funds	32.742	27.192
Bonus Reserve Expenses	30.000	-
Expertise and Information Expenses	10.757	13.099
Audit and Consultancy Fees	22.103	8.630
Vacation Pay Provision Expense	1.149	287
Other	10.129	7.259
<b>Total</b>	<b>146.252</b>	<b>92.659</b>

### 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 9% compared to prior period and is realized as TL 288.800 (December 31, 2016: TL 263.920). Income before tax comprises net profit share income in the amount of TL 1.267.799 (December 31, 2016: TL 1.023.618) and fees and commission income in the amount of TL 148.457 (December 31, 2016: TL 145.935). Total other operating expenses amount to TL 834.207 (December 31, 2016: TL 736.126).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 9. Explanations on tax provision for continued and discontinued operations:

Tax provision for continued operations:

	Current Period	Prior Period
Income before tax	288.800	263.920
Tax calculated with tax rate of 20%	57.760	52.784
Other additions and disallowable expenses	36.185	15.216
Deductions	(17.689)	(14.001)
Provision for current taxes	76.256	53.999
Provision for deferred taxes	(24.549)	(7.688)
Continuing operations tax provision	51.707	46.311

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

### 10. Explanations on net income/loss from continued and discontinued operations:

The Bank has no discontinued operations. Net income for the period has been realized as TL 288.800 (December 31, 2016: TL 263.920) by deducting tax provision expense amounting to TL 51.707 (December 31, 2016: TL 46.311) from profit from continued operations amounting to TL 237.093 (December 31, 2016: TL 217.609).

### 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.

12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:

Other Fees and Commissions Received	Current Period	Prior Period
Member firm-POS fees and commissions	34.916	37.212
Clearing room fees and commissions	22.048	18.604
Commissions on money orders	13.431	11.184
Appraisal fees	11.256	11.151
Insurance and brokerage commissions	11.173	9.569
Other	21.317	15.539
<b>Total</b>	<b>114.141</b>	<b>103.259</b>

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Other Fees and Commissions Paid	Current Period	Prior Period
Funds borrowed fees and commissions	26.167	27.320
Credit cards fees and commissions	10.092	8.645
Member firm-POS fees and commissions	16.814	14.398
Fees and commissions for Swift, EFT and money orders	7.211	3.866
Other	7.783	7.629
<b>Total</b>	<b>68.067</b>	<b>61.858</b>

### V. Explanations and notes related to the statement of changes in shareholders' equity:

a) There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements. Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.

b) "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income. TL 13.244 decrease has occurred after the revaluation of available-for-sale securities (December 31, 2016: TL 24.059 decrease).

c) Revaluation funds related to tangible and intangible assets and foreign exchange differences arising from translation of tangible and intangible assets of foreign branch of the Bank are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.

d) Foreign exchange differences arising from translation of income statement of foreign branch of the Bank are accounted in other capital reserves amounts to TL 6.936 as increase. (December 31, 2016: TL 7.606 increase).

### VI. Explanations and notes related to the statement of cash flows:

#### 1. Components of cash and cash equivalents and accounting policy applied in their determination:

"Cash" is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.

(a) Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>1.917.036</b>	<b>1.895.062</b>
Cash in TL/foreign currency	271.404	408.213
Cash in transit	388.688	414.294
CBRT	1.256.944	1.072.555
<b>Cash equivalents</b>	<b>1.547.447</b>	<b>1.912.992</b>
Domestic banks	1.276.485	1.486.902
Foreign banks	270.962	426.090
<b>Total cash and cash equivalents</b>	<b>3.464.483</b>	<b>3.808.054</b>

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(b) Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>2.001.123</b>	<b>1.917.036</b>
Cash in TL/foreign currency	365.436	271.404
Cash in transit	863.141	388.688
CBRT	772.546	1.256.944
<b>Cash equivalents</b>	<b>888.600</b>	<b>1.547.447</b>
Domestic banks	342.727	1.276.485
Foreign banks	545.873	270.962
<b>Total cash and cash equivalents</b>	<b>2.889.723</b>	<b>3.464.483</b>

### 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 and blockaged amount arising from POS are not considered as cash and cash equivalent items.

### 3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:

The "Others" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 7.994 (December 31, 2016: TL 639.025) mainly comprises other operating expenses excluding personnel expenses and amortization expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 427.342 (December 31, 2016: TL 197.012) 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 109.649 as of December 31, 2017 (December 31, 2016: TL 329.943).

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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 <sup>(*)</sup>	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
<b>Loans and other receivables</b>						
Balance at the beginning of the period	-	-	35.550	24.249	714	28
Balance at the end of the period	-	-	118.658	22.039	106	-
<b>Profit share and commission income received</b>	<b>4.542</b>	<b>-</b>	<b>2.512</b>	<b>101</b>	<b>13</b>	<b>-</b>

#### b. Prior period:

Risk Group of the Bank <sup>(*)</sup>	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
<b>Loans and other receivables</b>						
Balance at the beginning of period	-	-	47.906	65.512	41	28
Balance at end of period	-	-	35.550	24.249	714	28
<b>Profit share and commission income received</b>	<b>1.993</b>	<b>-</b>	<b>2.016</b>	<b>301</b>	<b>78</b>	<b>-</b>

<sup>(\*)</sup> Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

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## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### c.1. Information on current and profit sharing accounts of the Bank's risk group:

Risk Group of the Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (business partnerships)		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
<b>Current and profit sharing accounts</b>						
Balance at the beginning of period	10.496	7.810	470.674	268.530	5.476	3.134
Balance at the end of period	15.395	10.496	602.289	470.674	4.801	5.476
<b>Profit share expense</b>	<b>632</b>	<b>476</b>	<b>11.562</b>	<b>4.810</b>	<b>104</b>	<b>153</b>

(\*) As of December 31, 2017 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 190.095.236 and EUR 153.550.880 (December 31, 2016: USD 79.171.095 and EURO 127.196.602). The profit share expense relating to such borrowings for the period between January 1, 2017 – December 31, 2017 is TL 14.951 (December 31, 2016: TL 8.563). The Bank has issued Sukuk in the amounts of USD 350.000.000 and TL 450.000.000 through "Bereket Varlık Kiralama A.Ş." which exists in the risk group of the Bank. The total expense for the related issues is TL 114.252 as of December 31, 2017 (December 31, 2016: TL 82.328).

### c.2. Information on forward and option agreements and other similar agreements with related parties:

The Bank does not have forward and option agreements with the risk group of the Bank.

As of December 31, 2017; the Bank has paid TL 10.823 (December 31, 2016: TL 20.263) to top management.

## VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

### 1. Information on the domestic and foreign branches and representative offices of the Bank:

	Number	Number of Personnel		Total Assets (Thousand TL)	Statutory Share Capital
Domestic Branches	219	3.882			
			<b>Country</b>		
Foreign Representation Office	-	-			
					Iraq Dinar
Foreign Branches	1	17	Iraq	312.498	20.626.185.357
Off-Shore Branches	-	-			

### 2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:

The Bank has opened 7 domestic branches in 2017.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### IX. Explanations related to subsequent events:

As per the decision of the Board of Directors dated December 22, 2017, The bank has decided to found a company called "Albaraka Kültür Sanat ve Yayıncılık A.Ş." whose capital is TL 3.540. The company has been recognized as subsidiary in January 2018 and the Bank's share on it is 100%.

On February 20, 2018, the Bank has realized Tier I sukuk quoted at Ireland stock exchange amount to USD 205 million having no fixed term.

### SECTION SIX Other explanations

#### I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:

None.

### SECTION SEVEN Independent Audit report

#### I. Explanations on audit report:

The Bank's unconsolidated financial statements as of and for the period ended December 31, 2017 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the audit report dated February 20, 2017 is presented at the beginning of the financial statements and related notes.

#### II. Other notes and explanations prepared by the independent auditors:

None.



# ALBARAKA TÜRİK KATILIM BANKASI ANONİM ŐİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS  
AND RELATED DISCLOSURES AT DECEMBER 31, 2017  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS'  
REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
TURKISH – SEE SECTION THREE NOTE XXV)

March 6, 2018

This report contains "independent auditors' Report"  
comprising 3 pages and; "Consolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 113 pages.



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
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## Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish to English (See Note I in Section Three) INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Albaraka Türk Katılım Bankası A.Ş.

### A) Audit of Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of Albaraka Türk Katılım Bankası A.Ş. ("the Bank") and its subsidiaries (together the "Group") which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated statement of income, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and consolidated notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

#### Basis for Opinion

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Impairment of loans and other receivables

Refer to Section III, to the consolidated financial statements relating to the details of accounting policies and significant judgments of for impairment in loans and other receivables.



### **Key audit matter**

As of 31 December 2017, loans and other receivables comprise 68% of Group's total assets.

The Parent Bank recognizes its loans and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the "Regulation") published on the Official Gazette No. 26333 dated 1 November 2006. In accordance with the mentioned Regulation, the assessment of impairment is basically related to the proper classification of loan and other receivables. The classification of loans and other receivables is performed in accordance with the criteria in the Regulation. Those include both objective and subjective criteria which management judgment is applied. Because of subjective criteria there is a risk of misclassification of loans and receivables which prevent any determination of impairment.

Disclosures related to credit risk are presented in Section IV, No II Credit Risk.

### **How the matter is addressed in our audit**

Our procedures for testing the classification of loans and advances in accordance with the Regulation and key assumptions made by management include below:

- We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures.
- We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information. In this context, the current status of the loan customer has been evaluated.
- We tested the appropriateness of the provisions in accordance with the Regulation.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **B) Other Legal and Regulatory Requirements**

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

#### **Additional paragraph for convenience translation to English:**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

Alper Güvenç, ŞMMM  
Partner

6 March 2018  
İstanbul, Turkey

**CONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş.  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

Parent Bank's headquarter address : Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6 34768 Ümraniye/İstanbul  
Parent Bank's phone number and facsimile : 00 90 216 666 01 01 – 00 90 216 666 16 00  
Parent Bank's website : www.albarakatürk.com.tr  
Electronic mail contact info : albarakatürk@albarakatürk.com.tr

The consolidated year ended financial report prepared in accordance with the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by the Banking Regulation and Supervision Agency is comprised of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

Investments in subsidiaries, real estate investment funds, joint ventures, and associates whose financial statements have been consolidated in this consolidated financial report are as follows:

Subsidiaries	Real Estate Investment Funds	Joint Ventures	Associates
1. Bereket Varlık Kiralama A.Ş.	Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu	Katılım Emeklilik ve Hayat A.Ş.	-
2. Albaraka Portföy Yönetimi A.Ş.	Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu	-	-
3. -	Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu	-	-

ABT Sukuk Limited and Albaraka Sukuk Limited, which are not a subsidiaries of the Bank but over which the Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

The consolidated financial statements and related disclosures and footnotes; presented in thousands of Turkish Lira unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been independently audited and presented as attached.

  
Adnan Ahmed  
Yusuf ABDULMALEK  
**Chairman of the Board of Directors**

  
Melikşah ÜTKÜ  
**General Manager**

  
Temel HAZIROĞLU  
**Assistant General Manager**

  
Yunus AHLATCI  
**Financial Reporting Manager**

  
Mustafa BÜYÜKABACI  
**Chairman of the Audit Committee**

  
Hood Hashem Ahmed HASHEM  
**Member of the Audit Committee**

Contact information of the personnel in charge of the addressing of questions about this financial report:  
Name-Surname/Title : Bora ŞİMŞEK / Financial Reporting / Vice Manager  
Telephone : 00 90 216 666 05 59  
Facsimile : 00 90 216 666 16 11

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# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### SECTION ONE

#### General Information

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

Albaraka Türk Katılım Bankası Anonim Şirketi ("The Parent Bank") was incorporated on November 5, 1984 with the name of Albaraka Türk Özel Finans Kurumu A.Ş., based on the decision of the Council of Ministers numbered 83/7506 and dated December 16, 1983 regarding establishments of Special Finance Houses and obtained the operating permission from the Central Bank of Turkey with the letter numbered 10912 and dated January 21, 1985.

Special Finance Houses, operating in accordance with the Communiqués of Under Secretariat of Treasury and the Central Bank of Turkey based on the decision of Council of Ministers numbered 83/7506, have been subjected to the provisions of the Banking Law numbered 4389 with the change of law dated December 17, 1999 and numbered 4491. Special Finance Houses have been subjected to the provisions of "Communiqué Related to the Incorporation and Activities of Special Finance Houses" published in the Official Gazette dated September 20, 2001 numbered 24529 by the Banking Regulation and Supervision Agency ("BRSA"). "Communiqué Related to the Incorporation and Activities of Special Finance Houses" has been superseded by the "Communiqué Related to Credit Operations of Banks" published in the Official Gazette dated November 1, 2006 numbered 26333 and the Parent Bank operates in accordance with the Banking Law numbered 5411 published in the Official Gazette dated November 1, 2005 numbered 25983.

The decision regarding the change in the title of the Parent Bank, in relation with the provisions of the Banking Law numbered 5411, was agreed in the Extraordinary General Meeting dated December 21, 2005 and the title of the Parent Bank was changed as "Albaraka Türk Katılım Bankası A.Ş.". The change in the title was registered in Istanbul Trade Registry on December 22, 2005 and published in the Trade Registry Gazette dated December 27, 2005, numbered 6461.

The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in the accompanying consolidated financial statements.

The Parent Bank's head office is located in Istanbul and is operating through 219 (December 31, 2016: 212) local branches and 1 (December 31, 2016: 1) foreign branch and with 3.899 (December 31, 2016: 3.796) staff as of December 31, 2017. The Group has 3.910 (December 31, 2016: 3.798) staff as of December 31, 2017.

##### II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Parent Bank and the disclosures on related changes in the current year, if any:

As of December 31, 2017, 54,06% (December 31, 2016: 54,06%) of the Parent Bank's shares are owned by Albaraka Banking Group located in Bahrain. 25,16% (December 31, 2016: 24,84%) of the shares are publicly traded and quoted at Borsa İstanbul.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Parent Bank, if any:

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
<b>Chairman of the Board of Directors (BOD)</b>	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	( <sup>1</sup> ) 0,0000
<b>Members of BOD</b>	Yalçın ÖNER	Vice Chairman of BOD	Master	-
	Osman AKYÜZ	Member of BOD	Bachelor	-
	İbrahim Fayeز Humaid ALSHAMSI	Member of BOD	Bachelor	( <sup>1</sup> ) 0,0000
	Hamad Abdulla A. ALOQAB	Member of BOD	Bachelor	( <sup>1</sup> ) 0,0000
	Fahad Abdulla A. ALRAJHI	Member of BOD	Bachelor	( <sup>1</sup> ) 0,0000
	Hood Hashem Ahmed HASHEM	Member of BOD	Master	( <sup>1</sup> ) 0,0000
	Mustafa BÜYÜKABACI	Member of BOD	Master	-
	Dr. Khaled Abdulla Mohamed ATEEQ	Member of BOD	Doctorate	-
	Dr. Bekir PAKDEMİRLİ	Member of BOD	Doctorate	-
	Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	-
	Muhammad Zarrug M. RAJAB	Independent Member of BOD	Bachelor	-
<b>General Manager:</b>	Melikşah UTKU	Member of BOD / General Manager	Master	-
<b>Assistant General Managers:</b>	Turgut SİMİTÇİOĞLU	Assistant General Manager Responsible for Business Branches (General Manager Deputy)	Master	-
	Mehmet Ali VERÇİN	Assistant General Manager Responsible for Support (General Manager Deputy)	Bachelor	-
	Nihat BOZ	Assistant General Manager Responsible for Legal	Bachelor	-
	Cenk DEMİRÖZ	Assistant General Manager Responsible for Credits	Master	-
	Deniz AKSU	Assistant General Manager Responsible for Risk Monitoring	Bachelor	-
	Temel HAZIROĞLU	Assistant General Manager Responsible for Finance and Strategy	Master	( <sup>1</sup> ) 0,0342
	Nevzat BAYRAKTAR	Assistant General Manager Responsible for Sales	Bachelor	-
	Hasan ALTUNDAÇ	Assistant General Manager Responsible for Marketing	Bachelor	-
	Malek Khodr TEMSAH	Assistant General Manager Responsible for Treasury and Financial Institutions	Master	-
	Fatih BOZ	Assistant General Manager Responsible for Operations	Master	-
	Süleyman ÇELİK	Assistant General Manager Responsible for Human Values and Administrative Affairs	Bachelor	-
<b>Audit Committee:</b>	Mustafa BÜYÜKABACI	Chairman of Audit Committee	Master	-
	Hood Hashem Ahmed HASHEM	Member of Audit Committee	Master	( <sup>1</sup> ) 0,0000

(<sup>1</sup>) The share amounts of these persons are between TL 1-10 (full).

Chairman and members of BOD, members of audit committee, general manager and assistant general managers own 0,0342% of the Parent Bank's share capital (December 31, 2016: 0,0342%).



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

#### IV. Information on the Parent Bank's qualified shareholders:

The Parent Bank's paid in capital amounting to TL 900.000 consists of 900.000.000 number of shares with a nominal value of TL 1 (full) for each share. TL 486.523 of the paid in capital is owned by qualified shareholders who are listed below:

Name/Commercial Name	Share amount (nominal)	Share ratio	Paid shares	Unpaid shares
Albaraka Banking Group	486.523	54,06%	486.523	-

#### V. Summary on the Parent Bank's service activities and field of operations:

The Parent Bank operates in accordance with the principles of interest-free banking as a participation bank. The Parent Bank mainly collects funds through current and profit sharing accounts, and lends such funds through corporate finance support, retail finance support, profit/loss sharing investment, finance lease, financing commodity against document and joint investments.

The Parent Bank classifies current and profit sharing accounts separately from other accounts in accordance with their maturities. Profit sharing accounts are classified under six different maturity groups; up to one month, up to three months (three months included), up to six months (six months included), up to one year (one year included), one year and more than one year (with monthly, quarterly, semi-annual and annual profit share payment) and accumulated participation accounts.

The Parent Bank may determine the participation rates on profit and loss of profit sharing accounts according to currency type, amount and maturity groups separately under the limitation that the participation rate on loss shall not be less than fifty percent of participation rate on profit. The Parent Bank constitutes specific fund pools with minimum maturities of one month, to be allocated to individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are managed in accordance with their maturities and independently from other accounts and transfers from these accounts to any other maturity groups are not executed. Specific fund pools are liquidated at the end of the financing period.

In addition to its ordinary banking activities, the Parent Bank operates as an insurance agency on behalf of Bereket Sigorta, Anadolu Sigorta, Güneş Sigorta, Allianz Sigorta, Unico Sigorta, Neova Sigorta, Ankara Sigorta, Coface Sigorta, Avivasa Emeklilik Hayat, Generali Sigorta, as a private pension insurance agency on behalf of Anadolu Hayat Emeklilik, Avivasa Emeklilik Hayat and Katılım Emeklilik ve Hayat, and as a brokerage agency on behalf of Bizim Menkul Değerler A.Ş. through its branches, engages in purchase and sale of precious metals, provides intermediary services in quick money transfers, credit card and member business (P.O.S.) services.

Moreover, the Parent Bank is involved in providing non-cash loans which mainly comprise letters of guarantee, letters of credit and acceptances.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

Transactions which can be carried out by the Parent Bank are not limited to the clauses listed above. If any activities other than those mentioned are considered as beneficial to the Parent Bank, the application must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities which then needs to be approved by the Ministry of Customs and Trade since such applications are amendments in nature to the Article of Association. The application is included in the Article of Association after all necessary approvals are obtained.

### **VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods:**

The Parent Bank did not consolidate its associate Kredi Garanti Fonu A.Ş. through equity method considering the materiality principle and its insignificant influence over the associate, the related associate is carried at cost in the accompanying financial statements. The Parent Bank consolidated Katılım Emeklilik ve Hayat A.Ş., an entity under common control through equity method. Real Estate Investment Funds "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and the subsidiaries of the Parent Bank, namely Bereket Varlık Kiralama A.Ş and Albaraka Portföy Yönetimi A.Ş. have been consolidated through full consolidation method. ABT Sukuk Limited and Albaraka Sukuk Limited, which are not subsidiaries of the Parent Bank but over which the Parent Bank has 100% controlling power, have been included in the consolidation due to the reason that these companies are "Structured Entity".

### **VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the parent bank and its subsidiaries:**

There is no immediate transfer of equity between the parent bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries.

## **SECTION TWO**

### **The consolidated financial statements**

- I. Consolidated balance sheet (Statement of financial position)
- II. Consolidated statement of off-balance sheet
- III. Consolidated statement of income
- IV. Consolidated statement of income and expense items accounted under shareholders' equity
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows
- VII. Statement of profit appropriation

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

ASSETS	Notes (Section Five-I)	Audited CURRENT PERIOD December 31, 2017			Audited PRIOR PERIOD December 31, 2016		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	422.105	5.334.890	5.756.995	940.247	4.058.805	4.999.052
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(2)	1.377	3.363	4.740	1.022	65.074	66.096
2.1 Trading Financial Assets		1.377	3.363	4.740	1.022	65.074	66.096
2.1.1 Public Sector Debt Securities		916	-	916	-	-	-
2.1.2 Equity Securities		-	-	-	954	-	954
2.1.3 Derivative Financial Assets Held for Trading		225	-	225	55	65.013	65.068
2.1.4 Other Marketable Securities		236	3.363	3.599	13	61	74
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		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	706.186	805.221	1.511.407	656.410	1.501.767	2.158.177
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS-AVAILABLE FOR SALE (Net)</b>	(4)	986.021	371.384	1.357.405	994.108	348.753	1.342.861
5.1 Equity Securities		15	8.713	8.728	15	6.335	6.350
5.2 Public Sector Debt Securities		935.188	341.887	1.277.075	986.482	298.856	1.285.338
5.3 Other Marketable Securities		50.818	20.784	71.602	7.611	43.562	51.173
<b>VI. LOANS AND RECEIVABLES</b>	(5)	18.334.954	6.121.428	24.456.382	17.448.650	4.394.425	21.843.075
6.1 Loans and Receivables		17.821.846	6.121.363	23.943.209	16.921.201	4.394.425	21.315.626
6.1.1 Loans to Risk Group of The Bank		11.897	106.867	118.764	6.937	29.327	36.264
6.1.2 Public Sector Debt Securities		-	-	-	-	-	-
6.1.3 Other		17.809.949	6.014.496	23.824.445	16.914.264	4.365.098	21.279.362
6.2 Non-performing loans		1.211.785	825	1.212.610	1.104.785	1.169	1.105.954
6.3 Specific Provisions (-)		698.677	760	699.437	577.336	1.169	578.505
<b>VII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	532.803	-	532.803	668.582	-	668.582
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	4.719	-	4.719	4.719	-	4.719
8.1 Accounted for under Equity Method		-	-	-	-	-	-
8.2 Unconsolidated Associates		4.719	-	4.719	4.719	-	4.719
8.2.1 Financial Associates		4.719	-	4.719	4.719	-	4.719
8.2.2 Non-Financial Associates		-	-	-	-	-	-
<b>IX. SUBSIDIARIES (Net)</b>	(8)	-	-	-	-	-	-
9.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>X. JOINT VENTURES (Net)</b>	(9)	18.470	-	18.470	14.319	-	14.319
10.1 Accounted for under Equity Method		18.470	-	18.470	14.319	-	14.319
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial Joint Ventures		-	-	-	-	-	-
10.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
<b>XI. LEASE RECEIVABLES (Net)</b>	(10)	737.081	-	737.081	878.979	-	878.979
11.1 Finance Lease Receivables		807.540	-	807.540	996.206	-	996.206
11.2 Operational Lease Receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned Income (-)		70.459	-	70.459	117.227	-	117.227
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(11)	-	-	-	-	-	-
12.1 Fair Value Hedge		-	-	-	-	-	-
12.2 Cash Flow Hedge		-	-	-	-	-	-
12.3 Hedge of Net Investment Risks in Foreign Operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>	(12)	589.432	236	589.668	516.343	791	517.134
<b>XIV. INTANGIBLE ASSETS (Net)</b>	(13)	28.401	78	28.479	35.165	305	35.470
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		28.401	78	28.479	35.165	305	35.470
<b>XV. INVESTMENT PROPERTY (Net)</b>	(14)	1.072.540	-	1.072.540	-	-	-
<b>XVI. TAX ASSET</b>	(15)	55.506	-	55.506	25.067	-	25.067
16.1 Current Tax Asset		2.917	-	2.917	5.023	-	5.023
16.2 Deferred Tax Asset		52.589	-	52.589	20.044	-	20.044
<b>XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(16)	83.737	493	84.230	91.884	433	92.317
17.1 Assets Held for Sale		83.737	493	84.230	91.884	433	92.317
17.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	(17)	98.851	22.431	121.282	141.947	12.058	154.005
<b>TOTAL ASSETS</b>		<b>23.672.183</b>	<b>12.659.524</b>	<b>36.331.707</b>	<b>22.417.442</b>	<b>10.382.411</b>	<b>32.799.853</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

LIABILITIES		Audited			Audited		
		CURRENT PERIOD December 31, 2017			PRIOR PERIOD December 31, 2016		
	Notes (Section Five-II)	TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	<b>(1)</b>	<b>13.181.719</b>	<b>12.062.125</b>	<b>25.243.844</b>	<b>12.552.857</b>	<b>10.597.991</b>	<b>23.150.848</b>
1.1 Funds from Risk Group of The Bank		29.126	585.641	614.767	14.622	467.738	482.360
1.2 Other		13.152.593	11.476.484	24.629.077	12.538.235	10.130.253	22.668.488
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>76</b>	<b>6.342</b>	<b>6.418</b>	<b>88</b>	<b>-</b>	<b>88</b>
<b>III. FUNDS BORROWED</b>	<b>(3)</b>	<b>341.073</b>	<b>3.289.535</b>	<b>3.630.608</b>	<b>3.937</b>	<b>3.013.682</b>	<b>3.017.619</b>
<b>IV. BORROWINGS FROM MONEY MARKETS</b>		<b>340.000</b>	<b>-</b>	<b>340.000</b>	<b>492.784</b>	<b>-</b>	<b>492.784</b>
<b>V. SECURITIES ISSUED (Net)</b>	<b>(4)</b>	<b>450.962</b>	<b>1.281.425</b>	<b>1.732.387</b>	<b>175.695</b>	<b>1.190.788</b>	<b>1.366.483</b>
<b>VI. MISCELLANEOUS PAYABLES</b>		<b>657.105</b>	<b>90.087</b>	<b>747.192</b>	<b>634.067</b>	<b>68.144</b>	<b>702.211</b>
<b>VII. OTHER LIABILITIES</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. LEASE PAYABLES</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1 Finance Lease Payables		-	-	-	-	-	-
8.2 Operational Lease Payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-	-	-	-
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1 Fair Value Hedge		-	-	-	-	-	-
9.2 Cash Flow Hedge		-	-	-	-	-	-
9.3 Net Foreign Investment Hedge		-	-	-	-	-	-
<b>X. PROVISIONS</b>	<b>(8)</b>	<b>233.767</b>	<b>31.098</b>	<b>264.865</b>	<b>191.510</b>	<b>42.364</b>	<b>233.874</b>
10.1 General Provisions		119.052	23.368	142.420	110.416	25.847	136.263
10.2 Restructuring Reserves		-	-	-	-	-	-
10.3 Reserve for Employee Benefits		89.152	-	89.152	43.285	-	43.285
10.4 Insurance Technical Reserves (Net)		-	-	-	-	-	-
10.5 Other Provisions		25.563	7.730	33.293	37.809	16.517	54.326
<b>XI. TAX LIABILITY</b>	<b>(9)</b>	<b>91.105</b>	<b>2.910</b>	<b>94.015</b>	<b>48.523</b>	<b>3.315</b>	<b>51.838</b>
11.1 Current Tax Liability		91.105	2.910	94.015	48.523	3.315	51.838
11.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Assets Held for Sale		-	-	-	-	-	-
12.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	<b>(11)</b>	<b>-</b>	<b>1.627.163</b>	<b>1.627.163</b>	<b>-</b>	<b>1.510.937</b>	<b>1.510.937</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	<b>(12)</b>	<b>2.644.101</b>	<b>1.114</b>	<b>2.645.215</b>	<b>2.281.727</b>	<b>(8.556)</b>	<b>2.273.171</b>
14.1 Paid-In Capital		900.000	-	900.000	900.000	-	900.000
14.2 Capital Reserves		225.589	1.114	226.703	220.644	(8.556)	212.088
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Reserve		(18.727)	1.114	(17.613)	212	(8.556)	(8.344)
14.2.4 Revaluation Reserve on Tangible Assets		238.121	-	238.121	211.642	-	211.642
14.2.5 Revaluation Reserve on Intangible Assets		-	-	-	-	-	-
14.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
14.2.7 Bonus Shares From Associates, Subsidiaries and Jointly Controlled Entities		-	-	-	-	-	-
14.2.8 Hedging Funds (Effective Portion)		-	-	-	-	-	-
14.2.9 Accumulated Valuation Differences on Assets Held For Sale and Assets of Discontinued Operations		-	-	-	-	-	-
14.2.10 Other Capital Reserves		6.195	-	6.195	8.790	-	8.790
14.3 Profit Reserves		1.113.454	-	1.113.454	946.157	-	946.157
14.3.1 Legal Reserves		122.227	-	122.227	101.765	-	101.765
14.3.2 Status Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		991.227	-	991.227	844.392	-	844.392
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Profit or Loss		249.011	-	249.011	214.926	-	214.926
14.4.1 Prior Years Profit/(Loss)		(1.228)	-	(1.228)	(4.681)	-	(4.681)
14.4.2 Current Year Profit/(Loss)		250.239	-	250.239	219.607	-	219.607
14.5 Minority Shares		156.047	-	156.047	-	-	-
<b>TOTAL LIABILITIES</b>		<b>17.939.908</b>	<b>18.391.799</b>	<b>36.331.707</b>	<b>16.381.188</b>	<b>16.418.665</b>	<b>32.799.853</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

STATEMENT OF OFF-BALANCE SHEET		Audited			Audited		
		CURRENT PERIOD December 31, 2017			PRIOR PERIOD December 31, 2016		
	Notes (Section Five-III)	TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>6.252.472</b>	<b>5.192.237</b>	<b>11.444.709</b>	<b>5.229.816</b>	<b>5.721.490</b>	<b>10.951.306</b>
<b>I.</b>	<b>GUARANTEES AND SURETIES</b>	<b>4.136.465</b>	<b>3.996.159</b>	<b>8.132.624</b>	<b>4.003.878</b>	<b>4.697.315</b>	<b>8.701.193</b>
1.1.	Letters of Guarantees	4.123.494	2.900.850	7.024.344	3.992.017	3.817.794	7.809.811
1.1.1.	Guarantees Subject to State Tender Law	445.010	43.982	488.992	380.805	33.037	413.842
1.1.2.	Guarantees Given for Foreign Trade Operations	1.860	677.380	679.240	5.911	875.341	881.252
1.1.3.	Other Letters of Guarantee	3.676.624	2.179.488	5.856.112	3.605.301	2.909.416	6.514.717
1.2.	Bank Loans	-	21.824	21.824	-	20.711	20.711
1.2.1.	Import Letter of Acceptances	-	21.824	21.824	-	20.711	20.711
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letter of Credits	1.517	1.029.291	1.030.808	2.073	750.606	752.679
1.3.1.	Documentary Letter of Credits	-	-	-	-	-	-
1.3.2.	Other Letter of Credits	1.517	1.029.291	1.030.808	2.073	750.606	752.679
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	-	40.582	40.582	150	101.422	101.572
1.7.	Other Collaterals	11.454	3.612	15.066	9.638	6.782	16.420
<b>II.</b>	<b>COMMITMENTS</b>	<b>1.999.439</b>	<b>232.913</b>	<b>2.232.352</b>	<b>1.221.782</b>	<b>9.379</b>	<b>1.231.161</b>
2.1.	Irrevocable Commitments	1.999.439	232.913	2.232.352	1.221.782	9.379	1.231.161
2.1.1.	Asset Purchase and Sale Commitments	148.149	232.913	381.062	4.020	9.379	13.399
2.1.2.	Share Capital Commitment to Associates and Subsidiaries	-	-	-	-	-	-
2.1.3.	Loan Granting Commitments	348.871	-	348.871	111.042	-	111.042
2.1.4.	Securities Underwriting Commitments	-	-	-	-	-	-
2.1.5.	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.6.	Payment Commitment for Cheques	528.094	-	528.094	588.983	-	588.983
2.1.7.	Tax And Fund Liabilities from Export Commitments	4.069	-	4.069	3.029	-	3.029
2.1.8.	Commitments for Credit Card Expenditure Limits	528.560	-	528.560	475.270	-	475.270
2.1.9.	Commitments for Promotions Related with Credit Cards and Banking Activities	363	-	363	963	-	963
2.1.10.	Receivables From Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.11.	Payables for Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments	441.333	-	441.333	38.475	-	38.475
2.2.	Revocable Commitments	-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>116.568</b>	<b>963.165</b>	<b>1.079.733</b>	<b>4.156</b>	<b>1.014.796</b>	<b>1.018.952</b>
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	116.568	963.165	1.079.733	4.156	1.014.796	1.018.952
3.2.1.	Forward Foreign Currency Buy/Sell Transactions	21.884	21.693	43.577	4.156	1.014.796	1.018.952
3.2.1.1.	Forward Foreign Currency Transactions-Buy	5.259	16.516	21.775	2.078	539.810	541.888
3.2.1.2.	Forward Foreign Currency Transactions-Sell	16.625	5.177	21.802	2.078	474.986	477.064
3.2.2.	Other Forward Buy/Sell Transactions	94.684	941.472	1.036.156	-	-	-
3.3.	Other	-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	<b>59.076.439</b>	<b>9.015.013</b>	<b>68.091.452</b>	<b>46.841.565</b>	<b>7.544.333</b>	<b>54.385.898</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>2.064.347</b>	<b>1.266.279</b>	<b>3.330.626</b>	<b>1.598.038</b>	<b>1.363.315</b>	<b>2.961.353</b>
4.1.	Assets Under Management	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	72	-	72	72	-	72
4.3.	Cheques Received for Collection	1.590.693	149.772	1.740.465	1.214.349	110.011	1.324.360
4.4.	Commercial Notes Received for Collection	442.531	45.071	487.602	351.020	31.674	382.694
4.5.	Other Assets Received for Collection	103	-	103	103	-	103
4.6.	Assets Received for Public Offering	-	-	-	-	-	-
4.7.	Other Items Under Custody	999	224.453	225.452	2.534	153.793	156.327
4.8.	Custodians	29.949	846.983	876.932	29.960	1.067.837	1.097.797
<b>V.</b>	<b>PLEDGED ITEMS</b>	<b>57.012.092</b>	<b>7.748.734</b>	<b>64.760.826</b>	<b>45.243.527</b>	<b>6.181.018</b>	<b>51.424.545</b>
5.1.	Marketable Securities	7.877.664	3.081.345	10.959.009	2.553.972	1.690.418	4.244.390
5.2.	Guarantee Notes	1.476.104	157.116	1.633.220	1.461.797	180.826	1.642.623
5.3.	Commodity	2.147.323	665.792	2.813.115	1.873.977	956.778	2.830.755
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	43.274.769	2.996.857	46.271.626	37.530.439	1.668.064	39.198.503
5.6.	Other Pledged Items	2.072.592	843.336	2.915.928	1.571.336	1.681.591	3.252.927
5.7.	Pledged Items-Depository	163.640	4.288	167.928	252.006	3.341	255.347
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>65.328.911</b>	<b>14.207.250</b>	<b>79.536.161</b>	<b>52.071.381</b>	<b>13.265.823</b>	<b>65.337.204</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF INCOME

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

INCOME AND EXPENSE ITEMS	Notes (Section Five-IV)	Audited	Audited
		CURRENT PERIOD January 1- December 31, 2017	PRIOR PERIOD January 1- December 31, 2016
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>2.654.045</b>	<b>2.216.811</b>
1.1 Profit Share on Loans		2.360.098	1.965.135
1.2 Income Received from Reserve Deposits		32.547	18.811
1.3 Income Received from Banks		1.362	810
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		192.561	157.670
1.5.1 Held-For-Trading Financial Assets		1.464	5
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-	-
1.5.3 Available-For-Sale Financial Assets		128.485	92.489
1.5.4 Investments Held to Maturity		62.612	65.176
1.6 Finance Lease Income		65.749	73.181
1.7 Other Profit Share Income		1.728	1.204
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>1.379.863</b>	<b>1.192.767</b>
2.1 Expense on Profit Sharing Accounts		1.000.156	869.706
2.2 Profit Share Expense on Funds Borrowed		244.241	183.672
2.3 Profit Share Expense on Money Market Borrowings		14.170	55.734
2.4 Profit Share Expense on Securities Issued		109.533	80.335
2.5 Other Profit Share Expense		11.763	3.320
<b>III. NET PROFIT SHARE INCOME (I – II)</b>		<b>1.274.182</b>	<b>1.024.044</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>148.457</b>	<b>145.935</b>
4.1 Fees and Commissions Received		216.704	208.127
4.1.1 Non-Cash Loans		102.563	104.868
4.1.2 Other	(12)	114.141	103.259
4.2 Fees and Commissions Paid		68.247	62.192
4.2.1 Non-Cash Loans		180	334
4.2.2 Other	(12)	68.067	61.858
<b>V. DIVIDEND INCOME</b>	(3)	<b>-</b>	<b>-</b>
<b>VI. TRADING INCOME/LOSS(net)</b>	(4)	<b>334</b>	<b>45.139</b>
6.1 Capital Market Transaction Income/(Loss)		8.002	200
6.2. Income/(Loss) from Derivative Financial Instruments		(21.019)	102.994
6.3 Foreign Exchange Income/(Loss)		13.351	(58.055)
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>224.600</b>	<b>141.628</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.647.573</b>	<b>1.356.746</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(6)	<b>460.758</b>	<b>356.274</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>873.885</b>	<b>737.106</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>312.930</b>	<b>263.366</b>
<b>XII. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. INCOME/(LOSS) ON EQUITY METHOD</b>		<b>4.274</b>	<b>2.552</b>
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. INCOME/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	(8)	<b>317.204</b>	<b>265.918</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>51.707</b>	<b>46.311</b>
16.1 Provision for Current Taxes		76.256	53.999
16.2 Provision for Deferred Taxes		(24.549)	(7.688)
<b>XVII. NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	(10)	<b>265.497</b>	<b>219.607</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>	(10)	<b>-</b>	<b>-</b>
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		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XX. INCOME/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
21.1 Provision for Current Taxes		-	-
21.2 Provision for Deferred Taxes		-	-
<b>XXII. NET INCOME/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET INCOME/LOSS (XVII+XXII)</b>	(11)	<b>265.497</b>	<b>219.607</b>
23.1 Group's Income/Loss		250.239	219.607
23.2 Minority Shares Profit/Loss (-)		15.258	-
Earnings Per Share (Full TL)		0,278	0,244

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	Audited CURRENT PERIOD January 1- December 31, 2017	Audited PRIOR PERIOD January 1- December 31, 2016
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	(11.883)	(24.199)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	31.993	34.580
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	6.936	7.606
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 IN ACCORDANCE WITH TAS	(8.928)	(2.833)
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(1.999)	(1.510)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	16.119	13.644
XI. PROFIT/LOSS	265.497	219.607
11.1 Net change in Fair Value of Marketable Securities (Recycled To Profit/Loss)	-	-
11.2 Part of Derivatives Designated for Cash Flow Hedge Purposes reclassified and presented in Income Statement	-	-
11.3 Part of Hedge of Net Investments in Foreign Operations reclassified and presented in Income Statement	-	-
11.4 Other	265.497	219.607
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	281.616	233.251

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



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

	Notes (Section Five-V)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves <sup>(1)</sup>	Current Period Net Income/ Prior Years Net (Loss) Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Investments	Hedging Reserves	Accumulated Valuation Differences on Assets Held For Sale and Disc.op.	Total Equity
I. Beginning balance	(V)	900.000	-	-	-	84.774	-	611.757	1.127	300.843	11.015	189.092	-	-	-	2.096.028
Changes in Period																
II. Increase/Decrease Related to Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	(19.359)	-	-	-	-	(19.359)
IV. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge Of Net Investment in Foreign Operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	30.542	-	-	-	30.542
VI. Intangible Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations		-	-	-	-	-	-	-	7.606	-	-	-	-	-	-	7.606
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		-	-	-	-	1.128	-	(7.575)	57	3.529	-	(7.992)	-	-	-	(10.853)
XVII. Period Net Income/(Loss)		-	-	-	-	-	-	-	-	219.607	-	-	-	-	-	219.607
XVIII. Profit Distribution		-	-	-	-	15.863	-	240.210	-	(300.843)	-	-	-	-	-	(50.400)
18.1 Dividends Distributed		-	-	-	-	-	-	-	-	(50.400)	-	-	-	-	-	(50.400)
18.2 Transfers To Reserves		-	-	-	-	15.863	-	240.210	-	(256.073)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(300.843)	-	-	-	-	-	-
Closing Balance (Hill-Hill...-XVI-XVII-XVIII)		900.000	-	-	-	101.765	-	844.392	8.790	219.607	(8.344)	211.642	-	-	-	2.273.171

<sup>(1)</sup> As per Repurchase Programme accepted at the General Assembly on March 25, 2015 repurchased shares amount to TL 3,005 between January 18, 2016 and July 22, 2016 is represented under other reserves.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

Notes (Section Five-V)	Paid-in Capital	Effect of Inflation Accounting on Capital	Share Cancellation Premium	Share Certificate Profits	Legal Reserves	Status Extraordinary Reserves	Other Reserves <sup>(1)</sup>	Current Period Net Income/(Loss)	Prior Years Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Hedging-Reserves and Discop.	Total Equity Before Minority Shares	Minority Shares	Total Equity
CURRENT PERIOD January 1- December 31, 2017															
I.	900.000	-	-	-	101.765	844.392	8.790	219.607	(4.681)	(8.344)	211.642	-	2.273.171	-	2.273.171
Changes in Period															
II.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	-	-	-	-	-	-	-	-	-	(9.269)	-	-	(9.269)	-	(9.269)
IV.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	-	-	-	-	-	-	-	-	-	-	25.594	-	25.594	-	25.594
VI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	-	-	-	-	-	-	6.936	-	-	-	-	-	6.936	-	6.936
IX.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	-	-	-	-	9.582	(9.582)	(16.322)	250.239	1.455	-	885	-	(18.982)	140.789	126.807
XVIII.	-	-	-	-	10.880	156.417	6.791	(219.607)	1.998	-	-	-	250.239	15.258	265.497
18.1	-	-	-	-	-	-	-	-	(43.521)	-	-	-	(43.521)	-	(43.521)
18.2	-	-	-	-	10.880	156.417	6.791	-	(174.088)	-	-	-	(43.521)	-	(43.521)
18.3	-	-	-	-	-	-	(219.607)	219.607	-	-	-	-	-	-	-
	900.000	-	-	-	122.227	991.227	6.195	250.239	(1.228)	(17.613)	238.121	-	2.489.168	156.047	2.645.215

<sup>(1)</sup> As per Repurchase Programme accepted at the General Assembly on March 25, 2015 repurchased shares amount to TL 9.471 between March 13, 2017 and November 22, 2017 represented under other reserves and legal reserve has been allocated for

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

	Notes (Section Five-VI)	Audited CURRENT PERIOD January 1- December 31, 2017	Audited PRIOR PERIOD January 1- December 31, 2016
<b>STATEMENT OF CASH FLOWS</b>			
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating Profit Before Changes In Operating Assets And Liabilities</b>	<b>1.056.272</b>	<b>1.304.121</b>
1.1.1	Profit Share Income Received	2.507.832	1.989.809
1.1.2	Profit Share Expense Paid	(1.329.989)	(1.169.064)
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	114.141	103.259
1.1.5	Other Income	153.750	76.093
1.1.6	Collections from Previously Written Off Loans	260.414	164.013
1.1.7	Payments to Personnel and Service Suppliers	(444.841)	(417.031)
1.1.8	Taxes Paid	(70.091)	(88.261)
1.1.9	Others	(134.944)	645.303
<b>1.2</b>	<b>Changes In Operating Assets And Liabilities</b>	<b>(880.583)</b>	<b>(1.041.383)</b>
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets	(3.224)	(49)
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	(301.559)	695.562
1.2.4	Net (Increase) Decrease in Loans	(2.582.313)	(3.152.211)
1.2.5	Net (Increase) Decrease in Other Assets	11.707	72.668
1.2.6	Net Increase (Decrease) in Funds Collected From Banks	(322.394)	1.239.937
1.2.7	Net Increase (Decrease) in Other Funds Collected	1.752.779	305.562
1.2.8	Net Increase (Decrease) in Funds Borrowed	-	-
1.2.9	Net Increase (Decrease) in Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	564.421	(202.852)
<b>I.</b>	<b>Net Cash Flow From Banking Operations</b>	<b>175.689</b>	<b>262.738</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Flow From Investing Activities</b>	<b>(962.742)</b>	<b>(158.396)</b>
2.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries	-	(4.500)
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries	-	-
2.3	Fixed Assets Purchases	(976.765)	(32.488)
2.4	Fixed Assets Sales	58.407	57.326
2.5	Cash Paid for Purchase of Financial Assets Available for Sale	(842.254)	(1.022.136)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale	623.144	723.577
2.7	Cash Paid for Purchase of Investment Securities	(244.500)	(264.055)
2.8	Cash Obtained from Sale of Investment Securities	419.226	383.880
2.9	Other	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Flow From Financing Activities</b>	<b>102.644</b>	<b>(777.856)</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued	7.257.049	2.997.158
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(7.110.884)	(3.724.614)
3.3	Issued Capital Instruments	-	-
3.4	Dividends Paid	(43.521)	(50.400)
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>109.649</b>	<b>329.943</b>
<b>V.</b>	<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(574.760)</b>	<b>(343.571)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>3.464.483</b>	<b>3.808.054</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>2.889.723</b>	<b>3.464.483</b>

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

#### STATEMENT OF PROFIT APPROPRIATION

	THOUSAND TURKISH LIRA	
	CURRENT PERIOD December 31, 2017	PRIOR PERIOD December 31, 2016
<b>I. Distribution of current year income</b>		
1.1. Current year income	288.800	263.920
1.2. Taxes and duties payable (-)	51.707	46.311
1.2.1. Corporate tax (Income tax)	76.256	53.999
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities <sup>(*)</sup>	(24.549)	(7.688)
<b>A. Net income for the year (1.1-1.2)</b>	<b>237.093</b>	<b>217.609</b>
1.3. Prior year losses (-)	-	-
1.4. First legal reserves (-)	-	10.880
1.5. Other statutory reserves (-)	4.580	6.791
<b>B. Distributable net period income [(A-(1.3+1.4+1.5))] <sup>(**)</sup></b>	<b>232.513</b>	<b>199.938</b>
1.6. First dividend to shareholders (-)	-	43.521
1.6.1. To owners of ordinary shares	-	43.521
1.6.2. To owners of preferred shares	-	-
1.6.3. To owners of preferred shares (Preemptive rights)	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To owners of the profit /loss sharing certificates	-	-
1.7. Dividend to personnel (-)	-	-
1.8. Dividend to board of directors (-)	-	-
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. Second legal reserve (-)	-	-
1.11. Status reserves (-)	-	-
1.12. Extraordinary reserves	-	156.417
1.13. Other reserves	-	-
1.14. Special funds	-	-
<b>II. Distribution from reserves</b>		
2.1. Distributed reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Share to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of preferred shares	-	-
2.3.3. To owners of preferred shares (Preemptive rights)	-	-
2.3.4. To profit sharing bonds	-	-
2.3.5. To owners of the profit /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1. To owners of ordinary shares <sup>(***)</sup> (Full TL)	0,258	0,222
3.2. To owners of ordinary shares (%)	25,8	22,2
3.3. To owners of preferred shares	-	-
3.4. To owners of preferred shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1. To owners of ordinary shares (Full TL)	-	0,048
4.2. To owners of ordinary shares (%)	-	4,84
4.3. To owners of preferred shares	-	-
4.4. To owners of preferred shares (%)	-	-

<sup>(\*)</sup> Deferred tax income is presented in "other taxes and legal liabilities" line. Deferred tax income is not subject to profit appropriation; thus it is classified under extraordinary reserves.

<sup>(\*\*)</sup> General Assembly of the Parent Bank is the authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of the preparation of these financial statements. Statement of profit appropriation is prepared as per the Parent Bank's unconsolidated financial statements.

<sup>(\*\*\*)</sup> Calculated by using the number of share certificates as of year-end.

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

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### SECTION THREE

#### Accounting Policies

##### I. Explanations on basis of presentation:

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

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not prepared by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") (all are referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette numbered 28337, dated June 28, 2012, and amendments to this Communiqué. The Parent Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets, liabilities, revalued real estates and investment properties carried at fair value.

b) Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

The accounting policies and valuation principles applied in the preparation of consolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. Consolidated financial statements as of December 31, 2017 have been prepared by accounting for Katılım Emeklilik ve Hayat A.Ş. using equity method. The subsidiaries and real estate funds accounted using full consolidation method are Bereket Varlık Kiralama A.Ş., Albaraka Portföy Yönetimi A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu, Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu and Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu. The accounting policies and valuation principles used in the preparation of consolidated financial statements are explained between in Notes II and XXIV below.

TAS/TFRS changes which are effective from January 1, 2017 do not have a significant effect on the Group's accounting policies, financial position or performance. As of the date of financial statements, TAS/TFRS changes which are announced but not yet effective, except TFRS 9 financial instruments, do not have a significant effect on the Group's accounting policies, financial position or performance.

"Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 (In accordance with the Communiqué related to Changes in Communiqué on TFRS 9 "Financial Instruments" published in the Official Gazette dated April 7, 2015 numbered 29319, the effective date of the mentioned Communiqué has been changed as December 31, 2014 which is planned to be applied after December 31, 2017). "Financial Instruments" before January 1, 2018. Since the Parent Bank has not chosen to early adopt TFRS 9, the accompanying financial statements have been prepared in accordance with the financial statements in the appendix of "Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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The preparation of the consolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Group's management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes.

### c) Restatement of the financial statements according to the current purchasing power of money:

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies" until December 31, 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from January 1, 2005.

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

The Group creates its strategies on financial instruments considering its sources of financing. The main financing sources consist of current and profit sharing accounts. Other than current and profit sharing accounts, the Parent Bank's most important funding sources are its equity and borrowings from foreign financial institutions. The Parent Bank sustains its liquidity to cover matured liabilities by holding adequate level of cash and cash equivalents.

The Parent Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by the Parent Bank. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency performing loans which were funded from these accounts is evaluated at current foreign exchange rates.

The Parent Bank's share of foreign currency non performing loans funded by profit sharing accounts and foreign currency non performing loans funded by equity are evaluated at the exchange rates at their switch from performing to non performing and booked under Turkish lira accounts.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

The balance sheet items of the foreign branch of the Parent Bank included in the financial statements are translated into Turkish lira at the exchange rate ruling at the balance sheet date announced by the Parent Bank. Income statement items are translated into Turkish lira by exchange rate ruling at the transaction date and all exchange differences arising from translation are accounted in other capital reserves under equity according to TAS 21. Precious metals (gold and silver) accounted under assets and liabilities which do not have fixed maturity are translated into Turkish lira by using the buying rate of gold at the balance sheet date announced by the Parent Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Group.

### III. Information on consolidated associates:

Consolidated financial statements are prepared in accordance with the decrees, notes and explanations set forth in Communiqué on "Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006, numbered 26340 and "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10").

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### a) Consolidation principles on joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is private pension and insurance and operates according to special legislation with permission and license and is established in Turkey. The related joint venture has been consolidated through equity method. Where necessary, accounting policies of the joint venture have been harmonized to ensure consistency with the policies adopted by the Parent Bank.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the joint venture amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Private pension and insurance	50,00	50,00

### b) Consolidation principles on subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method considering materiality principle, taking account the operation results, size of asset and shareholders' equity. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control is accepted as when Parent Bank has power over its investee, or exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, and income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent Bank.

The subsidiaries included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Bereket Varlık Kiralama A.Ş.	Istanbul/Turkey	Sukuk Issue	100,00	100,00
Albaraka Portföy Yönetimi A.Ş.	Istanbul/Turkey	Investment Fund Foundation and Management	100,00	100,00

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### c) Consolidation principles on real estate investment funds:

The real estate investment funds, founded by the Parent Bank's subsidiary "Albaraka Portföy Yönetimi A.Ş." over which the Group has control as per procedures and principles stated in TFRS 10 "Turkish Financial Reporting Standards on consolidated Financial Statements", are accounted as per full consolidation method. For Real Estate funds over which the Parent Bank does not have full control, minority shares are calculated separately under income statement and shareholders' equity. The information on the funds is represented as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu	Istanbul/Turkey	Buy real estate and rights based on real estates, rent, lease and sell	100,00	100,00
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu	Istanbul/Turkey	Buy real estate and rights based on real estates, rent, lease and sell	100,00	100,00
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu	Istanbul/Turkey	Buy real estate and rights based on real estates, rent, lease and sell	52,275	52,275

### d) Presentation of consolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in consolidated associates and subsidiaries are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements ("TAS 27")" in the consolidated financial statements.

When the cost of associates and subsidiaries is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

### IV. Explanations on forward, option contracts and derivative instruments:

The derivative financial instruments of the Group consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Group records the spot foreign currency transactions in asset purchase and sale commitments.

The Group's derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39") and are therefore treated as "financial instruments at fair value through profit or loss" and the related gain or loss is associated with income statement.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.



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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### V. Explanations on profit share income and expenses:

#### Profit share income

Profit share income is accounted in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" by using internal rate of return method that equalizes the future cash flows of the financial instrument to the net present value. Profit share income is recognized on accrual basis.

Revenues regarding the profit and loss sharing investment projects are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, the Parent Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, inflow of economic benefits associated with the transaction is probable and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In accordance with the "Communiqué of Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" dated November 1, 2006 and numbered 26333, the profit share accruals of non-performing loans and other receivables are reversed and are recorded as profit share income when collected.

#### Profit share expense

The Parent Bank records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account "Funds Collected" in the balance sheet.

### VI. Explanations on fees, commission income and expenses:

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

In accordance with provisions of TAS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance which are related to the future periods are recorded under the account "Unearned Revenues" and included in "Miscellaneous Payables" in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share from Loans" in the income statement.

In the correspondence of BRSA dated June 8, 2012 and numbered B.02.1.BDK.0.13.00.0-91.11-12061, it has been stated that there is no objection to recording the commissions received from long term non-cash loans collected in quarterly periods or periods less than a quarter directly as income. Consequently, the Parent Bank records the related cash and non-cash loans commissions directly as income.

### VII. Explanations on financial assets:

The Group categorizes and records its financial assets as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale", "Loans and Receivables" or "Financial Assets Held to Maturity". Sale and purchase transactions of the financial assets mentioned above are recognized at the settlement dates. The appropriate classification of financial assets of the Group is determined and accounted at the time of purchase by the Parent Bank management taking into consideration the purpose of the investment.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

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Trading financial assets are financial assets which are either acquired for generating profit from short-term fluctuations in prices or dealers' margin, or are financial assets included in a portfolio in which a pattern of short-term profit making exists.

Financial assets classified in this group are initially recognized at cost which reflects their fair values and are subsequently measured at fair value in the financial statements. All gains and losses arising from these valuations are reflected in the income statement.

The Parent Bank has classified share certificates in its portfolio as trading financial assets and presented them at fair value in the accompanying financial statements.

As of December 31, 2017, the Parent Bank has not any financial assets classified as financial assets at fair value through profit or loss except for trading financial assets (December 31, 2016: None).

### Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, available for sale securities are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Valuation Reserve" under equity. In case of a disposal of available for sale financial assets, value increases/decreases which have been recorded in the marketable securities valuation reserve under the equity is transferred to income statement. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

### Loans and receivables:

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

Loans and receivables are carried initially at cost including the transaction costs which reflects their fair value; and subsequently recognized at the amortized cost value using the internal rate of return method in accordance with TAS 39 "Financial Assets: Recognition and Measurement". Fees, transaction costs and other similar costs in connection with the collaterals of loans and receivables are paid by the customers and accordingly not included in expense items in the income statement.

Cash loans are accounted in related accounts as specified by the Communiqué "Uniform Chart of Accounts and Explanations to be implemented by Participation Banks" dated January 26, 2007 and numbered 26415.

### Financial assets held to maturity:

Held to maturity financial assets are financial assets that are not classified under "Loans and receivables" with fixed maturities and fixed or determinable payments where management has the intent and ability to hold until maturity. Held to maturity financial assets are initially recognized at cost including the transaction costs which reflects their fair value, and subsequently carried at amortized cost using the internal rate of return method. Profit share income from held to maturity financial assets is reflected in the income statement.

### VIII. Explanations on impairment of financial assets:

At each balance sheet date, the Group evaluates the carrying amounts of its financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Group determines the related amount of impairment.

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A financial asset or a group of financial assets incurs impairment loss only if there is an objective evidence related to the occurrence of one or more than one event (loss events) subsequent to initial recognition of that asset or group of assets; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Any amount attributable to expected losses arising from any future events is not recognized under any circumstances.

If there is objective evidence that the loans granted might not be collected, general and specific provisions for such loans are expensed as "Provision for Loan Losses and Other Receivables" in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans". Subsequent recoveries of amounts previously written off or provisions provided in prior periods are included in "Other Operating Income" in the income statement. The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present value which is calculated by discounting the projected cash flows in the future with the original profit share rate and the net book value; provision is provided for impairment and the provision is associated with the expense accounts.

If there is objective evidence indicating that the fair value of a financial asset available for sale, for which decreases in the fair value has been accounted in the equity, has been impaired then the total loss which was accounted directly under the equity is deducted from equity and transferred to the income statement.

If there is objective evidence indicating that an unquoted equity instrument which is not carried at fair value because its fair value cannot be reliably measured is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed.

### **IX. Explanations on offsetting of financial instruments:**

Financial instruments are offset when the Group has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Group which are repurchased have been offset in available for sale and subordinated loan accounts.

### **X. Explanations on sale and repurchase agreements and lending of securities:**

Securities subject to repurchase agreement are classified as "at fair value through profit or loss", "available for sale" and "held to maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement.

The Group has not any securities lending transactions.

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### XI. Explanations on assets held for sale and discontinued operations and liabilities related to these assets:

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Group has assets that are possessed due to receivables and debtors' obligations to the Parent Bank and classified as assets held for sale. In the case that the Group has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Group transfers such assets from assets held for sale and discontinued operations to tangible assets.

A discontinued operation is a part of the Group's business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Group has not any discontinued operations.

### XII. Explanations on goodwill and other intangible assets:

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets". As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The Parent Bank's intangible assets consist of softwares and intangible rights. The Parent Bank has started to use the new core banking system on June 19, 2015 after waiving the prior core banking system and useful live of the new banking system has been determined as 3 years.

The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Parent Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Parent Bank's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

### XIII. Explanations on tangible assets:

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the ("TAS 16") "Turkish Accounting Standards for Tangible Assets" in the financial statements.

As of March 31, 2009, the Parent Bank has made a change in accounting policy and adopted revaluation model for real estates in accordance ("TAS 16") and reflected the results of appraisal reports prepared by an authorized real estate appraisal firm to the financial statements. As of December 31, 2017, the Parent Bank has revalued its immovables and reflected the results of appraisal reports prepared by an independent real estate appraiser firm using comparison of similar items method to the financial statements. The revaluation fund mentioned cannot be distributed as dividend to shareholders. Current period depreciation charge relating to the revaluation has been transferred to retained earnings from revaluation fund reserve.

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There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate %
Buildings	2
Motor vehicles	20 – 25
Furniture, fixture and office equipment	4 – 33
Safe-deposit boxes	2 – 20
Operational lease improvement costs (Leasehold improvements)	Leasing period - 5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. In cases where the leasing period is not certain, the useful life is determined as five years. After January 1, 2010 in cases where leasing period is more than five years, the useful life is determined as five years.

If there is an indication for impairment, the Group estimates the recoverable amount of the tangible asset in accordance with ("TAS 36") "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than its carrying value, provides for an impairment loss.

Fixed assets which are carried at fair value in the financial statements are revalued by independent CMB licensed firms in accordance with TFRS 13.

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

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

#### XIV. Information on investment property:

Investment properties are retained in order to benefit for administrative purposes and production and supply of goods or either or both obtain rental income or appreciation gain instead of selling them in ordinary workflow. Investment properties are accounted initially at cost then at fair value for the coming periods and changes are recognized in income statement.

**The cost includes the expenses directly associated with the purchase.**

If the investment property is sold, all profits and losses incurred (referring the difference between sale price and carrying value of the asset) are recognized in income statement. If the investment properties which are recognized as fixed assets beforehand are sold, their revaluation differences (if there are any) under equity are transferred to prior year profits.

If a real estate's intended purpose amended and it is recognized again under fixed assets, the fair value at the date of the amendment becomes the cost for the next accounting transaction.

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### XV. Explanations on leasing transactions:

#### Transactions as a lessee

Leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases and other leases are classified as operational leases.

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of the balances recorded in the balance sheet as asset and liability is the lower of fair value of the leased asset at the inception of the lease and the present value of the lease payments. Finance charges arising from lease contracts are expensed in the related periods taking into consideration the internal rate of return over the period of the lease.

Assets acquired under finance lease contracts are depreciated over their useful lives and impairment provision is provided in case a decrease in recoverable amount has been determined.

The prepaid lease payments made under operational leases are charged to income statement on a straight line basis over the period of the lease.

#### Transactions as a lessor

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Parent Bank presents finance leased assets as a receivable equal to the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

### XVI. Explanations on provisions and contingent liabilities:

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans and other receivables, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Parent Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Parent Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

### XVII. Explanations on liabilities regarding employee rights:

#### i) Defined benefit plans:

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group.

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The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Group recognizes all actuarial gains and losses immediately through other comprehensive income. As of December 31, 2017, there is an actuarial loss amounts to TL 18.657 before deferred tax calculation. (December 31, 2016: TL 9.729 actuarial loss).

The Grup, provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

### ii) Defined contribution plans:

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group has not any further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

### iii) Short term benefits to employees:

In accordance with TAS 19, the Group measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

## XVIII. Explanations on taxation:

### Current tax:

The Group is subject to tax laws and legislation effective in Turkey.

In accordance with the Corporate Tax Law numbered 5520 published in the Official Gazette numbered 26205 dated June 21, 2006, the corporation tax rate effective from January 1, 2006 is 20%. However, this ratio will be applied as 22% for a period of three years, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated 5 December 2017. In addition, the council of ministers is authorized to decrease the ratio from 22% to 20%.

Dividends paid to the resident institutions are not subject to withholding tax in Turkey. 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 Parent 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.

Within the framework of the Corporate Tax Law numbered 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovable are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

However, in accordance with Article 89/a Law No. 7061 and Article 5.1.e and Article 5.1.f of the Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261 the 75% applied in terms of immovable sales mentioned above has been reduced to 50% which is effective from the date of publication of the Law.

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 Parent Bank is exempt from corporate tax and income tax withholding.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

Considering the participation accounts' part in general loan loss provision as expense for tax calculation, Finance Ministry initiated a sector-specific review. The relevant documents and calculations have been requested from the Parent Bank. As of report date, there is no information or written report transmitted to the Parent Bank.

### Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with ("TAS 12") "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences 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.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts. According to a change in Corporate Tax Law, which were published in the Official Gazette dated December 5, 2017 and numbered 30261, Article 91, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020. The Parent Bank calculates deferred taxes using related ratios considering the realization period of the temporary differences.

### Transfer pricing:

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

### XIX. Additional explanations on borrowings:

The Group records borrowings in accordance with ("TAS 39") "Financial Instruments: Recognition and Measurement". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

There are no debt securities issued by the Parent Bank. The Parent Bank has issued borrowings through its subsidiary Bereket Varlık Kiralama A.Ş. and its structured entities ABT Sukuk Limited and Albaraka Sukuk Limited.

The Parent Bank has subordinated loans borrowed through sukuk issuance which has convertible nature to the shares.



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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### XX. Explanations on issued share certificates:

None.

### XXI. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously by the Parent Bank with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

### XXII. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Group.

### XXIII. Explanations on segment reporting:

Business segment is a component of the Parent Bank that engages in business activities from which the Group may earn revenues and incur expenses, whose operating results are regularly reviewed by the Parent Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note XI.

### XXIV. Explanations on other matters:

#### Classifications:

The financial statements of the Parent Bank are prepared in order to reach an opinion on financial position and performance trends. If necessary, in order to ensure consistency between current term and previous term, the comparative information are reclassified again and significant differences are explained.

#### Classifications on financial statements of 2016:

The Parent bank, starting from current term, used netting method for the accounts of specific provisions for non-cash loans that are not indemnified and its reversals (income) and provisions allocated from profit shares to be distributed to profit sharing accounts and its reversals (income) considering the net results and representing these net results in the related income or expense titles. Hence, at December 31, 2017, TL 15.883 under reversal of prior year provisions in other operating income is netted from other item in provisions for loan losses and other receivables of the Parent Bank.

#### TFRS 9 effect:

In January 2017, Public Oversight Accounting and Auditing Standards Authority ("POA") published the final version of TFRS 9 which replaces TAS 39. TFRS 9 has entered into force in January 1, 2018.

In this context, it became compulsory for banks to adopt TFRS 9 effective from 1 January 2018 based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans. The Parent Bank has been analysing the potential impact of the new standard on both in the classification of portfolios and in the valuation models of financial instruments ever since publication of the initial drafts of the standard.

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### Measurement and Classification of Financial Instruments

#### Financial Assets

It is anticipated that the financial assets valued at fair value through profit or loss will continue to be measured at fair value. On the other hand, there might be classifications among the financial assets classified as financial assets valued at amortized cost or valued at fair value with changes in other comprehensive income depending on the characteristics of their business models.

Loans and receivables are held to collect contractual cash flows and such cash flows consist of principal and interest collections. The Parent Bank analysed contractual cash flow characteristics of these financial instruments and decided to classify such instruments as financial assets valued at amortised cost. Accordingly, it shall not be possible to classify these financial instruments into a different category.

Based on the analysis carried out up until today, the Bank considers that the new classification requirements under TFRS 9 will not have a significant impact on the balance sheet of the Parent Bank.

#### Financial Liabilities

TFRS 9 maintains the requirements in TAS 39 for the classification of financial liabilities based on the evaluation of the Parent Bank, it is not anticipated a significant impact regarding accounting of financial liabilities based on the scope of TFRS 9.

#### Impairment

As of 1 January 2018, the Parent Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9.

The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

##### Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

##### Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to Stage 2. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

##### Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

As of January 1, 2018, under TFRS 9, The Parent Bank does not expect material effects of the provisions related to credits and other receivables on the equity of the bank. The Parent Bank continues to make controls and development on TFRS 9 implementation.

### XXV. Additional paragraph for convenience translation:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### SECTION FOUR

#### Information on Consolidated Financial Structure and Risk Management of the Group

##### I. Explanations on consolidated capital adequacy standard ratio:

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2017, the Parent Bank's total capital has been calculated as TL 4.119.327 and capital adequacy standard ratio is 17,78%. As of December 31, 2016, the Parent Bank's total capital amounted to TL 3.057.570 and capital adequacy ratio was calculated as 13,45%. The Parent Bank's capital adequacy standard ratio is above the minimum ratio required by the legislation.

##### a) Information on consolidated capital:

	Current Period	Amounts related to treatment before January 1, 2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	1.113.454	
Gains recognized in equity as per TAS	273.644	
Profit	249.011	
Current Period Profit	250.239	
Prior Period Profit	(1.228)	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minority Share	3.052	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2.539.161</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	46.941	
Improvement costs for operating leasing	24.242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	21.174	26.468
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>92.357</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2.446.804</b>	

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	Current Period	Amounts related to treatment before January 1, 2014 <sup>(*)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>	<b>-</b>	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	<b>-</b>	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	5.294	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.441.510</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	1.610.280	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	71.830	
<b>Tier II Capital Before Deductions</b>	<b>1.682.110</b>	
<b>Deductions From Tier II Capital</b>	<b>-</b>	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	3.361	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>3.361</b>	
<b>Total Tier II Capital</b>	<b>1.678.749</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>4.120.259</b>	
<b>Deductions from Total Capital</b>	<b>-</b>	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	932	

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Amounts related to  
treatment before

Current Period January 1, 2014<sup>(1)</sup>

### In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components

The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-
<b>Total Capital (Total Core Capital and Supplementary Capital)</b>	<b>4.119.327</b>
<b>Total risk weighted amounts</b>	<b>23.164.995</b>
<b>Capital Adequacy Ratios (%)</b>	
Consolidated Core Capital Adequacy Ratio (%)	10,56
Consolidated Tier 1 Capital Adequacy Ratio (%)	10,54
Consolidated Capital Adequacy Ratio (%)	17,78
<b>BUFFERS</b>	
The total additional capital requirement ratio (a + b + c)	1,25
a) Capital conservation buffer requirement (%)	1,25
b) Bank specific counter-cyclical buffer requirement (%)	0,00
c) Systemic significant bank buffer ratio (%)	0,00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,06
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-
Amount arising from deferred tax assets based on temporary differences	-
Limits related to provisions considered in Tier II calculation	70.535
<b>Limits related to provisions considered in Tier II calculation</b>	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	71.830
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
Excess amount of total provision amount to & 0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-

<sup>(1)</sup>Amounts in this column represents the amounts of items that are subject to transition provisions.

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	Prior Period	Amounts related to treatment before January 1, 2014 <sup>(*)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	946.157	
Gains recognized in equity as per TAS	232.377	
Profit	214.926	
Current Period Profit	219.607	
Prior Period Profit	(4.681)	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minority Share	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2.293.460</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	20.289	
Improvement costs for operating leasing	27.695	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	19.899	33.167
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>67.883</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2.225.577</b>	

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	Amounts related to treatment before Prior Period	January 1, 2014 <sup>(7)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	13.268	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.212.309</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	793.260	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	60.956	
<b>Tier II Capital Before Deductions</b>	<b>854.216</b>	
<b>Deductions From Tier II Capital</b>	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>854.216</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>3.066.525</b>	
<b>Deductions from Total Capital</b>	-	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	5.813	
Other items to be defined by the BRSA	3.142	

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	Prior Period	Amounts related to treatment before January 1, 2014 <sup>(1)</sup>
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1		
capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
<b>Total Capital (Total Core Capital and Supplementary Capital)</b>	<b>3.057.570</b>	
<b>Total risk weighted amounts</b>	<b>22.727.130</b>	
<b>Capital Adequacy Ratios (%)</b>		
Consolidated Core Capital Adequacy Ratio (%)	9,79	
Consolidated Tier 1 Capital Adequacy Ratio (%)	9,73	
Consolidated Capital Adequacy Ratio (%)	13,45	
<b>BUFFERS</b>		
Bank-specific total core capital ratio (%)	0,63	
Capital conservation buffer requirement (%)	0,63	
Bank specific counter-cyclical buffer requirement (%)	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5,29	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	32.927	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	60.956	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to & 0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

<sup>(1)</sup>Amounts in this column represents the amounts of items that are subject to transition provisions.



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### b) Information on reconciliation of consolidated total capital and consolidated equity

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provisions and debt instruments and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, general provision up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

### c) Details on subordinated liabilities:

Issuer	Albaraka Sukuk Ltd.	ABT Sukuk Ltd.
Unique Identifier (CUSIP, ISIN etc.)	XS1301525207	XS0927211754
Governing Law(s) of the Instrument	English Law	English Law
<b>Special Consideration in the Calculation of Equity</b>		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Sukuk Wakala	Sukuk Murabaha
Amount recognized in regulatory capital (as of most recent reporting date)	TL 854.280	TL 756.000
Par Value of Instrument	TL 854.280	TL 756.000
Accounting Classification	Subordinated Loan	Subordinated Loan
Original date of Issuance	November 30, 2015	May 7, 2013
Perpetual or dated	Dated	Dated
Maturity date	Nov 30, 2025	May 7, 2023
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: November 30, 2020 Total Repayment Amount of Profit Share: USD 131.250.000, Repayment Period: 6 months	
	Principal Payment: USD 200.000.000	Principal Payment: USD 250.000.000
Last Payment Date: May 7, 2018 Total Repayment Amount of Profit Share: USD 77.500.000, Repayment Period: 6 months	Principal Payment: USD 200.000.000	
Subsequent call dates	-	-
<b>Profit Share/Dividends</b>		
Fixed or floating profit share/dividend	Fixed	Fixed
Profit share rate and any related index	10,50%	7,75%
Existence of a dividend stopper	As per BRSA regulations and Communiqués it is payable	As per BRSA regulations and Communiqués it is payable
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or Non-convertible		
If convertible, conversion trigger	As per BRSA regulations and Communiqués it is convertible	As per BRSA regulations and Communiqués it is convertible
If convertible, fully or partially	As per BRSA approval it is convertible fully or partially	As per BRSA approval it is convertible fully or partially
If convertible, conversion rate	As per BRSA approval it is convertible and the rate may be determined.	As per BRSA approval it is convertible and the rate may be determined.
If convertible, mandatory or optional conversion	Subject to BRSA's approval.	Subject to BRSA's approval.
If convertible, specify instrument type convertible into	Share certificate	Share certificate
If convertible, specify issuer of instrument it converts into	-	-
<b>Write-down feature</b>		
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners	After all creditors and participation fund owners
In compliance with article number 7 and 8 of "Own fund regulation"	No	No
Details of incompliance with article number 7 and 8 of "Own fund regulation"	No	No

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### II. Explanations on consolidated credit risk:

(1) Credit risk represents the Parent Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Parent Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Parent Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In accordance with the decision taken by the Board of Directors of the Parent Bank, the parent bank cannot grant loans above 15% of its equity to a real person or legal entity (Exception to this decision is subject to the decision of the Board of Directors), Distributing the risk in a balanced manner to the sectors is observed, therefore in their marketing operations the branches strive for reaching various firms existing in different sectors. As a principle, each branch oversee the balanced distribution of the total risk to the sectors and progress of the firms existing in critical sectors.

The credibility of the debtors of loans and other receivables are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Parent Bank's credit limit renewal procedure. The Parent Bank obtains necessary collaterals for loans and other receivables by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage, pledges on vehicle and machinery.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

Loans which are past due up to 90 days as of period ends but not impaired are defined as "Past Due Receivables". "General provision" is set aside for these loans in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

Loans which are past due for more than 90 days as of period ends or assessed as impaired based on risk assessment made are defined as "Impaired Loans". "Specific provision" is set aside for these in accordance with the Communiqué of "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans".

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The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk Categories	Current Period Risk Amount	Average Risk Amount <sup>(*)</sup>
Receivables from central governments or central banks	5.237.892	5.017.053
Receivables from regional or local governments	32	304
Receivables from administrative units and non-commercial enterprises	199.448	110.934
Receivables from multilateral development banks	-	54
Receivables from international organizations	-	-
Receivables from banks and brokerage houses	1.771.717	2.016.945
Receivables from corporates	12.959.301	12.284.027
Retail receivables	5.524.653	5.149.934
Receivables secured by mortgages on property	3.283.907	3.073.964
Past due receivables	305.597	359.174
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	3.160.360	2.484.239
Equity share investments	-	-
<b>Total</b>	<b>32.442.907</b>	<b>30.496.628</b>

(\*) Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2017.

- (2) The credit risk undertaken for forwards, options and similar agreements is managed together with the risks arising from market movements.
- (3) The risks of forwards, options and similar agreements are followed regularly and the Parent Bank utilizes risk mitigation methods if needed.
- (4) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and follow-up principle of the Parent Bank. Financial position and commercial operations of those customers are analyzed continuously and the principal and profit payments based on the restructured payment plan are monitored by the related departments. The Parent Bank considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.
- (5) The Parent Bank has credit lines in different countries within the scope of its banking activity and due inquiries (economic, cyclical, etc.) are carried out during the allocation and revision of such credit lines. For the banks where correspondent activity and international commodity transactions are intended to be carried out, credit limits are allocated by the related credit committees taking into account the size of the correspondent bank and the size of Parent Bank itself and concentration of risk is avoided. The Parent Bank does not carry any serious risk in this respect.
- (6) Share of cash receivables of the Parent Bank from its top 100 and top 200 cash loan customers in total cash loans is 40% (December 31, 2016: 41%) and 49% (December 31, 2016: 48%) respectively. Share of non-cash receivables of the Parent Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 47% (December 31, 2016: 44%) and 58% (December 31, 2016: 56%) respectively. Share of cash and non-cash receivables of the Parent Bank from its top 100 and top 200 loan and non-cash loan customers in total of balance sheet and off balance sheet commitments is 37% (December 31, 2016: 36%) and 45% (December 31, 2016: 44%) respectively.
- (7) The Parent Bank's general provision amount for its credit risk is TL 142.420 (December 31, 2016: TL 136.263).

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(8) Profile on significant risks in significant regions:

	Risk Categories (*)										Total	
	1	2	3	4	5	6	7	8	9	10		
<b>Current Period</b>												
Domestic	5.237.892	32	199.448	-	983.019	12.343.338	5.510.539	3.270.206	290.367	3.107.344	30.942.185	
EU Countries	-	-	-	-	215.986	121.848	1.712	2.018	4.459	14.175	360.198	
OECD Countries (**)	-	-	-	-	9.056	-	6	16	-	-	9.078	
Off-shore banking regions	-	-	-	-	67.835	54.801	10.294	2.963	9.344	-	145.237	
USA, Canada	-	-	-	-	123.592	90.682	137	15	-	-	214.426	
Other countries	-	-	-	-	372.229	348.632	1.965	8.689	1.427	15.652	748.594	
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	
Unallocated assets/liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL</b>	<b>5.237.892</b>	<b>32</b>	<b>199.448</b>	<b>-</b>	<b>1.771.717</b>	<b>12.959.301</b>	<b>5.524.653</b>	<b>3.283.907</b>	<b>305.597</b>	<b>3.160.360</b>	<b>32.442.907</b>	
<b>Prior Period</b>												
Domestic	5.290.150	536	38.092	-	1.913.188	12.294.282	5.264.405	2.486.291	296.839	1.349.308	28.933.091	
EU Countries	-	-	-	-	138.869	143.118	4.123	2.286	-	1	288.397	
OECD Countries (**)	-	-	-	-	11.394	-	28	-	-	-	11.422	
Off-shore banking regions	-	-	-	-	21.256	44.369	9.755	7.903	43.954	-	127.237	
USA, Canada	-	-	-	-	85.415	83.885	8	-	-	-	169.308	
Other countries	-	-	-	66	150.102	257.785	4.118	9.919	-	40.670	462.660	
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	
Unallocated assets/liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL</b>	<b>5.290.150</b>	<b>536</b>	<b>38.092</b>	<b>66</b>	<b>2.320.224</b>	<b>12.823.439</b>	<b>5.282.437</b>	<b>2.506.399</b>	<b>340.793</b>	<b>1.417.448</b>	<b>30.019.584</b>	

(\*) Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.

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

(\*\*\*) Assets and liabilities are not allocated on a consistent basis

- 1- Receivables from central governments or central banks
- 2- Receivables from regional or local governments
- 3- Receivables from administrative units and non-commercial enterprises
- 4- Receivables from multilateral development banks
- 5- Receivables from banks and brokerage houses
- 6- Receivables from corporates
- 7- Retail receivables
- 8- Receivables secured by mortgages on property
- 9- Past due receivables
- 10- Other receivables

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#### Risk Profile according to sectors and counterparties:

Sectors / Counterparties	Risk Categories										Total		
	1	2	3	4	5	6	7	8	9	10		TL	FC
1 Agriculture	-	-	-	-	-	106.760	56.826	17.821	3.185	-	156.412	28.180	184.592
1.1 Farming and stockbreeding	-	-	-	-	-	26.433	15.697	8.978	2.644	-	42.057	11.695	53.752
1.2 Forestry	-	-	-	-	-	80.312	40.204	8.435	541	-	113.007	16.485	129.492
1.3 Fishery	-	-	-	-	-	15	925	408	-	-	1.348	-	1.348
<b>2 Manufacturing</b>	<b>-</b>	<b>-</b>	<b>1.073</b>	<b>-</b>	<b>-</b>	<b>6.043.903</b>	<b>2.256.163</b>	<b>1.122.966</b>	<b>166.668</b>	<b>-</b>	<b>6.160.415</b>	<b>3.430.358</b>	<b>9.590.773</b>
2.1 Mining	-	-	-	-	-	314.516	27.878	24.009	724	-	243.987	123.140	367.127
2.2 Production	-	-	122	-	-	4.964.236	2.195.248	1.016.395	163.386	-	5.580.050	2.759.337	8.339.387
2.3 Electricity, gas, water	-	-	951	-	-	765.151	33.037	82.562	2.558	-	336.378	547.881	884.259
<b>3 Construction</b>	<b>-</b>	<b>-</b>	<b>181.184</b>	<b>-</b>	<b>-</b>	<b>3.728.580</b>	<b>567.483</b>	<b>1.199.952</b>	<b>63.410</b>	<b>1.072.540</b>	<b>4.859.462</b>	<b>1.953.687</b>	<b>6.813.149</b>
<b>4 Services</b>	<b>3.426.367</b>	<b>-</b>	<b>15.874</b>	<b>-</b>	<b>1.761.469</b>	<b>2.712.376</b>	<b>998.874</b>	<b>380.556</b>	<b>63.191</b>	<b>23.189</b>	<b>3.639.090</b>	<b>5.742.806</b>	<b>9.381.896</b>
4.1 Wholesale and retail trade	-	-	74	-	900	1.392.415	779.663	221.797	51.822	-	2.036.461	410.210	2.446.671
4.2 Hotel, food and beverage services	-	-	-	-	-	86.677	32.420	21.294	17	-	29.837	110.571	140.408
4.3 Transportation and telecommunication	-	-	-	-	-	146.494	61.148	11.085	5.623	-	94.287	130.063	224.350
4.4 Financial institutions	3.426.367	-	26	-	1.760.569	887.509	21.635	90.282	3.933	23.189	1.151.150	5.062.360	6.213.510
4.5 Real estate and renting services	-	-	-	-	-	131.853	8.412	2.171	75	-	130.983	11.528	142.511
4.6 Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education services	-	-	5.888	-	-	3.774	8.576	8.649	712	-	27.426	173	27.599
4.8 Health and social services	-	-	9.886	-	-	63.654	87.020	25.278	1.009	-	168.946	17.901	186.847
<b>5 Other</b>	<b>1.811.525</b>	<b>32</b>	<b>1.317</b>	<b>-</b>	<b>10.248</b>	<b>367.682</b>	<b>1.645.307</b>	<b>562.612</b>	<b>9.143</b>	<b>2.064.631</b>	<b>4.820.061</b>	<b>1.652.436</b>	<b>6.472.497</b>
<b>Total</b>	<b>5.237.892</b>	<b>32</b>	<b>199.448</b>	<b>-</b>	<b>1.771.717</b>	<b>12.959.301</b>	<b>5.524.653</b>	<b>3.283.907</b>	<b>305.597</b>	<b>3.160.360</b>	<b>19.635.440</b>	<b>12.807.467</b>	<b>32.442.907</b>

- 1- Receivables from central governments or central banks  
2- Receivables from regional or local governments  
3- Receivables from administrative units and non-commercial enterprises  
4- Receivables from multilateral development banks  
5- Receivables from banks and brokerage houses  
6- Receivables from corporates  
7- Retail receivables  
8- Receivables secured by mortgages on property  
9- Past due receivables  
10- Other receivable

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### Distribution of Risks with Term Structure According to Remaining Maturities:

Risk Categories	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	1 year and over
1 Receivables from central governments or central banks	-	386.626	-	343.367	1.100.062
2 Receivables from regional or local governments	-	-	-	-	-
3 Receivables from administrative units and non-commercial enterprises	294	76	153	1.835	196.776
4 Receivables from multilateral development banks	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-
6 Receivables from banks and brokerage houses	109.582	37.497	4.994	17.492	88.101
7 Receivables from corporates	677.274	808.545	968.582	2.165.667	8.255.796
8 Retail receivables	283.518	337.377	586.012	1.058.499	3.127.311
9 Receivables secured by mortgages on property	78.789	264.853	159.049	388.266	2.386.178
10 Past due receivables	5.557	3.737	8.944	11.785	275.575
11 Receivables defined in high risk category by BRSA	-	-	-	-	-
12 Securities collateralized by mortgages	-	-	-	-	-
13 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
14 Investments similar to collective investment funds	-	-	-	-	-
15 Other receivables	14.175	-	-	-	-
16 Equity share investments	-	-	-	-	-
<b>17 TOTAL</b>	<b>1.169.189</b>	<b>1.838.711</b>	<b>1.727.734</b>	<b>3.986.911</b>	<b>15.429.799</b>

(9) While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks" are presented below:

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions
										from Shareholders' Equity
1 Amount before credit risk mitigation	5.350.730	-	1.949.893	861.798	3.058.330	5.524.653	15.470.398	227.105	-	55.003
2 Amount after credit risk mitigation	6.804.356	-	2.045.151	845.958	3.110.343	4.589.966	14.821.189	225.944	-	55.003

(10) Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually:

For loans which are classified as impaired loans due to delay of collection of principal or profit share 90 days and above, and/or negative risk assessments of credit worthiness of the debtor; "specific provision" is set aside in the accompanying financial statements as of December 31, 2017.

For loans which are classified as past due not impaired loans due to delay of collection of principal or profit share up to 90 days; "general provision" is set aside in the accompanying financial statements as of December 31, 2017.

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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Sectors / Counterparties		Loans			Provisions
		Impaired Loans	Past Due <sup>(*)</sup>	Value Adjustments <sup>(**)</sup>	
<b>1</b>	<b>Agriculture</b>	<b>18.182</b>	<b>1.914</b>	<b>24</b>	<b>14.197</b>
1.1	Farming and stockbreeding	15.340	742	8	12.570
1.2	Forestry	2.840	1.172	16	1.625
1.3	Fishery	2	-	-	2
<b>2</b>	<b>Manufacturing</b>	<b>700.237</b>	<b>523.353</b>	<b>4.828</b>	<b>399.615</b>
2.1	Mining	4.592	2.491	7	3.009
2.2	Production	687.681	507.388	4.821	393.194
2.3	Electricity, gas, water	7.964	13.474	-	3.412
<b>3</b>	<b>Construction</b>	<b>261.547</b>	<b>342.525</b>	<b>2.487</b>	<b>166.916</b>
<b>4</b>	<b>Services</b>	<b>198.241</b>	<b>114.084</b>	<b>1.214</b>	<b>100.991</b>
4.1	Wholesale and retail trade	138.791	60.468	483	67.274
4.2	Hotel, food and beverage services	273	12	-	256
4.3	Transportation and telecommunication	21.468	22.349	156	11.743
4.4	Financial institutions	16.548	6.328	118	9.424
4.5	Real estate and renting services	4.499	896	10	3.874
4.6	Self-employment services	3.554	119	1	3.104
4.7	Education services	7.352	-	-	1.998
4.8	Health and social services	5.756	23.912	446	3.318
<b>5</b>	<b>Other</b>	<b>34.403</b>	<b>226.376</b>	<b>3.317</b>	<b>17.718</b>
<b>Total</b>		<b>1.212.610</b>	<b>1.208.252</b>	<b>11.870</b>	<b>699.437</b>

(\*) Only overdue projects of the relevant credits are represented.

(\*\*) The amounts represent general provisions for overdue projects.

### (11) Information related to value adjustments and credit provisions:

The Parent Bank provides specific provisions for loans which are overdue for 90 days or more. The collaterals are being taken into consideration while providing specific provisions in accordance with the Provisioning Communiqué.

The Parent bank provides general loan provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the "Regulation on procedures and principles for determination of qualifications of loans and other receivables by banks and provisions to be set aside" communiqué.

Risk Weight	Opening Balance	Provision made during the period	Reversal of Provisions	Other Adjustments <sup>(*)</sup>	Closing Balance
1 Specific Provisions	578.505	442.637	(350.612) <sup>(**)</sup>	28.907	699.437
2 General Provisions	136.263	15.416	(10.951)	1.692	142.420

(\*) Determined according to currency differences.

(\*\*) Includes TL 309.387 assigned from non performing portfolio to asset management companies and written off amount TL 4.952 as per decision of the Parent Bank management.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### III. Explanations on risks including countercyclical capital buffer calculation:

Explanations on receivables from consolidated private sector:

Country where risk is ultimately taken	Private sector loans in banking books	Risk weighted amount calculated within trading book	Total
Turkey	19.112.016	263	19.112.279
Iraq	218.488	-	218.488
United States of America	90.701	-	90.701
Georgia	86.918	-	86.918
Malta	71.633	-	71.633
Marshall Islands	48.991	-	48.991
Malaysia	20.784	-	20.784
Panama	10.585	-	10.585
Romania	9.396	-	9.396
Other	49.259	-	49.259

### IV. Explanations on consolidated currency risk:

Foreign currency risk arises from the Group's possible exposure to the changes in foreign currencies.

a) The Parent Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Parent Bank is monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.

b) The Group does not have any derivative financial instruments held for hedging purposes.

c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Parent Bank takes necessary measures to keep the currency risk at a minimum level.

c) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Parent Bank are as follows:

	USD	EUR
As of December 31, 2017 - Balance sheet evaluation rate	3,780	4,533
As of December 29, 2017	3,780	4,533
As of December 28, 2017	3,768	4,501
As of December 27, 2017	3,815	4,540
As of December 26, 2017	3,800	4,511
As of December 25, 2017	3,796	4,507

d) The simple arithmetical average of the major foreign exchange buying rates of the Parent Bank for the thirty days before the balance sheet date is TL 3,832 for 1 USD (December 2016: TL 3,494), TL 4,535 for 1 EUR (December 2016: TL 3,679).

The Parent Bank is mainly exposed to EUR and USD currency risks.



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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### Information on currency risk of the Group:

	EUR	USD	Other FC <sup>(1)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	1.134.693	3.201.015	999.182	5.334.890
Banks	282.394	330.469	192.358	805.221
Financial assets at fair value through profit and loss	-	3.363	-	3.363
Money market placements	-	-	-	-
Available-for-sale financial assets	188	371.196	-	371.384
Loans and financial lease receivables <sup>(**)</sup>	3.809.916	8.232.284	375	12.042.575
Subsidiaries, associates and joint ventures	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	236	236
Intangible assets	-	-	78	78
Other assets <sup>(***)</sup>	3.225	16.334	4.017	23.576
<b>Total assets</b>	<b>5.230.416</b>	<b>12.154.661</b>	<b>1.196.246</b>	<b>18.581.323</b>
<b>Liabilities</b>				
Current account and funds collected from banks via participation accounts	915.162	503.465	5.592	1.424.219
Other current and profit sharing accounts	2.813.964	6.926.317	897.625	10.637.906
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.231.572	3685126	-	4.916.698
Marketable securities issued	-	1.281.425	-	1.281.425
Miscellaneous payables	10.270	77.957	1.860	90.087
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	4.408	9.588	2.986	16.982
<b>Total liabilities</b>	<b>4.975.376</b>	<b>12.483.878</b>	<b>908.063</b>	<b>18.367.317</b>
<b>Net balance sheet position</b>	<b>255.040</b>	<b>(329.217)</b>	<b>288.183</b>	<b>214.006</b>
<b>Net off balance sheet position</b>	<b>(225.109)</b>	<b>361.039</b>	<b>(245.184)</b>	<b>(109.254)</b>
Derivative financial instruments assets <sup>(****)</sup>	26.065	511.411	5.936	543.412
Derivative financial instruments liabilities <sup>(****)</sup>	251.174	150.372	251.120	652.666
Non-cash loans <sup>(*****)</sup>	1.323.750	2.648.158	24.251	3.996.159
<b>Prior Period</b>				
Total assets	4.803.238	10.411.306	1.139.478	16.354.022
Total liabilities	4.767.097	10.977.209	657.068	16.401.374
<b>Net balance sheet position</b>	<b>36.141</b>	<b>(565.903)</b>	<b>482.410</b>	<b>(47.352)</b>
<b>Net off balance sheet position</b>	<b>(222)</b>	<b>534.761</b>	<b>(473.712)</b>	<b>60.827</b>
Derivative financial instruments assets	2.886	538.533	1.082	542.501
Derivative financial instruments liabilities	3.108	3.772	474.794	481.674
Non-cash loans <sup>(*****)</sup>	1.429.354	3.231.964	35.997	4.697.315

<sup>(1)</sup> TL 973.313 (December 31, 2016: TL 790.486) of the balance in Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey in other FC column represent precious metals, TL 116.046 (December 31, 2016: TL 274.919) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 849.627 (December 31, 2016: TL 599.733) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

<sup>(\*\*)</sup> The balance includes foreign currency indexed loans and financial lease receivables of TL 5.921.147 (December 31, 2016: TL 5.971.045).

<sup>(\*\*\*)</sup> Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 652 (December 31, 2016: TL 566) is included in other assets.

<sup>(\*\*\*\*)</sup> In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 107.178 (December 31, 2016: TL 2.691) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 125.735 (December 31, 2016: TL 6.688).

<sup>(\*\*\*\*\*)</sup> Does not have any effect on the net off-balance sheet position.

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### V. Explanations on consolidated position risk of equity securities in banking book:

The Parent Bank does not have any associate and subsidiary quoted at Borsa İstanbul. "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" which are managed and founded by Albaraka Portföy Yönetimi A.Ş. are traded in Borsa İstanbul under qualified trading market. Albaraka Portföy Yönetimi A.Ş. is the subsidiary of the Parent Bank.

### VI. Explanations on consolidated liquidity risk:

Liquidity Risk is managed by Asset and Liability Committee ("ALCO") in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Parent Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Parent Bank's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Parent Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Parent Bank is exposed to and considering the Parent Bank's strategy and conditions of competition and pursues the implementations.

Risk Management Department defines the Parent Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with legal legislation, presents measurement results periodically to related departments, committees and senior management. Risk Management Department coordinates related parties in order to ensure compliance of risk management process in accordance with the Parent Bank's risk profile, operation environment and strategic plan with regulations.

The liquidity risk analysis and the important early warning signals are reported periodically to related senior management. Additionally, analysis and monitored internal reserve limit ratios related to liquidity risk are presented in ALCO report. Reserve limit ratios and alert levels approved by the Board of Directors are monitored and reported regularly to related parties.

The Parent Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Parent Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Parent Bank's funding base of funds collected and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed.

In the context of TL and foreign currencies liquidity management, the Parent Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Parent Bank is managed by establishing risk appetite, effective control environment and closely monitoring by limits. The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of strategy, policy and procedures regarding liquidity risk and contingency funding plan is prepared within this framework.

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There exists "Liquidity Risk Management Contingency Funding Plan" in the Parent Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Parent Bank monitors liquidity risk in terms of early warning indicators in each stress.

### Consolidated liquidity coverage ratio:

Current Period	Rate of "Percentage to be taken into account" not Implemented Total value <sup>(*)</sup>		Rate of "Percentage to be taken into account" Implemented Total value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 HIGH QUALITY LIQUID ASSETS			5.262.881	4.648.908
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Funds Collected	14.953.487	6.430.003	1.319.458	643.000
3 Stable Funds Collected	3.517.820	-	175.891	-
4 Less stable Funds Collected	11.435.667	6.430.003	1.143.567	643.000
5 Unsecured Funding other than Retail and Small Business Customers Deposits	7.774.297	4.934.977	4.849.163	3.084.982
6 Operational Funds Collected	621.263	566.389	155.316	141.597
7 Non-Operational Funds Collected	3.484.202	1.984.853	1.934.765	1.251.416
8 Other Unsecured Funding	3.668.832	2.383.735	2.759.082	1.691.969
9 Secured funding			-	-
10 Other Cash Outflows	850.949	738.738	850.949	738.738
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	850.949	738.738	850.949	738.738
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	8.741.339	3.575.021	747.214	358.502
<b>16 TOTAL CASH OUTFLOWS</b>			<b>7.766.784</b>	<b>4.825.222</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	3.351.450	1.446.897	2.602.573	1.325.113
19 Other contractual cash inflows	856.241	332.324	856.241	332.324
<b>20 TOTAL CASH INFLOWS</b>	<b>4.207.691</b>	<b>1.779.221</b>	<b>3.458.814</b>	<b>1.657.437</b>
			<b>Upper limit applied amounts</b>	
<b>21 TOTAL HQLA</b>			<b>5.262.881</b>	<b>4.648.908</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>4.307.970</b>	<b>3.167.785</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>122,17</b>	<b>146,76</b>

(\*) Average of the last three months of liquidity coverage ratios calculated considering monthly simple arithmetic averages.

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As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

### Liquidity Coverage Ratio (%)

	Current Period	
	TL+FC	FC
Lowest	115,60	122,03
Date	November 30, 2017	October 31, 2017
Highest	131,72	172,78
Date	December 31, 2017	December 31, 2017
Average	122,17	146,76

Prior Period	Rate of "Percentage to be taken into account" not Implemented Total value <sup>(1)</sup>		Rate of "Percentage to be taken into account" Implemented Total value <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 HIGH QUALITY LIQUID ASSETS			4.934.642	3.197.466
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Funds Collected	12.340.683	4.710.653	1.078.804	471.065
3 Stable Funds Collected	3.105.293	-	155.265	-
4 Less stable Funds Collected	9.235.390	4.710.653	923.539	471.065
5 Unsecured Funding other than Retail and Small Business Customers Deposits	6.084.091	3.519.453	3.649.446	2.023.373
6 Operational Funds Collected	564.972	563.095	141.243	140.774
7 Non-Operational Funds Collected	3.405.576	1.888.545	1.907.048	1.215.966
8 Other Unsecured Funding	2.113.543	1.067.813	1.601.155	666.633
9 Secured funding	0	0	-	-
10 Other Cash Outflows	74.075	69.676	74.075	69.676
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	74.075	69.676	74.075	69.676
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	9.237.591	4.277.944	731.861	368.927
<b>16 TOTAL CASH OUTFLOWS</b>			<b>5.534.186</b>	<b>2.933.041</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	3.017.934	1.300.153	2.341.041	1.210.644
19 Other contractual cash inflows	78.833	53.213	78.833	53.213
<b>20 TOTAL CASH INFLOWS</b>	<b>3.096.767</b>	<b>1.353.366</b>	<b>2.419.874</b>	<b>1.263.857</b>
			<b>Upper limit applied amounts</b>	
<b>21 TOTAL HQLA</b>			<b>4.934.642</b>	<b>3.197.466</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>3.114.312</b>	<b>1.669.184</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>158,45</b>	<b>191,56</b>

<sup>(1)</sup> Average of the last three months of liquidity coverage ratios calculated considering monthly simple arithmetic averages.

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As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2016 are as follows:

### Liquidity Coverage Ratio (%)

	Prior Period	
	TL+FC	FC
Lowest	128,78	152,89
Date	October 31, 2016	October 31, 2016
Highest	184,71	233,00
Date	December 31, 2016	November 30, 2016
Average	158,45	191,56

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated (**)(****)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	2.028.552	3.728.443	-	-	-	-	-	5.756.995
Banks	842.873	603.215	65.319	-	-	-	-	1.511.407
Financial Assets at Fair Value Through Profit and Loss	-	463	-	-	916	3.361	-	4.740
Money Market Placements	-	-	-	-	-	-	-	-
Available For Sale Financial Assets	8.728	7.006	428.079	222.969	638.343	52.280	-	1.357.405
Loans <sup>(*)</sup>	-	1.618.961	1.471.976	5.365.469	13.825.762	2.269.208	642.087	25.193.463
Held To Maturity Investments	-	-	27.648	143.588	361.567	-	-	532.803
Other Assets <sup>(****)</sup>	361.969	-	-	-	71	713.567	899.287	1.974.894
<b>Total Assets</b>	<b>3.242.122</b>	<b>5.958.088</b>	<b>1.993.022</b>	<b>5.732.026</b>	<b>14.826.659</b>	<b>3.038.416</b>	<b>1.541.374</b>	<b>36.331.707</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	563.256	701.548	161.437	-	-	-	-	1.426.241
Other current and profit sharing accounts	6.589.461	14.818.357	1.368.945	989.394	51.446	-	-	23.817.603
Funds provided from other financial institutions and subordinated loans	-	1.224.908	506.372	1.594.892	321.319	1.610.280	-	5.257.771
Money Market Borrowings	-	340.000	-	-	-	-	-	340.000
Marketable securities issued	-	300.310	150.652	1.281.425	-	-	-	1.732.387
Miscellaneous payables	-	221.377	54.153	15.770	-	-	455.892	747.192
Other liabilities	-	34.978	-	-	-	-	2.975.535	3.010.513
<b>Total Liabilities</b>	<b>7.152.717</b>	<b>17.641.478</b>	<b>2.241.559</b>	<b>3.881.481</b>	<b>372.765</b>	<b>1.610.280</b>	<b>3.431.427</b>	<b>36.331.707</b>
<b>Net Liquidity Gap</b>	<b>(3.910.595)</b>	<b>(11.683.390)</b>	<b>(248.537)</b>	<b>1.850.545</b>	<b>14.453.894</b>	<b>1.428.136</b>	<b>(1.890.053)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(1.387)</b>	<b>(5.992)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.379)</b>
Financial Derivative Assets	-	346.103	189.180	894	-	-	-	536.177
Financial Derivative Liabilities	-	347.490	195.172	894	-	-	-	543.556
Non-Cash Loans	4.773.783	110.085	464.673	1.523.918	1.222.066	38.099	-	8.132.624
<b>Prior Period</b>								
<b>Total Assets</b>	<b>3.353.916</b>	<b>5.376.599</b>	<b>1.824.902</b>	<b>7.070.372</b>	<b>12.101.289</b>	<b>1.473.542</b>	<b>1.599.233</b>	<b>32.799.853</b>
<b>Total Liabilities</b>	<b>5.430.918</b>	<b>15.034.449</b>	<b>2.978.652</b>	<b>3.460.642</b>	<b>1.412.126</b>	<b>1.495.260</b>	<b>2.987.806</b>	<b>32.799.853</b>
<b>Net Liquidity Gap</b>	<b>(2.077.002)</b>	<b>(9.657.850)</b>	<b>(1.153.750)</b>	<b>3.609.730</b>	<b>10.689.163</b>	<b>(21.718)</b>	<b>(1.388.573)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>-</b>	<b>64.824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64.824</b>
Financial Derivative Assets	-	945	538.765	2.178	-	-	-	541.888
Financial Derivative Liabilities	-	945	473.941	2.178	-	-	-	477.064
Non-Cash Loans	8.216.684	7.177	64.783	172.892	221.384	18.273	-	8.701.193

(\*) Leasing receivables are included under loans. Unallocated amount represents the amount arising from advances granted for uninvoiced leasing receivables and net non-performing loans transactions.

(\*\*) 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 column consists of equity, provisions and (if any) deferred tax liabilities.

(\*\*\*\*\*) The balance represents investment property and other assets.

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### VII. Explanations on consolidated leverage ratio:

	Current Period <sup>(*)</sup>	Prior Period <sup>(**)</sup>
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(*)</sup>	36.123.563	31.300.474
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"	-	-
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	1.868.221	929.857
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	-	589.280
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	36.956	31.590
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
<b>Total Risk Amount</b>	<b>47.233.311</b>	<b>41.275.972</b>

<sup>(\*)</sup> Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements".

<sup>(\*\*)</sup> The arithmetic average of the last 3 months in the related periods.

As of December 31, 2017, consolidated leverage ratio of the Group calculated from the arithmetic average of the last three months is 5,02% (December 31, 2016: 5,26%). Leverage ratio is required to remain minimum 3% as per Communiqué on Measurement and Evaluation for Leverage Ratios of Banks. The reason for the difference in consolidated leverage ratio between current and previous period is the average increase ratio of total risk amount is more than the average increase ratio of core capital.

	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
<b>Balance sheet assets</b>		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	35.957.723	31.255.189
2 (Assets deducted from Core capital)	(49.588)	(62.312)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	35.908.135	31.192.877
<b>Derivative financial assets and credit derivatives</b>		
4 Cost of replenishment for derivative financial assets and credit derivatives	18.858	45.286
5 Potential credit risk amount of derivative financial assets and credit derivatives	19.061	9.860
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	37.919	55.146
<b>Financing transactions secured by marketable security or commodity</b>		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	1.469.254	218.594
8 Risk amount arising from intermediary transactions	-	-
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	1.469.254	218.594
<b>Off-balance sheet transactions</b>		
10 Gross notional amount of off-balance sheet transactions	9.818.003	9.809.355
11 (Correction amount due to multiplication with credit conversion rates)	-	-
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	9.818.003	9.809.355
<b>Capital and total risk</b>		
13 Core Capital	2.369.782	2.169.323
14 Total risk amount (sum of lines 3, 6, 9 and 12)	47.233.311	41.275.972
<b>Leverage ratio</b>		
15 Leverage ratio (%)	5,02	5,26

<sup>(\*)</sup> The arithmetic average of the last three months in the related periods

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### VIII. Explanations on presentation of consolidated financial assets and liabilities at fair value:

#### a. Information on fair value of financial assets and liabilities :

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated profit share accruals of corresponding financial assets or liabilities.

The fair values of financial assets and liabilities are calculated based on the following principles:

The fair values of held-to-maturity investments are determined based on market prices.

The fair value of loans and receivables are determined by calculating the discounted cash flows using the current market profit share rates.

Carrying value of funds collected via special current accounts and participation accounts is assumed to approximate their fair value as they are valued at year-end unit values.

The fair values of funds collected from financial institutions are determined by calculating the discounted cash flows using the current market profit share rates.

	Carrying value		Fair value	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Financial Assets</b>				
Money market placements	-	-	-	-
Banks	1.511.407	2.158.177	1.511.407	2.158.177
Financial assets at fair value through profit and loss	4.740	66.096	4.740	66.096
Financial assets available for sale	1.357.405	1.342.861	1.357.405	1.342.861
Held to maturity investments	532.803	668.582	549.136	683.944
Loans and financial lease receivables	25.193.463	22.722.054	24.381.770	21.821.559
<b>Financial Liabilities</b>				
Funds collected from banks via current accounts and profit sharing accounts	1.426.241	1.798.016	1.426.241	1.798.016
Other current and profit sharing accounts	23.817.603	21.352.832	23.817.603	21.352.832
Funds provided from other financial institutions	5.257.771	4.528.556	4.907.074	3.637.389
Marketable securities issued	1.732.387	1.366.483	1.682.694	1.351.245
Miscellaneous payables	747.192	702.211	747.192	702.211

#### b. Information on fair value measurement recognized in the financial statements:

TFRS 7 (Financial Instruments: Turkish Financial Reporting Standard Related to Explanations) sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish a basis for fair value measurement. Aforesaid fair value hierarchy is determined as follows:

- 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 hierarchy of the financial assets and liabilities of the Parent Bank carried at fair value according to the foregoing principles are given in the table below:

Current period <sup>(*)</sup>	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	4.279	461	-	4.740
Public sector debt securities	916	-	-	916
Equity securities	-	-	-	-
Derivative financial assets held for trading	-	225	-	225
Other	3.363	236	-	3.599
Financial assets- available for sale	1.354.594	-	-	1.354.594
Equity securities <sup>(**)</sup>	5.917	-	-	5.917
Public sector debt securities	1.277.075	-	-	1.277.075
Other marketable securities	71.602	-	-	71.602
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	6.418	-	6.418
Derivative financial liabilities for hedging purposes	-	-	-	-
<b>Prior period</b>				
	Level I	Level II	Level III	Total
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	954	65.142	-	66.096
Public sector debt securities	-	-	-	-
Equity securities	954	-	-	954
Derivative financial assets held for trading	-	65.068	-	65.068
Other	-	74	-	74
Financial assets- available for sale	1.340.270	-	-	1.340.270
Equity securities <sup>(**)</sup>	3.759	-	-	3.759
Public sector debt securities	1.285.338	-	-	1.285.338
Other marketable securities	51.173	-	-	51.173
<b>Financial liabilities</b>				
Derivative financial liabilities held for trading	-	88	-	88
Derivative financial liabilities for hedging purposes	-	-	-	-

(\*) In the current period, there is no classification between level I and level II.

(\*\*) Represent the amount of Visa Inc. accounted in Available For Sale.

Apart from financial assets and financial liabilities, as of December 31, 2017 and 2016 the Parent Bank carries the real estates at fair value under tangible assets. Level III section is used in determining the related fair values.



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### IX. Explanations regarding the activities carried out on behalf and account of other persons:

The Parent Bank does not perform purchases, sales and custody services on behalf of its customers. The Bank has no fiduciary transactions.

### X. Explanations on consolidated on risk management:

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 dated October 23, 2015 and became effective as of March 31, 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Parent Bank, tables which have to be prepared within the scope of Internal rating-based ("IRB") approach have not been presented.

#### a. Consolidated risk management strategy and weighted amounts:

##### a.1. Risk management strategy:

The aim of the Parent Bank's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

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

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

The general manager is responsible from ensuring that departments of the bank operate in accordance with the specified policies and strategies about risk management as determined by the Board of Directors.

The Board of Directors of the Parent Bank takes an important part in the processes of risk management by following policies and strategies on consolidated and unconsolidated basis, setting up limit systems and procedures in the Parent Bank. The related limits are monitored, reported and maintained within the set limits by the units under the internal systems and the related departments in the Parent bank. Risk Management Department, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting of risks.

Ultimate goal of the bank's risk management system is to allocate capital in accordance with risks that functional activities have (economical capital), to maximize return on capital adjusted according to risk and to increase added value created.

In Asset and Liability Committee, asset-liability structure is managed via evaluating fund collection activities in line with risk management policies and domestic and foreign conditions regarding the bank's fund lending.

The risks that the Parent Bank is exposed to or may be exposed to in the future are determined and the definition of these risks is made. Defined risks are measured and prioritized as far as possible. It is provided that all important risks are in the risk appetite considering the potential impact of the risks and the strategy arising from the Parent bank's strategies to risk profile. The Parent bank's strategies are integrated with risk profile and risk appetite. If it is expected that the risk profile is going to change in the future, this change is assessed with the degree of capital impact. While a risk profile is being developed, the risk profile is analyzed based on the risk type, the sector and/or the geographic location.

The Parent bank's risk tolerance is the most comprehensive calculated risk amount which may be accepted in accordance with the determined mission and vision. In other words, before deciding on the necessity of taking measures, it is the Parent bank's readiness to exposure of any risk amount. In this respect, the risk tolerance, in connection with the variety of services offered by the Parent bank, is the level of risk it identifies as acceptable.

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The Parent bank's risk appetite means the amount of risk that can be accepted by the Parent bank in order to reach the strategic targets, and it includes an acceptable variability around the targets as well.

The common feature of the bank's risk appetite and risk tolerance is to drive the lines regarding risk acceptance. However, risk tolerance is more comprehensive.

By means of "Risk Appetite Policy" approved by the board of directors, risk levels can be taken to implement risk strategies and to achieve the objectives of the Parent Bank's were identified. Limits, which are determined within the framework of risk profile of the bank in accordance with the Parent bank's risk appetite and risk tolerance, and triggering functions, were described in detail.

Considering the Parent bank's financial position, activity profile and the growth expectations of the future, the amount of capital needed for the strategic targets to be met have been calculated by the basis of static and dynamic stress tests and scenario analyses.

Considering the factors that may affect the Parent bank operates market today and in the future, stress tests and scenario analysis studies on the financial structure of the Parent bank have been assessed together with the other financial indicators; in this context, a coordination based on harmony was created between prepared capital plans and processes of the bank.

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

### Market Risk

The Parent Bank's market risk; refers to the probability of loss may be exposed to exchange rate risk, equity position risk, profit rate risk and commodity risk.

Within the coverage of market risk, the Parent 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 the Parent 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 the Parent 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 Parent Bank's liquidity risk, consists of funding related liquidity risk and market-related liquidity risk.

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

Market liquidity risk is an expression of the likelihood of the Parent bank's suffering a loss because the Parent bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility.

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis.

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In order to manage liquidity risk, the Parent 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.

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

### Credit risk

Credit risk is defined as the probability of losses to the Parent Bank due to customers failing to partially or completely pay their commitments to the Parent 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 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 the Parent 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 the Parent Bank's branches. At the Parent Bank's, 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 "Regulation on Credit Policies and Implementation Procedures".

### Operational risk

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

Operational risk is a type of risk present in all activities of the Parent Bank. It could arise from errors of the staff or the system, from such transactions as may have been made based on insufficient or incorrect legal information or documents, due to impediments in the flow of information between the divisions in the organizational structure of the Parent Bank, due to uncertainties in the definition of limits of authorities or from structural and/or operational changes, natural disasters, terror and frauds.

The Parent Bank classifies operational risks into five groups according to their sources: staff risks, technological risks, organizational risks, legal and compliance risks and external risks.

The Parent Bank also takes required measures to maintain operational risks at acceptable levels.

### Other risks

The other risks that The Parent Bank could encounter include strategic and reputational risk, counterparty credit risk, country risk, and concentration risk.

For the management of strategic risk, the Parent Bank keeps a close watch on the domestic and international situation, on technological, financial, and social developments, on the legal and regulatory frameworks, and on the banking industry as a whole in order to make rational decisions and to change them as circumstances warrant.

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The Parent Bank regards reputational risk as anything that might lead to the Parent Bank's suffering a loss on account of adverse developments such as a reduction in the confidence that is had in it or any impairment in its good standing due to unfavorable opinions that existing or potential customers, shareholders, competitors, regulatory agencies, or other outside or associated parties may have about it or due to any breach of existing laws and regulations.

For the risk of reputation to be avoided and/or controlled by the Parent Bank's Risk Management System, a proactive communication mechanism that gives the customer priority is established any time a condition that could detriment the Parent Bank's reputation or image is detected.

Preparations are made for the worst-case scenarios in advance. In the evaluation of the reputation risk, the relationship, level and impact of operational risks to the reputation risk are also taken into account.

Counterparty credit risk is an expression of the likelihood that the counterparty in any transaction that imposes an obligation on two parties will default on the obligation before the final payment in the transaction's cash flow sequence. The Parent Bank manages its counterparty credit risk exposure as required by laws and regulations, taking best practices into consideration, and compatibly with the volume, nature, and complexity of its operations.

Country risk is an expression of the likelihood that the Parent bank will suffer a loss because debtors in another country fail to fulfill or avoid fulfilling their obligations owing to uncertainties in the economic, social, and/or political conditions of that country. The Parent Bank enters into business relationships with foreign financial institutions and/or the agencies of foreign countries taking legal and regulatory restrictions, market conditions, and customer satisfaction into consideration and on the basis of feasibility studies that take the country's economic conditions into account.

Concentration risk is defined as the likelihood that a single risk or several risks that have some attribute in common may, if realized, cause losses that are capable of endangering the bank itself or its ability to carry out its essential activities. Policies aimed at managing concentration risk are formulated so as to deal with particular aspects of it such as sectoral concentration, collateral concentration, market risk concentration, types of loss concentration, and creditor concentration.

### a.2. Risk weighted amounts:

	Risk Weighted Amount		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	20.862.867	20.880.381	1.669.029
2 Standardised approach (SA)	20.862.867	20.880.381	1.669.029
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	2.271	37.318	182
5 Standardised approach for counterparty credit risk (SA-CCR)	2.271	37.318	182
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-
10 Investments made in collective investment companies – 1250% weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	301.123	88.810	24.090
17 Standardised approach (SA)	301.123	88.810	24.090
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	1.998.734	1.720.621	159.899
20 Basic Indicator Approach	1.998.734	1.720.621	159.899
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>23.164.995</b>	<b>22.727.130</b>	<b>1.853.200</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### b. Financial statements and regulatory exposures reconciliation:

#### b.1. Differences and matching between accounting-related consolidation and legal consolidation:

Current Period	Carrying values of items in accordance with Turkish Accounting Standards (TAS)					
	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk <sup>(*)</sup>	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and balances with the central bank	5.756.995	5.756.995	-	-	-	-
Trading financial assets	4.740	-	225	-	1.154	3.361
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Banks	1.511.407	1.511.407	-	-	-	-
Money market placements	-	-	-	-	-	-
Financial assets-available for sale (net)	1.357.405	1.357.405	-	-	-	-
Loans and receivables	24.456.382	24.455.450	-	-	-	932
Factoring receivables	-	-	-	-	-	-
Investments held to maturity (net)	532.803	532.803	-	-	-	-
Investments in associates (net)	4.719	4.719	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Joint ventures (net)	18.470	18.470	-	-	-	-
Lease receivables	737.081	737.081	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-	-
Tangible assets (net)	589.668	565.426	-	-	-	24.242
Intangible assets (net)	28.479	2.011	-	-	-	26.468
Investment property (net)	1.072.540	1.072.540	-	-	-	-
Tax asset	55.506	55.506	-	-	-	-
Assets held for sale and assets of discontinued operations (net)	84.230	84.230	-	-	-	-
Other assets	121.282	121.282	-	-	-	-
<b>Total assets</b>	<b>36.331.707</b>	<b>36.275.325</b>	<b>225</b>	<b>-</b>	<b>1.154</b>	<b>55.003</b>
<b>Liabilities</b>						
Funds collected	25.243.844	-	-	-	-	25.243.844
Derivative financial liabilities held for trading	6.418	-	-	-	6.418	-
Funds borrowed	3.630.608	-	-	-	-	3.630.608
Borrowings from money markets	340.000	-	340.000	-	-	-
Securities issued	1.732.387	-	-	-	-	1.732.387
Funds	-	-	-	-	-	-
Miscellaneous payables	747.192	-	-	-	-	747.192
Other liabilities	-	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Lease payables	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-
Provisions	264.865	-	-	-	-	264.865
Tax liability	94.015	-	-	-	-	94.015
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated loans	1.627.163	-	-	-	-	1.627.163
Shareholders' equity	2.645.215	-	-	-	-	2.645.215
<b>Total liabilities</b>	<b>36.331.707</b>	<b>-</b>	<b>340.000</b>	<b>-</b>	<b>6.418</b>	<b>35.985.289</b>

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### Carrying values of items in accordance with Turkish Accounting Standards (TAS)

Prior Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk <sup>(1)</sup>	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and balances with the central bank	4.999.052	4.999.052	-	-	-	-
Trading financial assets	66.096	-	65.068	-	1.028	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Banks	2.158.177	2.158.177	-	-	-	-
Money market placements	-	-	-	-	-	-
Financial assets-available for sale (net)	1.342.861	1.342.861	-	-	-	-
Loans and receivables	21.843.075	21.839.933	-	-	-	3.142
Factoring receivables	-	-	-	-	-	-
Investments held to maturity (net)	668.582	668.582	-	-	-	-
Investments in associates (net)	4.719	4.719	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Joint ventures (net)	14.319	14.319	-	-	-	-
Lease receivables	878.979	878.979	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-	-
Tangible assets (net)	517.134	489.435	-	-	-	27.699
Intangible assets (net)	35.470	-	-	-	-	35.470
Investment property (net)	-	-	-	-	-	-
Tax asset	25.067	25.067	-	-	-	-
Assets held for sale and assets of discontinued operations (net)	92.317	92.317	-	-	-	-
Other assets	154.005	148.145	-	-	-	5.860
<b>Total assets</b>	<b>32.799.853</b>	<b>32.661.586</b>	<b>65.068</b>	<b>-</b>	<b>1.028</b>	<b>72.171</b>
<b>Liabilities</b>						
Funds collected	23.150.848	23.150.848	-	-	-	-
Derivative financial liabilities held for trading	88	-	88	-	-	-
Funds borrowed	3.017.619	3.017.619	-	-	-	-
Borrowings from money markets	492.784	492.784	-	-	-	-
Securities issued	1.366.483	1.366.483	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous payables	702.211	702.211	-	-	-	-
Other liabilities	-	-	-	-	-	-
Factoring debts	-	-	-	-	-	-
Lease payables	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-
Provisions	233.874	233.874	-	-	-	-
Tax liability	51.838	51.838	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated loans	1.510.937	1.510.937	-	-	-	-
Shareholders' equity	2.273.171	2.273.171	-	-	-	-
<b>Total liabilities</b>	<b>32.799.853</b>	<b>32.799.765</b>	<b>88</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### b.2. Main reasons of the differences between the risk amounts and Carrying Value in accordance with Turkish Accounting Standards (TAS):

Current Period	Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1 Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	36.331.707	36.275.325	-	225	1.154
2 Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	-	-	-	6.418
<b>3 Total net amount within the scope of legal consolidation</b>	<b>36.331.707</b>	<b>36.275.325</b>	<b>-</b>	<b>225</b>	<b>7.572</b>
4 Off balance sheet amounts	11.444.709	5.160.655	-	5.362	-
5 Repo and similar transactions (**)	-	-	-	384.000	-
6 Differences in valuations	-	-	-	-	-
7 Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8 Differences arising from consideration of provisions	-	-	-	-	-
9 Differences arising from BRSA's applications	-	-	-	-	-
<b>10 Risk amounts</b>	<b>-</b>	<b>41.435.980</b>	<b>-</b>	<b>389.587</b>	<b>7.572</b>

(\*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

(\*\*) In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

Prior Period	Total	Subject to credit risk	Securitisation positions	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1 Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	32.799.853	32.661.586	-	65.068	1.028
2 Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	-	-	(88)	-
<b>3 Total net amount within the scope of legal consolidation</b>	<b>32.799.853</b>	<b>32.661.586</b>	<b>-</b>	<b>65.156</b>	<b>1.028</b>
4 Off balance sheet amounts	10.951.306	5.622.397	-	70.487	-
5 Repo and similar transactions (**)	-	-	-	4.818	-
6 Differences in valuations	-	-	-	-	-
7 Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8 Differences arising from consideration of provisions	-	-	-	-	-
9 Differences arising from BRSA's applications	-	-	-	-	-
<b>10 Risk amounts</b>	<b>-</b>	<b>38.283.983</b>	<b>-</b>	<b>140.461</b>	<b>1.028</b>

(\*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

(\*\*) In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

### b.3. Explanations on differences between carrying values in accordance with Turkish Accounting Standards ("TAS") and risk amounts:

There is no significant difference between the financial statement amounts of assets and liabilities and the amounts included in capital adequacy calculation.

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### c. Consolidated credit risk:

#### c.1. General information on credit risk:

##### c.1.1. General qualitative information on credit risk:

This information is already included in Explanations on Credit Risk and (a.) The Bank's risk management approach:

##### c.1.2. Credit quality of assets:

Current Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	1.212.610	24.764.879	784.026	25.193.463
2 Debt securities	-	1.894.236	8.715	1.885.521
3 Off-balance sheet exposures	49.285	10.315.691	19.478	10.345.498
<b>4 Total</b>	<b>1.261.895</b>	<b>36.974.806</b>	<b>812.219</b>	<b>37.424.482</b>

Prior Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	1.105.954	22.313.281	697.181	22.722.054
2 Debt securities	-	2.012.314	7.170	2.005.144
3 Off-balance sheet exposures	90.015	9.842.339	37.036	9.895.318
<b>4 Total</b>	<b>1.195.969</b>	<b>34.167.934</b>	<b>741.387</b>	<b>34.622.516</b>

##### c.1.3. Changes in stock of default loans and debt securities:

	Current Period	Prior Period
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>1.195.969</b>	<b>519.163</b>
2 Loans and debt securities that have defaulted since the last reporting period	686.675	790.342
3 Receivables back to non-defaulted status	2.165	287
4 Amounts written off	314.339	76
5 Other changes	304.245	113.173
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>1.261.895</b>	<b>1.195.969</b>

##### c.1.4. Additional information on credit quality of assets:

The scope and definitions of past due receivables and the methods used by the Parent bank to determine the provisions are mentioned in the Explanations on Credit risk.

The Parent Bank may restructure not only non-performing credits and receivables but also the first and the second group credits and other receivables. Restructuring for the first and the second group credits and other receivables are made for improvement the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk. Restructuring for non-performing credits and receivables are made for providing collection possibility by establishing a new payment plan.



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Breakdowns for receivables in terms of sectors are mentioned in the footnote numbered VIII (Explanations on Credit Risk).

Breakdowns according to the remaining maturity for past due receivables and in terms of geographic locations receivables that specific provisions are set are shown below. The Parent Bank has assigned its non performing loans amount to TL 309.387 to asset management companies. In addition, TL 4.952 has been written off as per the decision of The Parent Bank management.

### Aging analysis for past due receivables:

As per Financial instruments segmentations, aging analysis of past due but not impaired financial assets is as follows:

	0-30 Days	31-60 Days	61-90 Days	Total
<b>Current Period</b>	1.087.281	570.250	406.214	2.063.745
<b>Prior Period</b>	739.521	742.806	575.145	2.057.472

Receivables that provisions are set in terms of geographical region:

	Non-performing Loans <sup>(*)</sup>	Specific Provision <sup>(*)</sup>
<b>Current Period</b>		
Domestic	1.171.635	680.906
Off-shore Banking Countries	22.781	8.634
Other Countries	18.194	9.897
<b>General Total</b>	<b>1.212.610</b>	<b>699.437</b>

<sup>(\*)</sup> Represents amounts for cash loans.

	Non-performing Loans <sup>(*)</sup>	Specific Provision <sup>(*)</sup>
<b>Prior Period</b>		
Domestic	1.043.911	563.492
Off-shore Banking Countries	60.761	13.731
Other Countries	1.282	1.282
<b>General Total</b>	<b>1.105.954</b>	<b>578.505</b>

<sup>(\*)</sup> Represents amounts for cash loans.

### c.2. Credit risk mitigation

#### c.2.1. Qualitative disclosure on credit risk mitigation techniques:

On and off balance sheet offsetting agreements are not utilized.

The Parent Bank, the risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below.

- a) Financial Collaterals (Government Securities, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)
- b) Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods. Collaterals obtained by the Parent Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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If there are indicators on significant decreases of real estate's value in comparison to general market prices, the real estate's valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

The Parent Bank monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Parent Bank and the market fluctuations are considered in credit activities.

### c.2.2. Credit risk mitigation techniques:

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
<b>Current Period</b>							
1 Loans	16.412.347	8.781.116	4.211.764	978.202	242.969	-	-
2 Debt securities	1.885.521	-	-	-	-	-	-
<b>3 Total</b>	<b>18.297.868</b>	<b>8.781.116</b>	<b>4.211.764</b>	<b>978.202</b>	<b>242.969</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	408.285	104.888	64.068	2.176	687	-	-

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
<b>Prior Period</b>							
1 Loans	17.191.241	5.530.813	3.856.520	1.342.508	670.447	-	-
2 Debt securities	2.005.144	-	-	-	-	-	-
<b>3 Total</b>	<b>19.196.385</b>	<b>5.530.813</b>	<b>3.856.520</b>	<b>1.342.508</b>	<b>670.447</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	424.410	103.039	89.234	1.778	916	-	-

### c.3. Credit risk under standardised approach:

#### c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk:

Explanations on rating grades that the banks use for calculation of credit risk by the standardised approach are mentioned in the footnote numbered (IX) for Explanations on Consolidated Credit Risk.

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### c.3.2. Credit risk exposure and credit risk mitigation techniques:

Current Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Risk classes</b>						
1 Receivables from central governments or central banks	5.237.369	1.717	5.237.369	523	171.177	3,27%
2 Receivables from regional or local governments	32	-	32	-	16	50,00%
3 Receivables from administrative units and non-commercial enterprises	182.037	36.888	182.037	17.411	197.226	98,89%
4 Receivables from multilateral development banks	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	1.521.372	266.601	1.521.372	250.345	761.503	42,98%
7 Receivables from corporates	9.700.722	5.489.944	9.700.722	3.258.579	12.323.579	95,09%
8 Retail receivables	4.256.559	3.559.863	4.256.559	1.268.094	3.458.735	62,61%
9 Receivables secured by mortgages on property	845.512	52.355	845.512	22.561	302.913	34,89%
10 Receivables secured by mortgages on commercial property	2.073.506	552.999	2.073.506	342.328	1.236.170	51,17%
11 Past due receivables	305.597	-	305.597	-	390.073	127,64%
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13 Securities collateralized by mortgages	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-
16 Other receivables	3.159.546	4.069	3.159.546	814	2.021.475	63,96%
17 Equity share investments	-	-	-	-	-	-
<b>18 Total</b>	<b>27.282.252</b>	<b>9.964.436</b>	<b>27.282.252</b>	<b>5.160.655</b>	<b>20.862.867</b>	<b>64,31%</b>

Prior Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Risk classes</b>						
1 Receivables from central governments or central banks	5.289.536	2.377	5.289.536	614	1.449.554	27,40%
2 Receivables from regional or local governments	17	1.049	17	519	268	50,00%
3 Receivables from administrative units and non-commercial enterprises	19.694	38.499	19.694	18.398	37.659	98,86%
4 Receivables from multilateral development banks	-	330	-	66	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	2.193.259	160.958	2.193.259	126.965	974.683	42,01%
7 Receivables from corporates	8.997.366	6.043.517	8.997.365	3.826.074	12.232.754	95,39%
8 Retail receivables	4.045.396	3.073.087	4.045.397	1.237.040	3.796.230	71,87%
9 Receivables secured by mortgages on property	511.962	157.290	511.961	80.985	212.268	35,80%
10 Receivables secured by mortgages on commercial property	1.582.322	410.034	1.582.323	331.130	977.531	51,09%
11 Past due receivables	340.793	-	340.793	-	393.759	115,54%
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13 Securities collateralized by mortgages	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-
16 Other receivables	1.416.842	3.992	1.416.842	606	805.675	56,84%
17 Equity share investments	-	-	-	-	-	-
<b>18 Total</b>	<b>24.397.187</b>	<b>9.891.133</b>	<b>24.397.187</b>	<b>5.622.397</b>	<b>20.880.381</b>	<b>69,56%</b>

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#### c.3.3. Exposures by asset classes and risk weights:

Risk Classes/Risk Weighted	Current Period										Total risk amount (post-CCF and CRM)	
	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others		
1 Receivables from central governments or central banks	4.895.772	-	-	-	341.885	-	235	-	-	-	-	5.237.892
2 Receivables from regional or local governments	-	-	-	-	32	-	-	-	-	-	-	32
3 Receivables from administrative units and non-commercial enterprises	2.215	-	9	-	-	-	197.224	-	-	-	-	199.448
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	9.093	-	1.078.597	-	276.487	-	407.540	-	-	-	-	1.771.717
7 Receivables from corporates	558.851	-	58.360	-	60.367	-	12.281.723	-	-	-	-	12.959.301
8 Retail receivables	875.843	-	43.870	-	14.974	4.589.966	-	-	-	-	-	5.524.653
9 Receivables secured by mortgages on property	13.737	-	899	845.958	1.663	-	5.816	-	-	-	-	868.073
10 Receivables secured by mortgages on commercial property	-	-	-	-	2.359.328	-	56.506	-	-	-	-	2.415.834
11 Past due receivables	472	-	276	-	55.607	-	23.298	225.944	-	-	-	305.597
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-	-
13 Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-	-
16 Other receivables	448.373	-	863.140	-	-	-	1.848.847	-	-	-	-	3.160.360
17 Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
<b>18 Total</b>	<b>6.804.356</b>	<b>-</b>	<b>2.045.151</b>	<b>845.958</b>	<b>3.110.343</b>	<b>4.589.966</b>	<b>14.821.189</b>	<b>225.944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32.442.907</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

Risk Classes/Risk Weighted	Prior Period						Total risk amount (post- CCF and CRM)							
	0%	10%	20%	35% secured by property mortgage	50%	75%		100%	150%	200%				
1 Receivables from central governments or central banks					2.391.042	-	-	2.899.108	-	-	-	-	-	5.290.150
2 Receivables from regional or local governments					-	-	-	-	536	-	-	-	-	536
3 Receivables from administrative units and non-commercial enterprises					385	-	61	-	-	-	37.646	-	-	38.092
4 Receivables from multilateral development banks					66	-	-	-	-	-	-	-	-	66
5 Receivables from international organizations					-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses					11.502	-	888.583	-	1.246.346	-	173.793	-	-	2.320.224
7 Receivables from corporates					392.535	-	131.612	-	185.715	-	12.113.577	-	-	12.823.439
8 Retail receivables					186.598	-	35.901	-	23.616	5.036.322	-	-	-	5.282.437
9 Receivables secured by mortgages on property					10.334	-	6.507	559.076	3.479	-	13.550	-	-	592.946
10 Receivables secured by mortgages on commercial property					-	-	-	-	1.871.842	-	41.611	-	-	1.913.453
11 Past due receivables					763	-	255	-	80.367	-	71.176	188.232	-	340.793
12 Receivables defined in high risk category by BRSA					-	-	-	-	-	-	-	-	-	-
13 Securities collateralized by mortgages					-	-	-	-	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates					-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds					-	-	-	-	-	-	-	-	-	-
16 Other receivables					300.824	-	388.688	-	-	-	727.936	-	-	1.417.448
17 Equity share investments					-	-	-	-	-	-	-	-	-	-
<b>18 Total</b>					<b>3.294.049</b>	<b>-</b>	<b>1.451.607</b>	<b>559.076</b>	<b>6.311.009</b>	<b>5.036.322</b>	<b>13.179.289</b>	<b>188.232</b>	<b>-</b>	<b>30.019.584</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### ç. Consolidated counterparty credit risk:

#### ç.1. Qualitative disclosure on counterparty credit risk (CCR):

Derivatives and repurchase transactions in the calculation of counterparty credit risk are calculated according to the fair value in accordance with "Appendix-2 of Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette dated October 23, 2015 and numbered 29511. The sum of potential future exposures and positive replacement costs is taken in the calculation of the risk amount related to derivative transactions.

The bank prepared "Charter on the Counterparty Credit Risk Management Policy and Implementation Procedures" in order to determine the basic principles that manage the counterparty credit risk and this regulation was approved by the Board of Directors. The Board of Directors periodically reviews and assesses the related policy.

#### ç.2. Counterparty credit risk (CCR) approach analysis:

Current Period		Replacement cost	Potential future exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	225	5.362		-	5.587	2.215
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					384.000	-
<b>6</b>	<b>Total</b>						<b>2.215</b>

<sup>(1)</sup> Effective Expected Positive Exposure

Prior Period		Replacement cost	Potential future exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	65.068	5.419		-	70.487	35.278
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					125.130	-
<b>6</b>	<b>Total</b>						<b>35.278</b>

<sup>(1)</sup> Effective Expected Positive Exposure

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### ç.3. Capital requirement for credit valuation adjustment (CVA):

	Current Period		Prior Period	
	EAD post- CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3xmultiplier)	-	-	-	-
2 (ii) Stressed VaR component (including the 3xmultiplier)	-	-	-	-
3 All portfolios subject to the Standardised CVA capital obligation	5.587	56	70.487	2.040
<b>4 Total subject to the CVA capital obligation</b>	<b>5.587</b>	<b>56</b>	<b>70.487</b>	<b>2.040</b>

### ç.4. CCR exposures by risk class and risk weights:

Risk Classes	Current Period								Total credit Other exposure <sup>(1)</sup>	
	Risk Weighted	0%	10%	20%	50%	75%	100%	150%		
Receivables from central governments or central banks	384.000	-	-	-	-	-	-	-	-	384.000
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	2.093	3.396	-	-	-	-	-	5.489
Receivables from corporates	-	-	-	-	-	-	98	-	-	98
Retail receivables	-	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>384.000</b>	<b>-</b>	<b>2.093</b>	<b>3.396</b>	<b>-</b>	<b>-</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>389.587</b>

<sup>(1)</sup> Total credit risk: Represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### Prior Period

Risk Classes	Risk Weighted	Risk Weighted								Total credit exposure <sup>(1)</sup>
		0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from central governments or central banks	125.130	-	-	-	-	-	-	-	-	125.130
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	10	70.401	-	-	-	-	-	70.411
Receivables from corporates	-	-	-	-	-	76	-	-	-	76
Retail receivables	-	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>125.130</b>	<b>-</b>	<b>10</b>	<b>70.401</b>	<b>-</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195.617</b>

<sup>(1)</sup> Total credit risk: Represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

### ç.5. Collaterals for CCR

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collaterals received		Collaterals granted		Collaterals received	Collaterals granted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	384.000
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>384.000</b>



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collaterals received		Collaterals granted		Collaterals received	Collaterals granted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	125.130
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	<b>125.130</b>

### ç.6. Information on the risks of the Parent Bank arising from purchased or sold credit derivatives

The Parent Bank does not have any risks arising from purchased or sold credit derivatives (December 31, 2016: None).

### ç.7. Information on risks of the Parent Bank arising from central counterparty

The Parent Bank does not have any risks arising from central counterparty (December 31, 2016: None).

### d. Consolidated securitization explanations:

There is not any information to be announced to public on securitization (December 31, 2016: None).

### e. Consolidated market risk

#### e.1. Qualitative disclosure on market risk:

The Parent Bank measures market risk by using the standard method in accordance with "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks" dated October 23, 2015 and numbered 29511 and allocates legal capital on this basis. On the other hand, the market risk is also calculated by using the internal model for testing (Value at Risk) and the results found are supported by considering backtesting results. The market risk value (Value at Risk) calculated by using the internal model is calculated on a daily basis by using Variance-Covariance, EWMA, Monte Carlo and Historical Simulation methods and is reported to the top management.

The Board of Directors sets limits for these risks by considering the main risks and revises these limits periodically in line with market conditions and the Parent Bank's strategies. In addition, the Board of Directors ensures that the risk management unit and senior management take all necessary measures to identify, to measure, to prioritize, to reduce at an acceptable level and to manage the various risks that the Parent Bank is exposed to.

Risks that positions held by the Parent Bank under on-balance sheet and off-balance sheet accounts may occur due to fluctuations in financial markets are measured. Information about the market risk considered in the calculation of legal capital as follows.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### e.2. Market risk under standardised approach:

	Current Period RWA	Prior Period RWA
<b>Outright products</b>		
1 Profit rate risk (general and specific)	1.196	37
2 Equity risk (general and specific)	-	1.908
3 Foreign exchange risk	299.466	86.865
4 Commodity risk	461	-
<b>Options</b>		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
<b>9 Total</b>	<b>301.123</b>	<b>88.810</b>

### f. Consolidated Operational risk:

Capital requirement for operational risk is calculated annually by using the Basic Indicator Method in accordance with Article 24 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks. As of December 31, 2017, amount subject to operational risk and the calculation information are given below:

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	887.798	1.082.464	1.227.713	1.065.992	15	159.899
Amount subject to Operational Risk (Total*12,5)						1.998.734

### g. Qualitative disclosure on profit rate risk arising from banking books

a) Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk

Profit rate risk arising from banking books measures profit rate risk arising from on-balance sheet and off-balance sheet positions in the Parent Bank's banking books by standard shock method.

The Parent Bank calculates and measures legal ratio for profit rate risk arising from banking books on a monthly basis in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk arising from Banking Books by Standard Shock Method" that have been published in Official Gazette numbered 28034 and dated August 23, 2011.

Profit share-yield assets, liabilities that profit share is paid, restructuring risk, yield curve risk in banking books and changes in profit rates occurred in market conditions are monitored, assessed, measured and managed by the Parent Bank in the calculations made within the scope of the related regulation.

Against the risk that these matters may affect the Parent Bank's capital negatively, these risks are assessed and managed on a weekly basis within the scope of the Charters established by the Board of Directors.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

b) Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method:

Currency	Applied Shock (+/-x basis point)	Gains/ (Losses)	Gains/ Equity(Losses/ Equity) (%)
TL	(+) 500bp	(493.525)	(12,01)
TL	(-) 400bp	481.259	11,71
USD	(+) 200bp	(39.604)	(0,96)
USD	(-) 200bp	46.447	1,13
EUR	(+) 200bp	(32.100)	(0,78)
EUR	(-) 200bp	503	0,01
<b>Total (For Negative Shocks)</b>	-	<b>528.209</b>	<b>12,86</b>
<b>Total (For Positive Shocks)</b>	-	<b>(565.229)</b>	<b>(13,76)</b>

### XI. Explanations on consolidated business segments:

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

Current Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
<b>Total Assets</b>	<b>3.274.207</b>	<b>22.561.322</b>	<b>8.917.201</b>	<b>1.578.977</b>	<b>36.331.707</b>
<b>Total Liabilities</b>	<b>16.715.105</b>	<b>9.490.256</b>	<b>7.315.945</b>	<b>165.186</b>	<b>33.686.492</b>
<b>Total Equity</b>	-	-	-	<b>2.645.215</b>	<b>2.645.215</b>
Net profit share income/(expense) <sup>(*)</sup> (**)	(367.131)	1.257.969	228.239	155.105	1.274.182
Net fees and commissions income/(expense)	34.825	264.869	948	(152.185)	148.457
Other operating income/(expense)	6.269	86.981	48.989	(786.916)	(644.677)
Provision for loan losses and other receivables	(3.077)	(358.419)	(441)	(98.821)	(460.758)
Profit/(loss) before tax	(329.114)	1.251.400	277.735	(882.817)	317.204
Provision for tax	-	-	-	(51.707)	(51.707)
<b>Net profit/(loss) for the period</b>	<b>(329.114)</b>	<b>1.251.400</b>	<b>277.735</b>	<b>(934.524)</b>	<b>265.497</b>

Prior Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
<b>Total Assets</b>	<b>3.143.273</b>	<b>19.942.724</b>	<b>8.599.303</b>	<b>1.114.553</b>	<b>32.799.853</b>
<b>Total Liabilities</b>	<b>14.306.903</b>	<b>9.434.349</b>	<b>6.398.938</b>	<b>386.492</b>	<b>30.526.682</b>
<b>Total Equity</b>	-	-	-	<b>2.273.171</b>	<b>2.273.171</b>
Net profit share income/(expense) <sup>(*)</sup> (**)	(312.738)	996.126	177.275	163.381	1.024.044
Net fees and commissions income/(expense)	27.659	276.025	613	(158.362)	145.935
Other operating income/(expense)	(352)	24.187	48.338	(619.960)	(547.787)
Provision for loan losses and other receivables	(2.563)	(322.627)	-	(31.084)	(356.274)
Profit/(loss) before tax	(287.994)	973.711	226.226	(646.025)	265.918
Provision for tax	-	-	-	(46.311)	(46.311)
<b>Net profit/(loss) for the period</b>	<b>(287.994)</b>	<b>973.711</b>	<b>226.226</b>	<b>(692.336)</b>	<b>219.607</b>

(\*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Parent Bank.

(\*\*) Since the Parent Bank uses net profit share income/(expense) as a performance measurement criteria, profit share income and expense is presented net.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### SECTION FIVE

#### Explanations and notes on the consolidated financial statements

##### I. Explanations and notes related to consolidated 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	138.354	227.082	123.254	148.150
CBRT	193.426	4.307.563	735.118	3.599.536
Other <sup>(*)</sup>	90.325	800.245	81.875	311.119
<b>Total</b>	<b>422.105</b>	<b>5.334.890</b>	<b>940.247</b>	<b>4.058.805</b>

<sup>(\*)</sup> As of December 31, 2017, includes precious metals amounting to TL 27.429 (December 31, 2016: TL 4.306) and cash in transit amounting to TL 863.141 (December 31, 2016: TL 388.688).

##### b) Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	192.354	580.192	733.965	522.979
Unrestricted time deposit	-	-	-	-
Restricted time deposit <sup>(*)</sup>	1.072	3.727.371	1.153	3.076.557
<b>Total</b>	<b>193.426</b>	<b>4.307.563</b>	<b>735.118</b>	<b>3.599.536</b>

<sup>(\*)</sup> As of December 31, 2017, the reserve requirement held in standard gold is TL 945.884 (December 31, 2016: TL 786.181).

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EUR and standard gold.

As of December 31, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on maturity of deposits.

The Central Bank of Republic of Turkey has launched to pay income on TL reserves since November 2014 and on USD reserves, reserve options and unrestricted deposits since May 2015.

##### 2. a) Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

None (December 31, 2016: None).

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### b) Table of positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	95	-	55	65.013
Swap Transactions	130	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>225</b>	<b>-</b>	<b>55</b>	<b>65.013</b>

### 3. a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic <sup>(*)</sup>	706.186	259.348	656.410	1.230.805
Abroad	-	545.873	-	270.962
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>706.186</b>	<b>805.221</b>	<b>656.410</b>	<b>1.501.767</b>

<sup>(\*)</sup> Includes blockaged amount TL 622.752 (December 31, 2016: TL 610.730) booked under TL accounts arising from POS transactions.

### b) Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted amount	Restricted amount	Unrestricted amount	Restricted amount
European Union Countries	215.353	-	117.081	-
USA and Canada	121.241	-	85.415	-
OECD Countries <sup>(*)</sup>	9.056	-	6.656	-
Off-shore banking regions	19.572	-	3.367	-
Other <sup>(**)</sup>	170.196	10.455	58.443	-
<b>Total</b>	<b>535.418</b>	<b>10.455</b>	<b>270.962</b>	<b>-</b>

<sup>(\*)</sup> OECD countries other than EU countries, USA and Canada.

<sup>(\*\*)</sup> Represents the balance amounts to TL 149.742 (December 31, 2016: TL 43.106) in Iraq Banks belonging to Parent Bank's foreign branch "Erbil".

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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#### 4. Information on financial assets available-for-sale:

##### a) Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked:

The Parent Bank does not have any sukuk investments with respect to money market transactions and subject to repurchase agreements (December 31, 2016: TL 292.937).

As of December 31, 2017, available for sale investments' nominal amount given as a guarantee or blocked is TL 1.252.731 (December 31, 2016: TL 223.346).

##### b) Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	1.356.360	1.343.681
Quoted on a stock exchange <sup>(*)</sup>	1.356.360	1.343.681
Unquoted	-	-
Share certificates	8.728	6.350
Quoted on a stock exchange	-	-
Unquoted	8.728	6.350
Impairment provision (-)	7.683	7.170
<b>Total</b>	<b>1.357.405</b>	<b>1.342.861</b>

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

#### 5. Information on loans and receivables:

##### a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	133.994	7.593	272	62.130
Corporate shareholders	133.664	7.243	-	61.780
Real person shareholders	330	350	272	350
Indirect loans granted to shareholders	118.658	22.039	35.550	24.249
Loans granted to employees	12.548	2	8.905	28
<b>Total</b>	<b>265.200</b>	<b>29.634</b>	<b>44.727</b>	<b>86.407</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

b) Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables:

Cash loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Restructured or rescheduled		Loans and other receivables (Total)	Restructured or rescheduled	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Loans</b>	<b>23.029.443</b>	<b>469.344</b>	<b>33.672</b>	<b>913.766</b>	<b>252.361</b>	<b>16.649</b>
Export loans	946.953	22.861	-	10.655	-	-
Import loans	1.749.578	24.857	25	3.623	598	-
Business loans	12.084.833	371.776	17.916	664.272	132.896	12.223
Consumer loans	3.114.308	11.613	9.917	66.049	8.348	3.557
Credit cards	253.695	-	-	2.383	-	-
Loans given to financial sector	145.426	-	-	-	-	-
Other <sup>(*)</sup>	4.734.650	38.237	5.814	166.784	110.519	869
<b>Other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>23.029.443</b>	<b>469.344</b>	<b>33.672</b>	<b>913.766</b>	<b>252.361</b>	<b>16.649</b>

(\*) Details of other loans are provided below:

Commercial loans with installments	1.941.518
Other investment credits	763.078
Loans given to abroad	761.586
Profit and loss sharing investments <sup>(**)</sup>	1.052.340
Loans for purchase of marketable securities for customer	375.627
Other	7.285
<b>Total</b>	<b>4.901.434</b>

(\*\*) As of December 31, 2017, the related balance represents profit and loss sharing investment projects (10 projects) which are real estate development projects in various regions of Istanbul and Ankara. Revenue sharing of profit and loss sharing investment projects is done within the framework of the signed contract between the Parent Bank and the counterparty after the cost of the projects is clarified and net profit of projects is determined once the project/stages of the project are completed. In case the transaction subject to the profit and loss sharing investment project results in a loss, the Parent Bank's share of loss is limited with the funds invested in the project by the Parent Bank. In the current period the Parent Bank recognized TL 233.165 (December 31, 2016: TL 63.818) income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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	Extension of Repayment Plan	
	Standard loans and other receivables	Loans and other receivables under close monitoring
1 or 2 times	469.344	252.361
3, 4 or 5 times	-	-
Over 5 times	-	-
Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring
6 months	167.629	103.996
6 - 12 months	16.647	21.767
1 - 2 years	98.887	32.692
2 - 5 years	120.176	62.911
5 years and over	66.005	30.995

### c) Maturity analysis of 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
<b>Cash Loans</b>				
Short term loans and other receivables	3.914.147	1.754	176.234	56
Loans	3.914.147	1.754	176.234	56
Other receivables	-	-	-	-
Medium and long-term loans and other receivables (*)	18.612.280	501.262	468.522	268.954
Loans	18.612.280	501.262	468.522	268.954
Other receivables	-	-	-	-
<b>Total</b>	<b>22.526.427</b>	<b>503.016</b>	<b>644.756</b>	<b>269.010</b>

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

(\*\*) Includes extensions, reductions and other changes in payment plans.



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

ç) Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

	Short-term	Medium and long-term	Total
<b>Consumer loans-TL</b>	<b>48.674</b>	<b>3.123.746</b>	<b>3.172.420</b>
Housing loans	5.682	2.886.619	2.892.301
Vehicle loans	4.211	112.738	116.949
Consumer loans	38.781	124.389	163.170
Other	-	-	-
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	<b>476</b>	<b>101</b>	<b>577</b>
Housing loans	476	101	577
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	<b>75.643</b>	<b>-</b>	<b>75.643</b>
With installment	26.885	-	26.885
Without installment	48.758	-	48.758
<b>Retail credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	<b>5.422</b>	<b>1.938</b>	<b>7.360</b>
Housing loans	-	210	210
Vehicle loans	35	1.444	1.479
Consumer loans	5.387	284	5.671
Other	-	-	-
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>5.188</b>	<b>-</b>	<b>5.188</b>
With installment	2.285	-	2.285
Without installment	2.903	-	2.903
<b>Personnel credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL(real person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC(real person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>135.403</b>	<b>3.125.785</b>	<b>3.261.188</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

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

	Short-term	Medium and long-term	Total
<b>Commercial installment loans-TL</b>	<b>50.341</b>	<b>1.164.053</b>	<b>1.214.394</b>
Business loans	3.694	337.217	340.911
Vehicle loans	16.908	281.050	297.958
Consumer loans	29.739	545.786	575.525
Other	-	-	-
<b>Commercial installment loans-FC indexed</b>	<b>6.122</b>	<b>500.595</b>	<b>506.717</b>
Business loans	2.869	245.232	248.101
Vehicle loans	1.523	89.010	90.533
Consumer loans	1.730	166.353	168.083
Other	-	-	-
<b>Commercial installment Loans-FC</b>	<b>-</b>	<b>220.407</b>	<b>220.407</b>
Business loans	-	122.679	122.679
Vehicle loans	-	-	-
Consumer loans	-	97.728	97.728
Other	-	-	-
<b>Corporate credit cards-TL</b>	<b>175.247</b>	<b>-</b>	<b>175.247</b>
With installment	44.961	-	44.961
Without installment	130.286	-	130.286
<b>Corporate credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (legal entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (legal entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>231.710</b>	<b>1.885.055</b>	<b>2.116.765</b>

### e) Allocation of loans by customers:

	Current Period	Prior Period
Public	-	-
Private	23.943.209	21.315.626
<b>Total</b>	<b>23.943.209</b>	<b>21.315.626</b>

### f) Breakdown of domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	23.181.623	20.731.548
Foreign loans	761.586	584.078
<b>Total</b>	<b>23.943.209</b>	<b>21.315.626</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### g) Loans granted to subsidiaries and associates:

As of the balance sheet date, there are no cash loans granted to subsidiaries and associates.

### ğ) Specific provisions for loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	7.198	31.504
Loans and receivables with doubtful collectability	94.536	140.892
Uncollectible loans and receivables	582.484	387.789
<b>Total</b>	<b>684.218</b>	<b>560.185</b>

In addition to specific provision for loans amounting TL 684.218 (December 31, 2016: TL 560.185), provision amounting to TL 15.219 (December 31, 2016: TL 18.320) have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 699.437 (December 31, 2016: TL 578.505). Specific provision for loans amounting to TL 356.615 (December 31, 2016: TL 316.517) represents participation account share of specific provisions of loans provided from participation accounts.

### h) Information on non-performing loans and receivables (net):

#### h.1) Non-performing loans and receivables which are restructured or rescheduled:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period</b>			
<b>(Gross amount before specific provisions)</b>	<b>191</b>	<b>11.137</b>	<b>47.302</b>
Restructured loans and other receivables	191	11.137	47.302
Rescheduled loans and other receivables	-	-	-
<b>Prior period</b>			
<b>(Gross amounts before specific provisions)</b>	<b>464</b>	<b>3.973</b>	<b>10.726</b>
Restructured loans and other receivables	464	3.973	10.726
Rescheduled loans and other receivables	-	-	-

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### h.2) Movements of non-performing loans:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Closing balance of prior period	236.903	355.038	495.693
Additions in the current period (+)	547.618	69.963	69.094
Transfers from other categories of non-performing loans (+)	-	668.162	725.265
Transfers to other categories of non-performing loans (-)	668.162	725.265	-
Transfers to standard loans (-)	82	2.083	-
Collections in the current period (-)	46.971	95.054	118.389
Write offs (-)	1.040	5.018	308.281
Corporate and commercial loans	-	-	4.949
Retail loans	-	-	3
Credit cards	-	-	-
Other (*)	1.040	5.018	303.329
<b>Closing balance of the current period</b>	<b>68.266</b>	<b>265.743</b>	<b>863.382</b>
Specific provisions (-)	7.198	94.536	582.484
<b>Net balance at the balance sheet</b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>

(\*) The Parent Bank has assigned TL 309.387 from its non performing loan portfolio to the Asset Management companies.

Non-performing loans and receivables in the amount of TL 1.197.391 (December 31, 2016: TL 1.087.634) comprise TL 646.203 (December 31, 2016: TL 572.551) of participation account share of loans and receivables provided from participation accounts.

In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability amounting to TL 15.219 (December 31, 2016: TL 18.320).

### h.3) Non-performing loans and other receivables in foreign currencies:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period:</b>			
Period end balance	10.392	23.678	52.562
Specific provision (-)	1.005	11.038	24.859
<b>Net balance</b>	<b>9.387</b>	<b>12.640</b>	<b>27.703</b>
<b>Prior period:</b>			
Period end balance	62.883	1.885	20.518
Specific provision (-)	8.006	298	12.845
<b>Net balance</b>	<b>54.877</b>	<b>1.587</b>	<b>7.673</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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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 collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current period (net)<sup>(*)</sup></b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>
Loans to individuals and corporates (gross)	68.266	265.743	863.382
Specific provision (-)	7.198	94.536	582.484
<b>Loans to individuals and corporates (net)</b>	<b>61.068</b>	<b>171.207</b>	<b>280.898</b>
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (net)<sup>(*)</sup></b>	<b>205.399</b>	<b>214.146</b>	<b>107.904</b>
Loans to individuals and corporates (gross)	236.903	355.038	495.588
Specific provision (-)	31.504	140.892	387.684
<b>Loans to individuals and corporates (net)</b>	<b>205.399</b>	<b>214.146</b>	<b>107.904</b>
Banks (gross)	-	-	105
Specific provision (-)	-	-	105
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) In addition to non-performing loans and other receivables included in the above table, there are fees, commissions and other receivables with doubtful collectability and their full specific provision both amounting to TL 15.219 (December 31, 2016: TL 18.320).

#### 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 Parent Bank for receivables under follow up is to retire the receivables from assets in case of determination of the inability of collection through follow-up by the decision of the Parent Bank management.

Loans and other receivables amount to TL 309.387, which have been deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette numbered 26333 dated November 01, 2006 have been assigned to asset management companies. TL 4.952 have been written off as per the decision of the Parent Bank management (December 31, 2016: TL 76).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 6. Information on held-to-maturity investments:

#### a) Information on held-to-maturity investments subject to repurchase transactions, given as a guarantee or blocked:

As of December 31, 2017, nominal value of held to maturity investments given as a guarantee/blocked is TL 503.500. The Parent Bank does not have any held to maturity investments subject to repurchase transactions (December 31, 2016: The Parent Bank does not have any held to maturity investments given as a guarantee/blocked. Nominal value of held to maturity investments subject to repurchase agreements is TL 188.888).

#### b) Information related to government securities held to maturity:

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities <sup>(*)</sup>	532.803	668.582
<b>Total</b>	<b>532.803</b>	<b>668.582</b>

<sup>(\*)</sup> Consists of Sukuk certificates issued by Under Secretariat of Treasury of Turkey.

#### c) Information on held-to-maturity investments:

	Current Period	Prior Period
Debt Securities	532.803	668.582
Quoted on a stock exchange <sup>(*)</sup>	532.803	668.582
Unquoted	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>532.803</b>	<b>668.582</b>

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

#### ç) Movement of held-to-maturity investments:

	Current Period	Prior Period
Balance at beginning of period	668.582	762.890
Foreign currency differences on monetary assets	-	-
Purchases during period	244.500	259.396
Disposals through sales and redemptions	(419.226)	(383.880)
Impairment provision (-)	-	-
Income accruals	38.947	30.176
<b>Closing balance</b>	<b>532.803</b>	<b>668.582</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 7. Associates (net):

#### a) Information on unconsolidated associates:

Since the Parent Bank does not have the necessary shareholding percentage to become a qualified shareholder and significant influence over this associate, it has not been consolidated.

Name	Address (City/ Country)	Parent Bank's share percentage- If different voting percentage (%)	Parent Bank's risk group share percentage (%)
Kredi Garanti Fonu A.Ş.	Ankara/Turkey	1,54	-

The balances of Kredi Garanti Fonu A.Ş. presented in the table below have been obtained from the audited financial statements as of December 31, 2016.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
296.098	268.121	7.898	-	-	372	(12.443)	-

#### b) Information on consolidated associates:

As of balance sheet date, the Group does not have any consolidated associates.

### 8. Information on subsidiaries (net):

#### a) Information on unconsolidated subsidiaries:

As of balance sheet date, the Group does not have any unconsolidated subsidiary.

#### b) Information on consolidated subsidiaries:

i) Bereket Varlık Kiralama A.Ş. which is subject to consolidation by the Parent Bank founded on October 14, 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 April 1, 2010 and numbered 27539 serial: 3 no:43 published in Official Gazette by Capital Markets Board of Turkey and other related regulations, upon BRSA's opinion dated September 22, 2011, numbered B.02,1.BDK.0.13.00.0-91.11-20564 and permission of Capital Markets Board of Turkey dated October 6, 2011 numbered 32/923. The founding capital of the Company is TL 50. As of December 31, 2017 the capital of the Company is TL 400. Bereket Varlık Kiralama A.Ş. is consolidated using full consolidation method as of December 31, 2017.

The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from audited financial statements as of December 31, 2017.

Name	Address (City/ Country)	Parent Bank's share percentage- If different voting percentage (%)	Risk share percentage of other shareholders (%)
Bereket Varlık Kiralama A.Ş.	Istanbul/Turkey	100,00	-

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

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
1.780.852	421	3	-	-	230	(209)	-

ii) In the Board of Directors meeting dated February 25, 2015, the Parent Bank has taken a resolution on establishment a real estate portfolio management company with the name of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş." whose capital is TL 5.000. The company is registered on June 3, 2015 and the foundation of the company is published on Trade Registry Gazette dated June 9, 2015 numbered 8837. The title of the company was changed to "Albaraka Portföy Yönetimi A.Ş." upon the decision of "2018 Extraordinary General Assembly" dated December 20, 2017. Albaraka Portföy Yönetimi A.Ş. is consolidated using full consolidation method as of December 31, 2017.

The balances of Albaraka Portföy Yönetimi A.Ş. presented in the table below have been obtained from audited financial statements as of December 31, 2017.

Name	Address (City/Country)	Parent Bank's share percentage- If different voting percentage (%)	Risk share percentage of other shareholders (%)
Albaraka Portföy Yönetimi A.Ş.	Istanbul/Turkey	100,00	-

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair value
10.337	9.614	3	355	177	5.358	(744)	-

iii) Movement and Sectoral Information on consolidated subsidiaries:

	Current Period	Prior Period
Amount at the beginning of the period	5.400	5.250
Movements inside the term	-	-
Purchases/new incorporations/capital increases	-	150
Bonus shares	-	-
Profit received from current year share	-	-
Sales	-	-
Revaluation increases	-	-
Impairments	-	-
Amount at the end of the period	5.400	5.400
Capital commitments	-	-
<b>Share of the capital at the end of the period (%)</b>	<b>100,00</b>	<b>100,00</b>

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	-	-
Other Financial Subsidiaries	5.400	5.400



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 9. Information on investments in joint-ventures:

#### a) Information on unconsolidated investments in joint-ventures:

The Group does not have unconsolidated investments in joint-ventures as of the balance sheet date.

#### b) Information on consolidated investments in joint-ventures:

The Parent Bank has founded Katılım Emeklilik ve Hayat A.Ş. ("Company") – a private pension and insurance company – through equal partnership with Kuveyt Turk Katılım Bankası A.Ş. in the form of joint venture in accordance with Board of Directors' decision dated May 10, 2013 numbered 1186, and permission of BRSA dated September 24, 2013 numbered 4389041421.91.11-24049. The Company is registered on December 17, 2013 and noticed in Trade registry gazette dated December 23, 2013 and numbered 8470. As of December 31, 2017, Katılım Emeklilik ve Hayat A.Ş. has been consolidated by the Parent Bank using equity method. The financial data from audited financial statements as of December 31, 2017 are below.

Joint-Ventures	The Parent Bank's shareholding percentage (%)	Group's shareholding percentage (%)	Current Assets	Non-Current Assets	Long Term Debts	Income	Expense
Katılım Emeklilik ve Hayat A.Ş.	50,00	50,00	79.802	1.055.496	1.064.760	69.337	61.129

#### c. Information on consolidated real estate investment funds:

"Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" have been fully consolidated by the Parent Bank as of December 31, 2017. Information on audited financial statements of the related funds is as follows:

Real Estate Investment Funds	Share of Parent Bank (%)	Share of Group (%)	Net Investment Amount (TL)	Income	Expenses	Net Profit/ (Loss)
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu	100,00	100,00	395.000	41.630	18.712	22.918
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu	100,00	100,00	390.000	21.545	4.697	16.848
Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu	52,275	52,275	295.000	44.521	12.551	31.970

### 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	302.955	255.990	377.436	300.158
1 to 4 years	491.302	469.172	489.465	453.402
More than 4 years	13.283	11.919	129.305	125.419
<b>Total</b>	<b>807.540</b>	<b>737.081</b>	<b>996.206</b>	<b>878.979</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### b) Information on net investments through finance lease:

	Current Period	Prior Period
Financial lease receivables (Gross)	807.540	996.206
Unearned financial lease receivable (-)	70.459	117.227
<b>Net receivable from financial leases</b>	<b>737.081</b>	<b>878.979</b>

### c) General explanation on finance lease contracts:

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements. Information on leasing receivables:

	Standard loans and Other receivables		Loans and other receivables under close monitoring			
	Loans and other receivables (Total)	Restructured or rescheduled	Loans and other receivables (Total)	Restructured or rescheduled		
		Extension of Repayment Plan	Other	Extension of Repayment Plan	Other	
Financial lease receivables (Net)	674.383	119.219	17	62.698	5.212	4.544

### 11. Information on derivative financial assets for hedging purposes:

None (December 31, 2016: None).

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 12. Information on tangible assets:

Current period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
<b>Cost</b>						
<b>Opening balance: January 1, 2017</b>	<b>395.798</b>	<b>-</b>	<b>970</b>	<b>229.434</b>	<b>82.088</b>	<b>708.290</b>
Additions	3.288	-	62	17.929	18	21.297
Revaluation differences	31.993	-	-	-	-	31.993
Disposals	(10.250)	-	(224)	(1.796)	(15.512)	(27.782)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	-	-
Transfers	-	-	-	-	78.680	78.680
<b>Ending balance: December 31, 2017</b>	<b>420.829</b>	<b>-</b>	<b>808</b>	<b>245.567</b>	<b>145.274</b>	<b>812.478</b>
<b>Accumulated depreciation(-)</b>						
<b>Opening balance: January 1, 2017</b>	<b>38.971</b>	<b>-</b>	<b>811</b>	<b>147.845</b>	<b>3.529</b>	<b>191.156</b>
Depreciation expense	8.995	-	54	28.549	-	37.598
Reversal of depreciation of the disposed assets	(1.728)	-	(212)	(3.675)	(329)	(5.944)
Transfers	-	-	-	-	-	-
<b>Ending balance: December 31, 2017</b>	<b>46.238</b>	<b>-</b>	<b>653</b>	<b>172.719</b>	<b>3.200</b>	<b>222.810</b>
<b>Total cost at the end of the year</b>	<b>420.829</b>	<b>-</b>	<b>808</b>	<b>245.567</b>	<b>145.274</b>	<b>812.478</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(46.238)</b>	<b>-</b>	<b>(653)</b>	<b>(172.719)</b>	<b>(3.200)</b>	<b>(222.810)</b>
<b>Closing net book value</b>	<b>374.591</b>	<b>-</b>	<b>155</b>	<b>72.848</b>	<b>142.074</b>	<b>589.668</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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Prior period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
<b>Cost</b>						
<b>Opening balance: January 1, 2016</b>	<b>364.021</b>	<b>-</b>	<b>1.647</b>	<b>215.973</b>	<b>73.963</b>	<b>655.604</b>
Additions	2.552	-	126	14.820	-	17.498
Revaluation differences	34.580	-	-	-	-	34.580
Disposals	(5.355)	-	(803)	(1.359)	(7.224)	(14.741)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	(3.804)	(3.804)
Transfers	-	-	-	-	19.153	19.153
<b>Ending balance: December 31, 2016</b>	<b>395.798</b>	<b>-</b>	<b>970</b>	<b>229.434</b>	<b>82.088</b>	<b>708.290</b>
<b>Accumulated depreciation(-)</b>						
<b>Opening balance: January 1, 2016</b>	<b>32.687</b>	<b>-</b>	<b>899</b>	<b>118.344</b>	<b>2.535</b>	<b>154.465</b>
Depreciation expense	7.523	-	70	29.501	1.593	38.687
Reversal of depreciation of the disposed assets	(1.239)	-	(158)	-	(599)	(1.996)
Transfers	-	-	-	-	-	-
<b>Ending balance: December 31, 2016</b>	<b>38.971</b>	<b>-</b>	<b>811</b>	<b>147.845</b>	<b>3.529</b>	<b>191.156</b>
<b>Total cost at the end of the year</b>	<b>395.798</b>	<b>-</b>	<b>970</b>	<b>229.434</b>	<b>82.088</b>	<b>708.290</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(38.971)</b>	<b>-</b>	<b>(811)</b>	<b>(147.845)</b>	<b>(3.529)</b>	<b>(191.156)</b>
<b>Closing net book value</b>	<b>356.827</b>	<b>-</b>	<b>159</b>	<b>81.589</b>	<b>78.559</b>	<b>517.134</b>

As of December 31, 2017, the immovables of the Parent Bank have been revalued by an independent valuer and revaluation fund of TL 238.121 (December 31, 2016: TL 211.642) net of deferred tax and depreciation has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 115.278 (December 31, 2016: TL 110.342) if revaluation method had not been adopted.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 13. Information on intangible assets:

#### a) Opening and ending book values and accumulated depreciation balances:

	Current Period	Prior Period
Cost	124.749	101.702
Accumulated depreciation (-)	96.270	66.232
<b>Total (net)</b>	<b>28.479</b>	<b>35.470</b>

#### b) Intangible assets movement between the beginning and end of the period:

	Current Period	Prior Period
Opening balance	35.470	44.283
Additions	16.256	14.990
Disposals (-) (net)	-	-
Depreciation expense (-)	23.247	23.803
<b>Closing net book value</b>	<b>28.479</b>	<b>35.470</b>

### 14. Information on investment property:

	Current Period		Prior Period	
	TL	FC	TL	FC
Investment properties <sup>(1)</sup>	1.072.540	-	-	-
<b>Total</b>	<b>1.072.540</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Includes investment properties of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu".

### 15. Information related to deferred tax asset:

As of December 31, 2017, the Group calculated net deferred tax asset of TL 52.589 (December 31, 2016: TL 20.044) by netting off deferred tax asset of TL 85.798 (December 31, 2016: TL 52.524) and deferred tax liability of TL 33.209 (December 31, 2016: TL 32.480) on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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	Current Period	Prior Period
Rediscount on profit share and prepaid fees and commission income and unearned revenues	40.816	37.806
Provisions for retirement premium and vacation pay liabilities	17.844	8.652
Difference between carrying value and tax base of tangible assets	4.920	3.013
Revaluation difference of available for sale	4.692	2.087
Derivative Financial Instruments	14.271	-
Provision for impairment	2.300	772
Other	955	194
<b>Deferred tax asset</b>	<b>85.798</b>	<b>52.524</b>
Revaluation difference of property	14.445	22.183
Trading securities valuation difference	-	8
Rediscount on profit share	15.487	7.662
Other	3.277	2.627
<b>Deferred tax liability</b>	<b>33.209</b>	<b>32.480</b>
<b>Deferred tax asset (net)</b>	<b>52.589</b>	<b>20.044</b>

### 16. Information on assets held for sale and assets of discontinued operations:

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans.

	Current Period	Prior Period
Opening balance	92.317	22.819
Additions	100.284	117.190
Disposals	(26.758)	(28.834)
Transfers <sup>(*)</sup>	(78.680)	(19.153)
Impairment provision(-)/Reversal of Impairment Provision	(2.933)	295
<b>Net closing balance</b>	<b>84.230</b>	<b>92.317</b>

<sup>(\*)</sup> The balance has been transferred from assets held for sale to assets to be sold.

As of December 31, 2017, TL 81.252 (December 31, 2016: TL 88.341) of the assets held for sale is comprised of real estates, TL 2.978 (December 31, 2016: TL 3.976) is comprised of other tangible assets.

The Group has not any discontinued operations and assets of discontinued operations (December 31, 2016: None).

### 17. Information on other assets:

As of the balance sheet date, the Group's other assets balance is TL 121.282 (December 31, 2016: TL 154.005) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### II. Explanations and notes related to consolidated 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
<b>I. Real Persons Current Accounts Non-Trade TL</b>	1.210.837	-	-	-	-	-	-	-	1.210.837
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	2.687.839	4.459.640	136.450	-	34.112	409.812	6.974	7.734.827
<b>III. Current Account other-TL</b>	1.984.397	-	-	-	-	-	-	-	1.984.397
Public Sector	18.088	-	-	-	-	-	-	-	18.088
Commercial Institutions	1.867.530	-	-	-	-	-	-	-	1.867.530
Other Institutions	93.305	-	-	-	-	-	-	-	93.305
Commercial and Other Institutions	3.956	-	-	-	-	-	-	-	3.956
Banks and Participation Banks	1.518	-	-	-	-	-	-	-	1.518
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	97	-	-	-	-	-	-	-	97
Foreign Banks	1.388	-	-	-	-	-	-	-	1.388
Participation Banks	33	-	-	-	-	-	-	-	33
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	333.186	1.783.083	42.977	-	7.375	54.191	26	2.220.838
Public Sector	-	149	-	-	-	-	-	-	149
Commercial Institutions	-	314.493	1.650.050	39.880	-	3.777	46.480	26	2.054.706
Other Institutions	-	18.517	131.518	3.097	-	3.598	6.047	-	162.777
Commercial and Other Institutions	-	27	1.011	-	-	-	1.664	-	2.702
Banks and Participation Banks	-	-	504	-	-	-	-	-	504
<b>V. Real Persons Current Accounts Non- Trade FC</b>	1.561.961	-	-	-	-	-	-	-	1.561.961
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	1.625.686	2.818.937	226.199	-	22.495	570.529	30	5.263.876
<b>VII. Other Current Accounts FC</b>	2.130.281	-	-	-	-	-	-	-	2.130.281
Residents in Turkey-Corporate	1.447.642	-	-	-	-	-	-	-	1.447.642
Residents Abroad-Corporate	120.901	-	-	-	-	-	-	-	120.901
Banks and Participation Banks	561.738	-	-	-	-	-	-	-	561.738
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	560.807	-	-	-	-	-	-	-	560.807
Participation Banks	931	-	-	-	-	-	-	-	931
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	-	826.424	1.254.293	110.653	-	53.276	11.734	-	2.256.380
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	230.375	735.810	6.128	-	43.587	11.716	-	1.027.616
Other institutions	-	1.873	27.682	25	-	-	-	-	29.580
Commercial and Other Institutions	-	153.935	182.180	-	-	570	18	-	336.703
Banks and Participation Banks	-	440.241	308.621	104.500	-	9.119	-	-	862.481
<b>IX. Precious Metals Deposits</b>	265.241	141.931	410.938	15.588	-	1.091	14.804	34	849.627
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	30.820	-	-	-	-	30.820
Residents in Turkey	-	-	-	30.820	-	-	-	-	30.820
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools – FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>7.152.717</b>	<b>5.615.066</b>	<b>10.726.891</b>	<b>562.687</b>	<b>-</b>	<b>118.349</b>	<b>1.061.070</b>	<b>7.064</b>	<b>25.243.844</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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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
<b>I. Real Persons Current Accounts Non-Trade TL</b>	<b>996.122</b>	-	-	-	-	-	-	-	<b>996.122</b>
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	<b>1.287.069</b>	<b>5.505.341</b>	<b>79.907</b>	-	<b>93.100</b>	<b>545.201</b>	<b>2.136</b>	<b>7.512.754</b>
<b>III. Current Account other-TL</b>	<b>1.670.386</b>	-	-	-	-	-	-	-	<b>1.670.386</b>
Public Sector	25.325	-	-	-	-	-	-	-	25.325
Commercial Institutions	1.591.494	-	-	-	-	-	-	-	1.591.494
Other Institutions	49.820	-	-	-	-	-	-	-	49.820
Commercial and Other Institutions	1.857	-	-	-	-	-	-	-	1.857
Banks and Participation Banks	1.890	-	-	-	-	-	-	-	1.890
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	13	-	-	-	-	-	-	-	13
Foreign Banks	1.866	-	-	-	-	-	-	-	1.866
Participation Banks	11	-	-	-	-	-	-	-	11
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	<b>266.653</b>	<b>2.027.700</b>	<b>27.837</b>	-	<b>15.105</b>	<b>36.263</b>	<b>37</b>	<b>2.373.595</b>
Public Sector	-	2.512	3	-	-	-	-	-	2.515
Commercial Institutions	-	254.779	1.848.641	15.773	-	13.411	33.044	37	2.165.685
Other Institutions	-	9.358	151.778	12.064	-	1.694	3.219	-	178.113
Commercial and Other Institutions	-	4	26.832	-	-	-	-	-	26.836
Banks and Participation Banks	-	-	446	-	-	-	-	-	446
<b>V. Real Persons Current Accounts Non- Trade FC</b>	<b>888.794</b>	-	-	-	-	-	-	-	<b>888.794</b>
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	<b>712.667</b>	<b>2.864.441</b>	<b>92.024</b>	-	<b>159.176</b>	<b>575.077</b>	-	<b>4.403.385</b>
<b>VII. Other Current Accounts FC</b>	<b>1.685.795</b>	-	-	-	-	-	-	-	<b>1.685.795</b>
Residents in Turkey-Corporate	922.978	-	-	-	-	-	-	-	922.978
Residents abroad-Corporate	86.906	-	-	-	-	-	-	-	86.906
Banks and Participation Banks	675.911	-	-	-	-	-	-	-	675.911
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	583.218	-	-	-	-	-	-	-	583.218
Participation Banks	92.693	-	-	-	-	-	-	-	92.693
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other- FC</b>	-	<b>612.934</b>	<b>1.942.665</b>	<b>256.436</b>	-	<b>60.743</b>	<b>147.506</b>	-	<b>3.020.284</b>
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Institutions	-	215.473	936.309	107.745	-	59.170	8.315	-	1.327.012
Other Institutions	-	2.749	127.976	-	-	18	-	-	130.743
Commercial and Other Institutions	-	24.224	279.641	-	-	1.555	137.340	-	442.760
Banks and Participation Banks	-	370.488	598.739	148.691	-	-	1.851	-	1.119.769
<b>IX. Precious Metals Deposits</b>	<b>189.821</b>	<b>68.938</b>	<b>323.920</b>	<b>4.833</b>	-	<b>4.696</b>	<b>7.525</b>	-	<b>599.733</b>
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools – FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>5.430.918</b>	<b>2.948.261</b>	<b>12.664.067</b>	<b>461.037</b>	-	<b>332.820</b>	<b>1.311.572</b>	<b>2.173</b>	<b>23.150.848</b>



# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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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 under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarantee of Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions				
Turkish Lira accounts	4.723.871	4.644.005	4.251.791	3.864.868
Foreign currency accounts	2.023.522	1.563.947	5.546.939	4.259.604
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law Numbered 5411.

#### b.2) Funds collected which are not under the guarantee of insurance fund:

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	13.179	26.805
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	9.787	10.556
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated September 26, 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:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	76	-	88	-
Swap transactions	-	6.342	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>76</b>	<b>6.342</b>	<b>88</b>	<b>-</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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### 3. Information on borrowings:

The Parent Bank has obtained Syndicated Murabaha Loans from international markets amounting to USD 314.000.000 with maturity of more than one year (December 31, 2016: More than one-year maturity: USD 458.500.000 and EUR 56.250.000).

As of December 31, 2017, the Parent Bank has wakala borrowings in accordance with investment purpose wakala contracts from banks in the amounts of USD 197.595.236 and EUR 232.150.880 (December 31, 2016: USD 84.171.095 and EUR 132.496.602).

#### 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	26.815	295.054	3.937	282.495
Loans from foreign banks, institutions and funds	314.258	2.994.481	-	2.731.187
<b>Total</b>	<b>341.073</b>	<b>3.289.535</b>	<b>3.937</b>	<b>3.013.682</b>

#### b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	183.777	1.803.899	3.937	996.686
Medium and Long-Term	157.296	1.485.636	-	2.016.996
<b>Total</b>	<b>341.073</b>	<b>3.289.535</b>	<b>3.937</b>	<b>3.013.682</b>

#### c) Additional disclosures on concentration areas of The Parent Bank's liabilities:

The Parent Bank does not have concentration on customer or sector group providing funds.

### 4. Information on securities issued:

The table below represents the sukuk issued by the parent bank through its subsidiary Bereket Varlık Kiralama A.Ş. to collect funds from various investors:

Issue Date	Amount <sup>(*)</sup>	FC	Maturity	Profit Share % (Yearly)	Profit Share % (92/175/178 days)
June 30, 2014	350.000.000	USD	5 Years	6,25	
September 26, 2017	150.000.000	TL	178 Days		5,85
November 16, 2017	150.000.000	TL	92 Days		3,10
December 19, 2017	150.000.000	TL	175 Days		6,02

(\*) Represented in full amount

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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### a) Breakdown of sukuk issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Sukuk issued	450.962	1.281.425	175.695	1.190.788
<b>Total</b>	<b>450.962</b>	<b>1.281.425</b>	<b>175.695</b>	<b>1.190.788</b>

### 5. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total:

None (December 31, 2016: None).

### 6. Lease payables:

#### a) Information on finance lease transactions:

##### a.1) Information on financial lease agreements:

The Group has not any obligation from finance lease operations as of balance sheet date.

##### a.2) Explanations on the changes in agreements and new obligations originating from these changes:

None.

##### a.3) Explanations on the obligations originating from finance leases:

None.

#### b) Explanations on operational leases:

The Parent Bank has rented some branches, warehouses, storage and some of the administrative vehicles through operational lease agreements. The Parent Bank does not have any overdue liabilities arising on the existing operational lease agreements.

The rent payments resulting from the operational leases which the Parent Bank will pay in future periods are as follows:

	Current Period	Prior Period
Less than a year	53.352	44.067
1 to 4 years	145.089	118.697
Over 4 years	120.905	104.791
<b>Total</b>	<b>319.346</b>	<b>267.555</b>

### 7. Information on hedging derivative financial liabilities:

None (December 31, 2016: None).

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### 8. Information on provisions:

#### a) Information on general provisions:

	Current Period	Prior Period
<b>General provisions</b>	<b>142.420</b>	<b>136.263</b>
<b>I. Group loans and receivables (Total)</b>	<b>116.470</b>	<b>107.707</b>
Participation Accounts' Share	63.406	64.059
Bank's Share	53.064	43.648
Others	-	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group I</b>	<b>8.069</b>	<b>3.821</b>
Participation Accounts' Share	3.327	2.295
Bank's Share	4.742	1.526
Others	-	-
<b>II. Group loans and receivables (Total)</b>	<b>14.242</b>	<b>17.086</b>
Participation Accounts' Share	7.184	11.248
Bank's Share	7.058	5.838
Others	-	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group II</b>	<b>5.223</b>	<b>3.104</b>
Participation Accounts' Share	2.409	1.422
Bank's Share	2.814	1.682
Others	-	-
<b>Non-cash loans</b>	<b>11.708</b>	<b>11.470</b>
<b>Others</b>	<b>-</b>	<b>-</b>

#### b) Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2017, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 14.130 (December 31, 2016: TL 1.449) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

#### c) Information on specific provisions for non-cash loans that are not indemnified:

As of December 31, 2017, the Parent Bank has provided specific provisions amounting to TL 29.905 (December 31, 2016: TL 37.036) for non-cash loans that are not indemnified.

#### ç) Other provisions:

##### ç.1) Information on provisions for cases on trial:

	Current Period	Prior Period
Provisions for cases on trial	2.264	14
<b>Total</b>	<b>2.264</b>	<b>14</b>

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### ç.2) Information on nature and amount of other provisions exceeding 10% of total provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing accounts <sup>(*)</sup>	-	15.884
Provision for unindemnified letter of guarantees	19.479	27.822
Payment commitments for cheques	10.426	9.214
Provision for promotions related with credit cards and promotion of banking services	205	172
Provisions for cases on trial	2.264	14
Financial assets at fair value through profit and loss	232	3
Other	687	1.217
<b>Total</b>	<b>33.293</b>	<b>54.326</b>

<sup>(\*)</sup> Represents participation accounts' portion of specific provisions, general provisions and Saving Deposits Insurance Fund premiums provided in accordance with the article 14 of Communiqué "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans".

### d) Information on provisions for employee rights:

The Group's Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 50.664 (December 31, 2016: TL 35.947), vacation pay liability amounting to TL 8.488 (December 31, 2016: TL 7.338) totaling to TL 59.152 (December 31, 2016: TL 43.285). Moreover, provisions for performance premium has been allocated amounting to TL 30.000 (December 31, 2016: None). The Group has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	11,70	11,60
Estimated increase rate of salary ceiling (%)	8,50	7,50

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	35.947	30.241
Change in the period	10.752	8.304
Actuarial (gain)/loss	8.928	2.833
Paid during the period	(4.963)	(5.431)
<b>Balance at the end of the period</b>	<b>50.664</b>	<b>35.947</b>

### 9. Information on taxes payable:

#### a) Explanations on current tax liability:

##### a.1) Explanations on tax provisions:

As of December 31, 2017, the Group's corporate tax payable is TL 46.455 after offsetting prepaid corporate tax (December 31, 2016: TL 7.091).

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### a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	46.455	7.091
Banking insurance transaction tax	16.087	16.364
Taxation on securities income	12.769	11.162
Value added tax payable	1.128	1.278
Taxation on real estate income	887	754
Foreign exchange transaction tax	-	-
Other	8.167	8.083
<b>Total</b>	<b>85.493</b>	<b>44.732</b>

### a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employee	3.719	3.103
Social security premiums-employer	4.015	3.346
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	263	219
Unemployment insurance-employer	525	438
Other	-	-
<b>Total</b>	<b>8.522</b>	<b>7.106</b>

### 10. Liabilities for assets held for sale and discontinued operations:

None (December 31, 2016: None).

### 11. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Domestic Banks	-	-	-	-
Loans from other Institutions	-	-	-	-
Loans from Foreign Banks	-	-	-	-
Loans from other Foreign Institutions	-	1.627.163	-	1.510.937
<b>Total</b>	<b>-</b>	<b>1.627.163</b>	<b>-</b>	<b>1.510.937</b>

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The Parent Bank obtained subordinated loan on May 7, 2013 from the investors not resident in Turkey through its structured entity ABT Sukuk Limited amounting to USD 200.000.000 with 10 years maturity with a grace period of five years. The profit rate of the subordinated loan with grace period of 5 years' with 10 years total maturity was determined as 7,75%.

The Parent Bank obtained subordinated loan on November 30, 2015 from the investors not resident in Turkey through its structured entity Albaraka Sukuk Limited amounting to USD 250.000.000 with 10 years maturity with a grace period of 5 years. The profit rate of the subordinated loan with grace period of 5 years with 10 years total maturity was determined as 10,5%. The Parent Bank has repurchased the sukuk issued in the amount of USD 24.000.000 and this amount is offset in available for sale assets and subordinated loans.

### 12. Information on shareholders' equity:

#### a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	900.000	900.000
Preferred stock	-	-

#### b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Parent Bank and if so, amount of the registered share capital ceiling:

In the Board of Directors meeting dated February 28, 2013, the Parent Bank has taken a resolution on transition to registered capital system. The application dated December 27, 2016 for the extension of the Registered Capital Ceiling to the Capital Markets Board was approved on January 10, 2017 and the registered capital ceiling was determined as TL 2.500.000 to be valid until December 31, 2021.

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.500.000

#### c) Information on the share capital increases during the period and their sources; other information on increased capital in the current period:

There is no capital increase in the current period.

#### ç) Information on share capital increases from capital reserves during the current period:

There is no share capital increase from capital reserves during the current period.

#### d) Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments:

There are no capital commitments till the end of the last fiscal year and following interim period.

#### e) Estimated effects on the shareholders equity of the Parent Bank, of predictions to be made by taking into account previous period indicators regarding the Parent Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Parent Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Parent Bank's shareholders' equity is invested in liquid and earning assets.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

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### f) Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

### g) Information on marketable securities valuation reserve:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference <sup>(*)</sup>	(18.727)	1.114	212	(8.556)
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>(18.727)</b>	<b>1.114</b>	<b>212</b>	<b>(8.556)</b>

<sup>(\*)</sup> The amount represents the net balance after deferred tax calculation.

### h) Information on minority interests:

As of December 31, 2017, the Group has minority interest amounts to TL 156.047 arising from the consolidation of "Albaraka Gayrimenkul Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu" (December 31, 2016: None).

## III. Explanations and notes related to consolidated off-balance sheet:

### 1. Consolidated explanations on off-balance sheet:

#### a) Type and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for credit card limits	528.560	475.270
Payment commitments for cheques	528.094	588.983
Asset purchase and sale commitments	381.062	13.399
Loan granting commitments	348.871	111.042
Tax and funds liabilities arising from export commitments	4.069	3.029
Commitments for promotions related with credit cards and banking activities	363	963
Other irrevocable commitments	441.333	38.475
<b>Total</b>	<b>2.232.352</b>	<b>1.231.161</b>



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b) Type and amount of possible losses and commitments arising from off-balance sheet items:

b.1) Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Letters of guarantees	7.024.344	7.809.811
Bank loans	21.824	20.711
Letters of credit	1.030.808	752.679
Other guaranties and sureties	55.648	117.992
<b>Total</b>	<b>8.132.624</b>	<b>8.701.193</b>

b.2) Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period	Prior Period
Letters of guarantees	7.024.344	7.809.811
Long standing letters of guarantees	4.441.424	4.845.313
Temporary letters of guarantees	229.023	240.046
Advance letters of guarantees	229.973	257.462
Letters of guarantees given to customs	238.333	229.514
Letters of guarantees given for obtaining cash loans	1.885.591	2.237.476
Sureties and similar transactions	55.648	117.992
<b>Total</b>	<b>7.079.992</b>	<b>7.927.803</b>

c) Within the non-cash loans

c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	1.885.591	2.237.476
With original maturity of 1 year or less	346.696	369.164
With original maturity of more than 1 year	1.538.895	1.868.312
Other non-cash loans	6.247.033	6.463.717
<b>Total</b>	<b>8.132.624</b>	<b>8.701.193</b>

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### c.2) Sectoral risk concentration of non-cash loans:

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>48.093</b>	<b>1,16</b>	<b>25.832</b>	<b>0,65</b>	<b>58.865</b>	<b>1,47</b>	<b>51.815</b>	<b>1,10</b>
Farming and stockbreeding	29.916	0,72	19.865	0,50	42.142	1,05	15.099	0,32
Forestry	16.977	0,41	5.967	0,15	16.289	0,41	28.643	0,61
Fishery	1.200	0,03	-	-	434	0,01	8.073	0,17
<b>Manufacturing</b>	<b>1.002.554</b>	<b>24,24</b>	<b>2.224.375</b>	<b>55,66</b>	<b>966.599</b>	<b>24,14</b>	<b>2.756.795</b>	<b>58,69</b>
Mining	19.474	0,47	17.856	0,45	27.815	0,69	101.604	2,16
Production	506.728	12,25	1.798.977	45,01	742.159	18,54	1.937.520	41,25
Electricity, gas and water	476.352	11,52	407.542	10,20	196.625	4,91	717.671	15,28
<b>Construction</b>	<b>1.370.455</b>	<b>33,13</b>	<b>499.958</b>	<b>12,51</b>	<b>1.237.368</b>	<b>30,90</b>	<b>618.243</b>	<b>13,16</b>
<b>Services</b>	<b>1.615.178</b>	<b>39,05</b>	<b>1.182.673</b>	<b>29,60</b>	<b>1.374.381</b>	<b>34,33</b>	<b>1.107.492</b>	<b>23,58</b>
Wholesale and retail trade	766.658	18,54	594.046	14,86	558.903	13,96	472.816	10,07
Hotel, food and beverage services	28.618	0,69	67.206	1,68	27.885	0,70	102.249	2,18
Transportation and telecommunication	77.651	1,88	108.913	2,73	66.772	1,67	113.148	2,41
Financial Institutions	48.832	1,18	232.100	5,81	24.247	0,61	78.803	1,68
Real estate and renting services	395.337	9,56	91.794	2,30	438.701	10,96	98.139	2,09
Self-employment services	126.499	3,06	51.682	1,29	83.412	2,08	220.644	4,70
Education services	35.345	0,85	346	0,01	29.779	0,74	1.792	0,04
Health and social services	136.238	3,29	36.586	0,92	144.682	3,61	19.901	0,41
<b>Other</b>	<b>100.185</b>	<b>2,42</b>	<b>63.321</b>	<b>1,58</b>	<b>366.665</b>	<b>9,16</b>	<b>162.970</b>	<b>3,47</b>
<b>Total</b>	<b>4.136.465</b>	<b>100,00</b>	<b>3.996.159</b>	<b>100,00</b>	<b>4.003.878</b>	<b>100,00</b>	<b>4.697.315</b>	<b>100,00</b>

### c.3) Information on the non-cash loans classified in Group I and Group II:

Current Period	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>4.040.156</b>	<b>3.883.488</b>	<b>63.239</b>	<b>95.041</b>
Letters of guarantee	4.027.185	2.788.179	63.239	95.041
Bank acceptances	-	21.824	-	-
Letters of credit	1.517	1.029.291	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	11.454	44.194	-	-

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Prior Period	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>3.892.986</b>	<b>4.445.491</b>	<b>70.902</b>	<b>213.354</b>
Letters of guarantee	3.881.125	3.568.248	70.902	211.076
Bank acceptances	-	20.711	-	-
Letters of credit	2.073	748.328	-	2.278
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	9.788	108.204	-	-

### 2. Explanations on derivative transactions:

	Derivative transactions according to purpose	
	December 31, 2017	December 31, 2016
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>1.079.733</b>	<b>1.018.952</b>
Currency Forwards-Purchases, sales	43.577	1.018.952
Currency Swaps-Purchases, sales	1.036.156	-
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Profit Share Rate Related Derivative Transactions (II)</b>	<b>-</b>	<b>-</b>
Profit share rates forwards-Purchase, sales	-	-
Profit share rates swaps-Purchases, sales	-	-
Profit share rates options-Purchases, sales	-	-
Profit share rates futures-Purchases, sales	-	-
<b>Other Trading Derivatives (III)</b>	<b>-</b>	<b>-</b>
<b>A. Total Trading Derivatives (I + II + III)</b>	<b>1.079.733</b>	<b>1.018.952</b>
<b>Hedging Derivatives</b>	<b>-</b>	<b>-</b>
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>1.079.733</b>	<b>1.018.952</b>

### 3. Explanations on contingent assets and liabilities:

The Parent Bank has made a provision amounting to TL 2.264 (December 31, 2016: TL 14), as presented under "Other Provisions" note in Section Five Note II.8.ç.1, for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Parent Bank, the Parent Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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#### 4. Explanations on services rendered on behalf of third parties:

The Group has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

#### IV. Explanations and notes related to consolidated statement of income:

##### 1. Information on profit share income:

##### a) Information on profit share income received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share received from loans<sup>(*)</sup></b>				
Short Term Loans	417.701	24.609	460.671	23.155
Medium and Long Term Loans	1.577.475	313.058	1.267.637	197.539
Profit Share on Non-Performing Loans	27.255	-	16.133	-
<b>Total</b>	<b>2.022.431</b>	<b>337.667</b>	<b>1.744.441</b>	<b>220.694</b>

(\*) Includes fees and commission income on cash loans.

##### b) Information on profit share income received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	4.019	28.528	6.902	11.909
Domestic Banks	-	1.362	-	779
Foreign Banks	-	-	-	31
Head Offices and Branches Abroad	-	-	-	-
<b>Total</b>	<b>4.019</b>	<b>29.890</b>	<b>6.902</b>	<b>12.719</b>

##### c) Information on profit share income received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets held for trading	1.115	349	-	5
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets available-for-sale	105.145	23.340	79.323	13.166
From held-to-maturity investments	62.612	-	65.176	-
<b>Total</b>	<b>168.872</b>	<b>23.689</b>	<b>144.499</b>	<b>13.171</b>

##### ç) Information on profit share income received from associates and subsidiaries:

None (December 31, 2016: None).

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 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	21.012	64.473	-	53.314
CBRT	-	-	-	-
Domestic banks	-	7.745	-	6.360
Foreign banks	21.012	56.728	-	46.954
Head offices and branches abroad	-	-	-	-
Other institutions	983	157.773	-	130.358
<b>Total</b>	<b>21.995</b>	<b>222.246</b>	<b>-</b>	<b>183.672</b>

#### b) Profit share expense paid to associates and subsidiaries:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share paid to investments in associates and subsidiaries	9	-	127	-
<b>Total</b>	<b>9</b>	<b>-</b>	<b>127</b>	<b>-</b>

#### c) Profit share expenses paid to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share expenses paid to marketable securities issued	32.687	76.846	2.656	77.679
<b>Total</b>	<b>32.687</b>	<b>76.846</b>	<b>2.656</b>	<b>77.679</b>

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### ç) Distribution of profit share expense on funds collected based on maturity of funds collected:

Current Period		Profit sharing accounts						Accumulated profit sharing account	Total
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year			
<b>TL</b>									
Funds collected from banks through current and profit sharing accounts	-	38	-	-	-	-	-	38	
Real persons' non-trading profit sharing accounts	197.303	381.652	13.696	-	4.261	42.233	446	639.591	
Public sector profit sharing accounts	4	-	-	-	-	-	-	4	
Commercial sector profit sharing accounts	31.870	150.603	6.126	-	535	3.340	-	192.474	
Other institutions profit sharing accounts	1.199	19.384	984	-	167	646	-	22.380	
<b>Total</b>	<b>230.376</b>	<b>551.677</b>	<b>20.806</b>	<b>-</b>	<b>4.963</b>	<b>46.219</b>	<b>446</b>	<b>854.487</b>	
<b>FC</b>									
Banks	5.253	7.864	2.436	-	165	43	-	15.761	
Real persons' non-trading profit sharing accounts	23.909	50.701	3.404	-	806	11.781	-	90.601	
Public sector profit sharing accounts	-	-	-	-	-	-	-	-	
Commercial sector profit sharing accounts	6.564	15.780	1.185	-	675	242	-	24.446	
Other institutions profit sharing accounts	1.069	5.121	1	-	16	3.024	-	9.231	
Precious metals deposits	854	4.401	149	-	20	206	-	5.630	
<b>Total</b>	<b>37.649</b>	<b>83.867</b>	<b>7.175</b>	<b>-</b>	<b>1.682</b>	<b>15.296</b>	<b>-</b>	<b>145.669</b>	
<b>Grand total</b>	<b>268.025</b>	<b>635.544</b>	<b>27.981</b>	<b>-</b>	<b>6.645</b>	<b>61.515</b>	<b>446</b>	<b>1.000.156</b>	
Prior Period		Profit sharing accounts						Accumulated profit sharing account	Total
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year			
<b>TL</b>									
Funds collected from banks through current and profit sharing accounts	-	938	-	-	-	-	-	938	
Real persons' non-trading profit sharing accounts	94.177	410.685	7.218	-	7.565	51.339	37	571.021	
Public sector profit sharing accounts	34	63	-	-	-	-	-	97	
Commercial sector profit sharing accounts	16.497	138.630	2.980	-	1.327	6.788	-	166.222	
Other institutions profit sharing accounts	1.102	19.958	984	-	136	158	-	22.338	
<b>Total</b>	<b>111.810</b>	<b>570.274</b>	<b>11.182</b>	<b>-</b>	<b>9.028</b>	<b>58.285</b>	<b>37</b>	<b>760.616</b>	
<b>FC</b>									
Banks	1.602	5.548	1.344	-	98	1	-	8.593	
Real persons' non-trading profit sharing accounts	10.897	43.795	1.535	-	2.882	11.397	-	70.506	
Public sector profit sharing accounts	-	-	-	-	-	-	-	-	
Commercial sector profit sharing accounts	2.466	15.401	303	-	801	179	-	19.150	
Other institutions profit sharing accounts	364	6.627	65	-	96	1.206	-	8.358	
Precious metals deposits	474	1.784	58	-	66	101	-	2.483	
<b>Total</b>	<b>15.803</b>	<b>73.155</b>	<b>3.305</b>	<b>-</b>	<b>3.943</b>	<b>12.884</b>	<b>-</b>	<b>109.090</b>	
<b>Grand total</b>	<b>127.613</b>	<b>643.429</b>	<b>14.487</b>	<b>-</b>	<b>12.971</b>	<b>71.169</b>	<b>37</b>	<b>869.706</b>	

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### 3. Information on dividend income:

None (December 31, 2016: None).

### 4. Explanations on trading income/loss (net):

	Current Period	Prior Period
<b>Income</b>	<b>6.647.461</b>	<b>7.412.267</b>
Income from capital market transactions	8.861	212
Income from derivative financial instruments	17.992	104.570
Foreign exchange income	6.620.608	7.307.485
<b>Loss (-)</b>	<b>6.647.127</b>	<b>7.367.128</b>
Loss on capital market transactions	859	12
Loss on derivative financial instruments	39.011	1.576
Foreign exchange losses	6.607.257	7.365.540
<b>Trading income/loss (net)</b>	<b>334</b>	<b>45.139</b>

### 5. Explanations related to other operating income:

	Current Period	Prior Period
Reversal of prior year provisions	73.460	98.473
Income from sale of assets	37.845	20.581
Reimbursement for communication expenses	5.380	4.334
Reimbursement of vacation pay expenses	-	-
Cheque book charges	1.315	1.316
Real estate revaluation income <sup>(*)</sup>	78.818	-
Real estate rental income <sup>(*)</sup>	9.661	-
Real estate sales profit <sup>(*)</sup>	8.702	-
Other income	9.419	16.924 <sup>(**)</sup>
<b>Total</b>	<b>224.600</b>	<b>141.628</b>

<sup>(\*)</sup> Represents the income from real estates' portfolio under real estate investment funds.

<sup>(\*\*)</sup> Visa Inc has purchased Visa Europe Ltd. on June 21, 2016. Following this transaction, TL 8.692 has been transferred to bank accounts and accounted as "Other Operating Income".

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 6. Provisions for loan losses and other receivables of the Parent Bank:

	Current Period	Prior Period
<b>Specific provisions for loans and other receivables</b>	<b>442.637</b>	<b>305.593</b>
Loans and receivables in III. Group	7.989	32.470
Loans and receivables in IV. Group	84.021	131.925
Loans and receivables in V. Group	339.310	129.671
Doubtful commission, fee and other receivables	11.317	11.527
<b>General provision expenses</b>	<b>15.416</b>	<b>17.856</b>
<b>Provision expenses for ongoing lawsuit</b>	<b>2.264</b>	<b>-</b>
<b>Impairment losses on marketable securities</b>	<b>441</b>	<b>154</b>
Financial assets at fair value through profit and loss	441	-
Financial assets available for sale	-	154
<b>Impairment losses on associates, subsidiaries, joint ventures and held to maturity investments</b>	<b>-</b>	<b>-</b>
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held to maturity investments	-	-
<b>Other<sup>(*)</sup></b>	<b>-</b>	<b>32.671</b>
<b>Total</b>	<b>460.758</b>	<b>356.274</b>

TL 173.161 (December 31, 2016: TL 139.990) of the total specific provisions provided for loan and other receivables amounting to TL 442.637 (December 31, 2016: TL 305.593) is the participation accounts portion of specific provision provided for loans and other receivables.

TL 2.896 (December 31, 2016: TL 17.683) participation accounts portion of general loan loss provision provided for loans and other receivables of the total general loan loss provisions amounts to TL 15.416 (December 31, 2016: TL 17.856).

(\*) Details of the "other" amount is as follows:

	Current Period	Prior Period
Specific provisions for non-cash loans that are not indemnified <sup>(*)</sup>	-	14.972
Provisions allocated from profit shares to be distributed to profit sharing accounts	-	17.455
Other	-	244
<b>Total</b>	<b>-</b>	<b>32.671</b>

(\*) Specific provisions (reversals) for non-cash loans that are not indemnified and Provisions (reversals) allocated from profit shares to be distributed to profit sharing accounts are represented net.



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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	444.841	417.031
Provision for retirement pay liability	5.789	2.873
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	37.598	38.687
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	23.247	23.803
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	255	2.264
Depreciation expenses of assets to be disposed	-	1.592
Impairment expenses of assets held for sale and assets of discontinued operations	2.988	55
Other operating expenses	174.789	157.173
<i>Operating lease expenses</i>	69.461	60.477
<i>Maintenance expenses</i>	12.374	12.213
<i>Advertisement expenses</i>	23.292	18.264
<i>Other expenses<sup>(*)</sup></i>	69.662	66.219
Loss on sale of assets	234	677
Other <sup>(**)</sup>	184.144	92.951
<b>Total</b>	<b>873.885</b>	<b>737.106</b>

(\*) "Other expenses" under other business expenses are provided as below:

	Current Period	Prior Period
Communication Expenses	13.622	11.439
Donations	5.718	10.604
Cleaning expenses	12.215	11.703
Heating, lighting and water expenses	7.497	6.643
Representation and Hosting expenses	6.316	5.282
Vehicle expenses	4.940	3.615
Lawsuit and court expenses	3.125	4.125
Movables Insurance Expenses	2.290	2.060
Stationery Expenses	2.615	2.128
Expense Share for Common Expenses	1.250	967
Other	10.074	7.653
<b>Total</b>	<b>69.662</b>	<b>66.219</b>

(\*\*) Details of "other" balance are provided as below:

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	Current Period	Prior Period
Saving Deposit Insurance Fund	39.372	36.192
Taxes, Duties, Charges and Funds	32.816	27.352
Bonus Reserve Expenses	30.000	-
Expertise and Information Expenses	10.761	13.099
Audit and Consultancy Fees	22.602	8.654
Vacation Pay Provision Expense	1.149	291
Title Deed Fees <sup>(*)</sup>	10.940	-
Fund Management Fees <sup>(*)</sup>	8.575	-
Shopping Mall Expenses <sup>(*)</sup>	7.692	-
Other	20.237	7.363
<b>Total</b>	<b>184.144</b>	<b>92.951</b>

<sup>(\*)</sup> Represents the expenses from real estates' portfolio under real estate investment funds.

### 8. Explanations on income/loss from continued operations before taxes:

As the Parent Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes.

The Parent Bank's income before tax increased by 19% compared to prior period and is realized as TL 317.204 (December 31, 2016: TL 265.918). Income before tax comprises net profit share income in the amount of TL 1.274.182 (December 31, 2016: TL 1.024.044) and fees and commission income in the amount of TL 148.457 (December 31, 2016: TL 145.935). Total other operating expenses amount to TL 873.885 (December 31, 2016: TL 737.106).

### 9. Explanations on tax provision for continued and discontinued operations:

Tax provision of the Parent Bank for continued operations:

	Current Period	Prior Period
Income before tax	317.204	265.918
Tax calculated with tax rate of 20%	63.442	53.184
Other additions and disallowable expenses	36.185	15.216
Deductions	(17.689)	(14.001)
Financial losses not considered in deferred tax calculation	(5.682)	(400)
Provision for current taxes	76.256	53.999
Provision for deferred taxes	(24.549)	(7.688)
Continuing Operations Tax Provision	51.707	46.311

Since the Group does not have any discontinued operations, there is no tax provision for discontinued operations.

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### 10. Explanations on net income/loss from continued and discontinued operations:

The Parent Bank has not discontinued operations. Net income for the period has been realized as TL 265.497 (December 31, 2016: TL 219.607) by deducting tax provision expense amounting to TL 51.707 (December 31, 2016: TL 46.311) from profit from continued operations amounting to TL 317.204 (December 31, 2016: TL 265.918).

### 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 Parent 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 shares:

	Current Period	Prior Period
Net profit/(loss) of minority shares	15.258	-

### 12. Components of other items which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement:

Other fees and commissions received	Current Period	Prior Period
Member firm-POS fees and commissions	34.916	37.212
Clearing room fees and commissions	22.048	18.604
Commissions on money orders	13.431	11.184
Appraisal fees	11.256	11.151
Insurance and brokerage commissions	11.173	9.569
Other	21.317	15.539

<b>Total</b>	<b>114.141</b>	<b>103.259</b>
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Other fees and commissions paid	Current Period	Prior Period
Funds borrowed fees and commissions	26.167	27.320
Credit cards fees and commissions	10.092	8.645
Member firm-POS fees and commissions	16.814	14.398
Fees and commissions for Swift, EFT and money orders	7.211	3.866
Other	7.783	7.629

<b>Total</b>	<b>68.067</b>	<b>61.858</b>
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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### V. Explanations and notes related to consolidated statement of changes in shareholders' equity:

- There is no declaration of dividends made subsequent to the balance sheet date, and prior to the announcement of the financial statements. Decision related to the dividend distribution will be taken in the General Assembly. General Assembly has not been held as of the date of finalization of the accompanying financial statements.
- "Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed of or impaired at which time they are transferred to the statement of income. TL 11.883 decrease has occurred after the revaluation of available-for-sale securities (December 31, 2016: TL 24.199 decrease).
- Revaluation funds related to tangible and intangible assets and foreign exchange differences arising from translation of tangible and intangible assets of foreign branch of the Parent Bank are accounted under equity in revaluation reserve on tangible assets and revaluation reserve on intangible assets.
- Foreign exchange differences arising from translation of income statement of foreign branch of the Parent Bank are accounted in other capital reserves amounts to TL 6.936 as increase. (December 31, 2016: TL 7.606 increase).

### VI. Consolidated explanations and notes related to the statement of cash flows:

#### 1) Components of cash and cash equivalents and accounting policy applied in their determination:

"Cash" is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.

#### (a). Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>1.917.036</b>	<b>1.895.062</b>
Cash in TL/foreign currency	271.404	408.213
Cash in transit	388.688	414.294
CBRT	1.256.944	1.072.555
<b>Cash equivalents</b>	<b>1.547.447</b>	<b>1.912.992</b>
Domestic banks	1.276.485	1.486.902
Foreign banks	270.962	426.090
<b>Total cash and cash equivalents</b>	<b>3.464.483</b>	<b>3.808.054</b>

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### (b). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>2.001.123</b>	<b>1.917.036</b>
Cash in TL/foreign currency	365.436	271.404
Cash in transit	863.141	388.688
CBRT	772.546	1.256.944
<b>Cash equivalents</b>	<b>888.600</b>	<b>1.547.447</b>
Domestic banks	342.727	1.276.485
Foreign banks	545.873	270.962
<b>Total cash and cash equivalents</b>	<b>2.889.723</b>	<b>3.464.483</b>

### 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 and blockaged amount arising from POS are not considered as cash and cash equivalent items.

### 3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents:

The "Others" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 134.944 (December 31, 2016: TL 645.303) mainly comprises other operating expenses excluding personnel expenses and amortization expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 564.421 (December 31, 2016: TL 202.852) 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 109.649 as of December 31, 2017 (December 31, 2016: TL 329.943).

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## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

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### VII. Explanations related to the risk group of the Parent Bank:

#### 1. Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

##### a) Current period:

Risk Group of the Parent Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (Business Partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of the period	-	-	35.550	24.249	714	28
Balance at the end of the period	-	-	118.658	22.039	106	-
<b>Profit share and commission income received</b>	-	-	<b>2.512</b>	<b>101</b>	<b>13</b>	-

##### b) Prior period:

Risk Group of the Parent Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (Business Partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of the period	-	-	47.906	65.512	41	28
Balance at end of period	-	-	35.550	24.249	714	28
<b>Profit share and commission income received</b>	-	-	<b>2.016</b>	<b>301</b>	<b>78</b>	-

<sup>(\*)</sup> Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

#### c.1) Information on current and profit sharing accounts of the Parent Bank's risk group:

Risk Group of the Parent Bank <sup>(*)</sup>	Investment in associates, subsidiaries and joint ventures (Business Partnerships)		Direct and indirect Shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and profit sharing accounts</b>						
Balance at the beginning of period	6.210	2.927	470.674	268.530	5.476	3.134
Balance at the end of period	7.677	6.210	602.289	470.674	4.801	5.476
<b>Profit share expense</b>	<b>195</b>	<b>137</b>	<b>11.562</b>	<b>4.810</b>	<b>104</b>	<b>153</b>

<sup>(\*)</sup> As of December 31, 2017 wakala borrowings obtained from risk group of the Parent Bank through investment purpose wakala contracts amount to USD 190.095.236 and EUR 153.550.880 (December 31, 2016: USD 79.171.095 and EUR 127.196.602). The profit share expense relating to such borrowings for the period between January 1, 2017 – December 31, 2017 is TL 14.951 (December 31, 2016: TL 8.563). The Parent Bank has issued Sukuk in the amounts of USD 350.000.000 and TL 450.000.000 through "Bereket Varlık Kiralama A.Ş." which exists in the risk group of the Parent Bank. The total expense for the related issue is TL 109.533 as of December 31, 2017 (December 31, 2016: TL 80.335).

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### c.2) Information on forward and option agreements and other similar agreements with related parties:

The Group does not have forward and option agreements with the risk group of the Parent Bank.

As of December 31, 2017, the Group has paid TL 11.496 (December 31, 2016: TL 20.672) to top management.

### VIII. Explanations related to domestic, foreign and off-shore branches or investments and foreign representative offices:

#### 1. Information on the domestic and foreign branches and representative offices of the Bank:

	Number	Number of Personnel			
Domestic Branches	219	3.882			
			Country		
Foreign Representation Office	-	-	-		
				Total Assets (Thousand TL)	Statutory Share Capital
Foreign Branches	1	17	Iraq	312.498	Iraq Dinar 20.626.185.357
Off-Shore Branches	-	-	-	-	-

#### 2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure:

The Parent Bank has opened 7 domestic branches in 2017.

### IX. Explanations related to subsequent events:

As per the decision of the Board of Directors dated December 22, 2017, the Parent Bank has decided to found a company called "Albaraka Kültür Sanat ve Yayıncılık A.Ş." whose capital is TL 3.540. The company has been recognized as subsidiary in January 2018 and the Parent Bank's share on it is 100%.

On February 20, 2018, the Parent Bank has realized Tier I sukuk quoted at Ireland stock exchange amount to USD 205 million having no fixed term.

# ALBARAKA TÜRK KATILIM BANKASI A.Ş.

## NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

(THOUSAND OF TURKISH LIRA (TL) UNLESS OTHERWISE STATED)

### SECTION SIX

#### Other explanations

##### I. Other issues that have significant effect on the balance sheet or that are ambiguous and/or open to interpretation and require clarification:

None.

### SECTION SEVEN

#### Independent Audit Report

##### I. Explanations on audit report:

The Group's consolidated financial statements as of and for the period ended December 31, 2017 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the audit report dated March 6, 2018 is presented at the beginning of the financial statements and related notes.

##### II. Other notes and explanations prepared by the independent auditors:

None.



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### Branches

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#### Ege Branch

Akdeniz Mah. Fezvipaşa Bulvarı No:51/31 Konak/İzmir  
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#### İstanbul Anatolian Branch

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#### İstanbul European 1 Branch

Büyükdere Cad. No:78-80 Akabe Ticaret Merkezi  
Kat:10 Mecidiyeköy - Şişli/İstanbul  
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#### İstanbul European 2 Branch

Göztepe Mah. Batışehir Cad. Batışehir Sit. K1 Blok No:  
2 İç Kapı No: 21-22 Bağcılar/İstanbul  
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#### Southern Anatolian Branch

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#### Central Anatolian Branch

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#### Black Sea Branch

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### İstanbul Branches

#### Akşemsettin/İstanbul Branch

Telsiz Mah. Seyit Nizam Cad. No:160/B Zeytinburnu/  
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Fax: (+90) 216 666 18 78

#### Alibeyköy Branch

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#### Altunizade Branch

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#### Anatolian Corporate Branch

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#### Arnavutköy Branch

Fatih Cad. Kadakal İş Merkezi No:15/B  
34276 Arnavutköy/İstanbul  
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#### Avcılar Branch

Merkez Mah. Reşitpaşa Cad. No:37/2B  
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#### European Corporate Branch

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Fax: (+90) 216 666 18 31

#### Bağcılar Branch

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#### Bahçelievler Branch

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#### Bahçelievler Soğanlı Branch

Soğanlı Mah. Mustafa Kemal Paşa Cad. No:176 B  
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#### Bakırköy Çarşı Branch

Sakızağacı Mah. İstanbul Cad. No:40/A  
Bakırköy/İstanbul  
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#### Balmumcu/İstanbul Branch

Gayrettepe Mah. Barbaros Bulvarı No: 157B D:7  
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### Basın Ekspres/İstanbul Branch

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### Başakşehir Branch

İkitelli OSB Mah. Tümsan 1. Kısım 3. Blok Sok.  
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### Bayrampaşa Branch

Yenidoğan Mah. Abdi İpekçi Cad. No:75 Bayrampaşa/  
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### Beşyüzevler Branch

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### Beyazıt Branch

Mimar Kemalettin Mah. Yeniçeriler Cad. No:59B  
Fatih/İstanbul  
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### Beylikdüzü Branch

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Perla Vista AVM No: C-73  
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### Beylikdüzü Organize Sanayi Branch

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### Bornova Branch

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### Büyükkçekmece Branch

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### Cennet Mahallesi/İstanbul Branch

Cennet Mah. Barbaros Cad. No:73/B  
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### Çağlayan Branch

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### Çakmak/İstanbul Branch

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## CONTACT

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### Çorlu Branch

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### Dudullu/İstanbul Branch

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### Esenyurt Branch

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### Eyüp Branch

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### Fatih Branch

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### Florya/İstanbul Branch

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### Gaziosmanpaşa Branch

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### Gelişim Üniversitesi Branch

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### Güneşli Branch

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### Güngören Branch

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### Hadımköy Branch

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### Hasanpaşa Branch

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### İkitelli Branch

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### İmes Branch

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### İncirli Branch

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### İstoç Branch

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### Kadıköy Branch

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### Karaköy Branch

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### Kartal Branch

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### Kavacık Branch

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### Kaynarca Branch

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### Kocamustafapaşa Branch

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### Kozyatağı Branch

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### Kurtköy Branch

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### Küçükbakkalköy Branch

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### Küçükköy Branch

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### Laleli Branch

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### Levent Sanayi Branch

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**Maltepe Branch**

Bağlarbaşı Mah. Bağdat Cad. No:418A Maltepe/  
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**Masko/İstanbul Branch**

İkitelli OSB Mah. Süleyman Demirel Bulvarı Esot  
Sanayi Sitesi Esot İş Merkezi No:6/1B Başakşehir/  
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**Maslak Branch**

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**Mecidiyeköy Branch**

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**Megacenter/İstanbul Branch**

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**Mercan/İstanbul Branch**

Mercan Mah. Tacirhane Sok. No:25/A Fatih/İstanbul  
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**Pendik E5 Branch**

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**Sahrayıcedit Branch**

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**Sancaktepe Branch**

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**Sefaköy Branch**

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**Sultanbeyli Branch**

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**Sultançiftliği Branch**

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**Sultanhamam Branch**

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**Şehremini/İstanbul Branch**

Şehremini Mah. Turgut Özal Millet Cad. No:163/A  
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**Şirinevler Branch**

Şirinevler Mah. Fetih Cad. No:19/A Şirinevler,  
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**Terazidere/İstanbul Branch**

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**Topçular Branch**

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**Topkapı/İstanbul Branch**

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**Trakya Corporate Branch**

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**Tuzla Sanayi/İstanbul Branch**

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**Ümraniye Branch**

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**Ümraniye Çarşı Branch**

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**Üsküdar Branch**

Mimar Sinan Mah. Hakimiyet-i Milliye Cad. Molla  
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**Yavuzselim Branch**

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**Yıldıztepe Bağcılar Branch**

Yıldıztepe Mah. Bağcılar Cad. No:102/B Bağcılar/  
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Fax: (+90) 216 666 89 16

**Zeytinburnu Branch**

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**Other Cities and Branches****Adana Branch**

İnönü Cad. No:85  
01060 Seyhan/Adana  
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**Adana Barkal Branch**

Turhan Cemal Beriker Bulvarı  
Adana İş Merkezi A-Blok No:25  
01100 Seyhan/Adana  
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Fax: (+90) 216 666 17 79

**Adana Çukurova Branch**

Mahfesiğmaz Mah. Turgut Özal Bulvarı No:131/A  
Çukurova/Adana  
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Fax: (+90) 216 666 18 61

**Adana Küçüksaat Branch**

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## CONTACT

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### Adapazarı Branch

Atatürk Bulvarı No:39 Adapazarı/Sakarya  
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Fax: (+90) 216 666 17 20

### Adıyaman Branch

Gölbashi Cad. Sıddık Efendi Pasajı No:13  
Merkez/Adıyaman  
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### Afyonkarahisar Branch

Marulcu Mah. Kadınana Cad. No:24/B Merkez/  
Afyonkarahisar  
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Fax: (+90) 216 666 17 62

### Aksaray Branch

Bankalar Cad. No:32  
Merkez/Aksaray  
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### Amasya Branch

Dere Mah. Mustafa Kemal Paşa Cad. No: 9 A B  
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Fax: (+90) 216 666 89 12

### Ankara Branch

Atatürk Bulvarı No:57/A  
06410 Sıhhiye Çankaya/Ankara  
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### Ankara Bakanlıklar Branch

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Ankara  
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Fax: (+90) 216 666 18 03

### Ankara Balgat Branch

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06520 Balgat, Çankaya/Ankara  
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Fax: (+90) 216 666 17 42

### Ankara Başkent Corporate Branch

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D:42-45  
Balgat - Çankaya/Ankara  
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Fax: (+90) 216 666 18 32

### Ankara Cebeci Branch

Demirlibahçe Mah. Talatpaşa Bulvarı No:173/B  
Mamak/Ankara  
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Fax: (+90) 216 666 18 64

### Ankara Çukurambar Branch

Kızılırmak Mah. Muhsin Yazıcıoğlu Cad. No:17/8  
Çukurambar Çankaya/Ankara  
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Fax: (+90) 216 666 18 91

### Ankara Etimesgut Branch

Kazım Karabekir Mah. İstasyon Cad. No:49/C-D  
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### Ankara Etlük Branch

Yunus Emre Cad. No:5/A-B  
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### Ankara İvedik Branch

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Melih Gökçek Bulvarı No:18/3  
06378 Yenimahalle/Ankara  
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Fax: (+90) 216 666 18 07

### Ankara Keçiören Branch

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### Ankara Ostim Branch

100. Yıl Bulvarı No:1  
06370 Ostim, Yenimahalle/Ankara  
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Fax: (+90) 216 666 17 31

### Ankara Pursaklar Branch

Merkez Mah. Yunus Emre Cad. No:15/A Pursaklar/  
Ankara  
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Fax: (+90) 216 666 18 73

### Ankara Sincan Branch

Ankara Cad. No:23/2  
06930 Sincan/Ankara  
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Fax: (+90) 216 666 17 64

### Ankara Siteler Branch

Karacakaya Cad. No:73/1  
06160 Siteler Altındağ/Ankara  
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Fax: (+90) 216 666 17 14

### Ankara Şaşmaz Branch

Bahçekapı Mah. Sanayi Bulvarı No: 16 C Şaşmaz,  
Etimesgut/Ankara  
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Fax: (+90) 216 666 18 06

### Ankara Turan Güneş Branch

Turan Güneş Bulvarı No:54/B  
06500 Çankaya/Ankara  
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### Ankara Ulus Branch

Anafartalar Cad. No:59  
06250 Ulus Altındağ/Ankara  
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### Ankara Ümitköy Branch

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### Antakya Branch

Haraparası Mah. Yavuz Sultan Selim Cad. No:13/A/1  
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### Antalya Branch

Milli Egemenlik Cad. No:36/E 07100 Muratpaşa/  
Antalya  
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### Antalya Alanya Branch

Kadıpaşa Mah. Şevket Tokuş Cad. No:59/C  
Alanya/Antalya  
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### Antalya Çallı Branch

Namık Kemal Bulvarı No:7  
Kepez/Antalya  
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### Antalya Konyaaltı Branch

Arapşuyu Mah. Atatürk Bulvarı  
M. Gökay Plaza A Blok No:23/C-D Konyaaltı/Antalya  
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Fax: (+90) 216 666 18 49

### Antalya Manavgat Branch

Bahçelievler Mah. Demokrasi Bulvarı No:40/A  
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### Aydın Branch

Cumhuriyet Mah. Cumhuriyet Cad. No:12/21 Efeler/  
Aydın  
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### Aydın Nazilli Branch

Altıntaş Mah. Türkocağı Cad. No:51/A Nazilli/Aydın  
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### Balıkesir Branch

Eskikuyumcular Mah. Atalar Cad. No:24/B Karesi/  
Balıkesir  
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**Bandırma Branch**

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**Batman Branch**

Şirinevler Mah. Atatürk Bulvarı No:54  
Merkez/BATMAN  
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**Bitlis Tatvan Branch**

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**Bolu Branch**

Büyük Cami Mah. İzzet Baysal Cad. No:85/B Merkez/  
Bolu  
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**Burdur Bucak Branch**

Yeni Mahalle Süleyman Demirel Bulvarı No:21/3-4  
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**Bursa Branch**

Reyhan Mah. Haşim İşcan Cad. No: 6 Osmangazi/  
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**Bursa Demirtaş Branch**

Yeni Yalova Yolu Cad. No:496 Demirtaş - Osmangazi/  
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**Bursa İnegöl Branch**

Kemalpaşa Mah. Atatürk Bulvarı No:12 İnegöl/Bursa  
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**Bursa Kestel Branch**

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**Bursa Nilüfer Branch**

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**Bursa Uludağ Branch**

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**Bursa Yeni yol Branch**

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**Çanakkale Branch**

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**Çankırı Branch**

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**Çorum Branch**

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Merkez/Çorum  
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Fax: (+90) 216 666 17 63

**Denizli Branch**

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20100 Merkezefendi/Denizli  
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**Denizli Sanayi Branch**

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Denizli  
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**Diyarbakır Branch**

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**Diyarbakır Kayapınar Branch**

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**Düzce Branch**

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**Edirne Branch**

Sabuni Mah. Çilingirler Cad. No: 17 Merkez/Edirne  
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**Elazığ Branch**

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**Erzincan Branch**

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Erzincan  
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**Erzurum Branch**

Orhan Şerifsoy Cad.  
Özlem İş Merkezi A-Blok No:2  
Yakutiye/Erzurum  
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Fax: (+90) 216 666 17 54

**Eskişehir Branch**

Cumhuriyet Mah. Sakarya – 1 Cad. No: 7/C Tepebaşı/  
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**Gaziantep Branch**

Suburcu Cad. No:4  
27400 Şahinbey/Gaziantep  
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**Gaziantep Gatem Branch**

Sanayi Mah. Erdoğan Ergönül Cad. No:41 Şehitkamil/  
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**Gaziantep Organize Sanayi Branch**

2. Organize Sanayi Bölgesi Celal Doğan Bulvarı No:71  
Şehitkamil/Gaziantep  
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**Gaziantep Şehitkamil Branch**

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27090 Şehitkamil/Gaziantep  
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**Giresun Branch**

Hacı Mikat Mah. Fatih Cad. No:28 Merkez/Giresun  
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**Hatay İskenderun Branch**

Mareşal Fevzi Çakmak Cad. No:4  
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**Isparta Branch**

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Merkez/Isparta  
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**İzmir Branch**

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**İzmir Çiğli Branch**

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**İzmir Işıkkent Branch**

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**İzmir Karabağlar Branch**

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### Karabük Branch

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### Karaman Branch

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### Kastamonu Branch

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### Kayseri Sanayi Branch

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### Kayseri Sivas Caddesi Branch

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### Kocaeli Gebze Branch

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### Kocaeli İzmit Branch

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### Kocaeli İzmit E5 Branch

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### Kocaeli Körfez Branch

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### Konya Branch

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Selçuk Mah. İnönü Cad. No:29/A Akşehir/Konya  
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### Konya Ereğli Branch

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Konya  
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### Konya Kobisan Branch

Fevzi Çakmak Mah. Aslım Cad. No: 63E Karatay/  
Konya  
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### Konya Mevlana Branch

Taşkapı Medrese Cad.  
No:2/A-2/B-2/202  
Meram/Konya  
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### Konya Organize Sanayi Branch

Konya Org. Sanayi Bölgesi  
Kırım Cad. No:20 Selçuklu/Konya  
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### Konya Sanayi Branch

Musalla Bağları Mah. Ankara Cad. No:101 Selçuklu/  
Konya  
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### Konya Yeni Toptancılar Branch

Fevzi Çakmak Mah. Karakayış Cad. No:289-(1 İşyeri)  
Karatay/Konya  
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Fax: (+90) 216 666 18 76

### Konya Zafer Sanayi Branch

Horozluhan Mah. Selçuklu Cad. No:2/B  
Zafer Sanayi Sitesi Selçuklu/Konya  
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### Kütahya Branch

Balıklı Mah. Pekmez Pazarı Cad. No:12/A Merkez/  
Kütahya  
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### Kütahya Tavşanlı Branch

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### Malatya Branch

Hamidiye Mah. İnönü Cad. No:49/A Battalgazi/  
Malatya  
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### Manisa Branch

Mustafa Kemal Paşa Cad. No:14  
45020 Şehzadeler/Manisa  
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### Manisa Turgutlu Branch

Turan Mah. Atatürk Bulvarı No:180/A Turgutlu/  
Manisa  
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### Mardin Branch

13 Mart Mah. Vali Ozan Cad. No:82/1- 84/A-B-C-D  
Artuklu/Mardin  
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### Mersin Branch

İstiklal Cad. No:33  
Akdeniz/Mersin  
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### Mersin Pozcu Branch

Güvenevler Mah. Gazi Mustafa Kemal Bulvarı  
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### Mersin Tarsus Branch

Şehitmustafa Mah. Atatürk Bulvarı No:45/A Tarsus/  
Mersin  
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### Muş Branch

Kültür Mah. Atatürk Bulvarı No:46/A/70 Merkez/Muş  
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**Nevşehir Branch**

Kapucubaşı Mah. Atatürk Bulvarı No:105 Merkez/  
Nevşehir  
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**Ordu Branch**

Şarkıye Mah. Süleyman Felek Cad. No:54 Altınordu/  
Ordu  
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**Ordu Fatsa Branch**

Mustafa Kemal Paşa Mah. Sakarya Cad. No:13/B  
Fatsa/Ordu  
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**Osmaniye Branch**

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Merkez/Osmaniye  
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**Rize Branch**

Yeniköy Mah. Tevfik İleri Cad. No:22C Merkez/Rize  
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**Samsun Branch**

Kaptanağa Cad. No:12  
55030 İlkadım/SAMSUN  
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**Samsun Sanayi Branch**

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Samsun  
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**Siirt Branch**

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**Sivas Branch**

Eski Kale Mah. 13-2 Sok. No:4A Merkez/Sivas  
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**Şanlıurfa Branch**

Kamberiye Mah. Kadri Eroğan Cad. No:10 Haliliye/  
Şanlıurfa  
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Yavuz Mah. Hükümet Cad. No:133 Süleymanpaşa/  
Tekirdağ  
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**Tekirdağ Çerkezköy Branch**

Gaziosmanpaşa Mah. Atatürk Cad. No: 5-7 B  
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**Tokat Branch**

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**Trabzon Branch**

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**Trabzon Akçaabat Branch**

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**Yozgat Branch**

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**Abroad Branch****Erbil Branch**

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