



Using the latest technologies in the sector is important for us, in order to enhance our service quality and extend our customer portfolio. Accordingly, we are the bank that is making the largest intellectual investment in digitalization.

We continue to carry out groundbreaking achievements with technological breakthroughs as we take strong steps towards the banking of future.

our principle competitive advantages

SUCCESS FORMULA:

EXPERIENCE + PERFORMANCE + TRUST

Strong Shareholding Structure

Albaraka Türk takes firm steps towards the future, powered by the experience and expertise of its parent company, Albaraka Banking Group, in international banking.

Superior Quality Standards

Holding the ISO 9001: 2008 Quality Certificate and the 22301 Business Continuity Certificate, Albaraka Türk executes all its services in accordance with international banking standards.

Extensive Service Network

Boasting a widespread service network composed of 230 branches and alternative distribution channels, Albaraka Türk is focused on adding continuous value to its shareholders and to Turkey's economy.

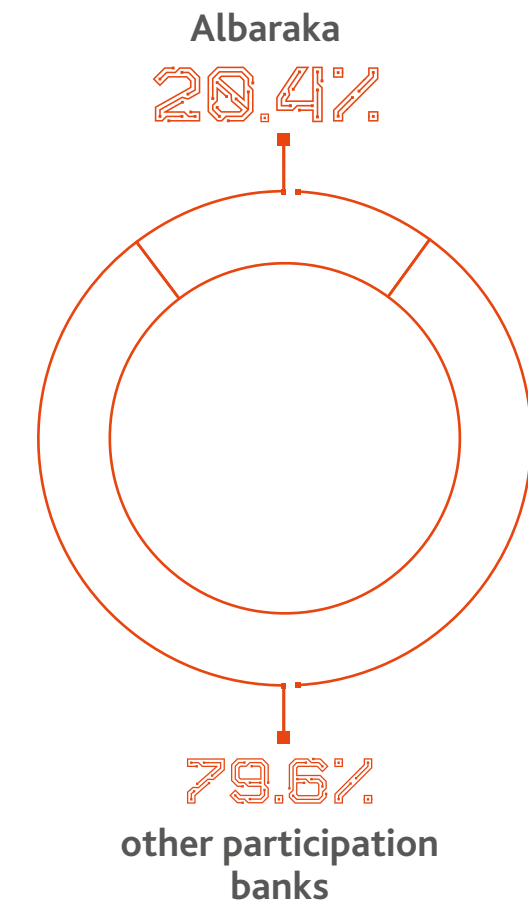
Most Experienced Player in the Participation Banking Sector

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



Achievements in 2018

20.4%
market share
in assets among all
participation
banks



some indicators that strengthen our future

we increased the number of our active mobile customers by **67%**

our total shareholders' equity reached **3,261** million TL

our capital adequacy ratio stands at **14.7%**

we have become the symbol of trust with an NPL ratio of **3.63%**

in 2018, the number of branches rose to **230**

Albaraka Türk
makes a difference
in the sector

with its **digital**
breakthroughs



globalBaraka

insha

of a brand-new future

Albaraka Türk extends its 30-year expertise and experience beyond the borders with the latest, fastest methods. To this end, we work to expand interest-free banking across Europe. As a result of our collaboration with SolarisBank, which provides banking infrastructure services, we launched our interest-free digital banking model, “insha.”



rationalBaraka

a signature to make things easier

Launched following intense studies, the “Digital Signature” feature enables our customers to place their signature via tablet PCs or smart monitors, thanks to a tablet pen, swiftly and securely. This technological application helps us save paper and protect nature.

The logo for alBaraka GARAJ features a stylized red 'G' composed of three concentric, curved lines. To the right of the 'G', the text 'alBaraka' is written in a black, sans-serif font, and 'GARAJ' is written in a larger, bold, red, sans-serif font. Below 'GARAJ', the words 'STARTUP HIZLANDIRMA MERKEZİ' are written in a smaller, red, sans-serif font.

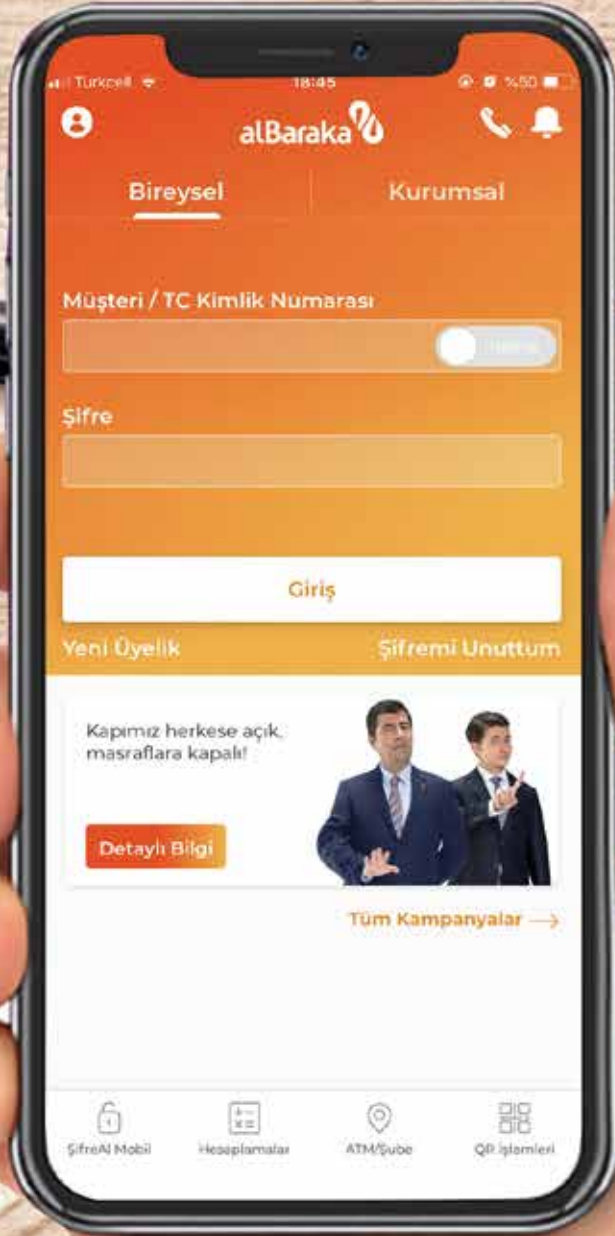
alBaraka
GARAJ
STARTUP
HIZLANDIRMA
MERKEZİ

The text 'energeticalBaraka' is displayed in a white, lowercase, sans-serif font at the bottom of the image. The background of the image shows an office interior with people working at desks and a man sitting on a blue sofa in the foreground, looking towards the camera.

energeticalBaraka

the parking space for special tech ideas

We believe that everyone has a bright idea. At Albaraka Garage, the Startup Acceleration Center designed to bolster technology-based business ideas, we provide support for the rapid development and launch of enterprises. We open new horizons to the sector with the world's first startup acceleration center in participation banking.



virtu**alBaraka**

innovative
mobile
banking
application

As a bank that implements new and innovative practices, we also designed an ambitious mobile branch. Albaraka Mobile Branch brings many banking transactions to customers' fingertips. Furthermore, we are proud to be the first participation bank to use "Touch ID" technology in its mobile branch.



originalBaraka

100%
90%
80%

a high-tech colleague joined our ranks

We launched new computer software via the Robotic Process Automation project. This robotic software, which operates just like a human, performs significantly faster and error-free operations, works three times more quickly than the average employee, and carries out operations 24/7 without errors and at 100% efficiency.

2018

01

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ANNUAL GENERAL MEETING AGENDA

BOARD OF DIRECTORS RESOLUTION

SESSION NO. : 1929
DATE : 27 February 2019
PARTICIPANTS : The members undersigned.
ABSENTEES : None

The Board of Directors of Albaraka Türk Katılım Bankası A.Ş. adopted the following resolutions:

RESOLUTIONS:

1. The Board of Directors (BoD) DECIDED that the ordinary Annual General Assembly of Albaraka Türk Participation Bank (ABAT) shall be held on 28 March 2019 (Thursday), at 10:00 AM, in the Company Head Office, located in Istanbul at Saray Mahallesi, Dr. Adnan Büyükdeniz Cad. No:6, Ümraniye, Istanbul 34768, in order to discuss the agenda items provided below.
2. Also, it was DECIDED that the Information Document on 2018 Ordinary General Assembly and the Procedures on Participation to General Assembly prepared by ABAT Head Office and submitted for approval to the Board of Directors be announced to the shareholders through our web page.

AGENDA:

1. Opening; 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 2018.
4. Reading and discussing Auditor reports.
5. Reading, discussing and approving the Financial Statements.
6. Acquitting the Members of the BoD.
7. Discussing the BoD proposal about the utilization and distribution of the dividends and determining the usage, distribution of the profit and rates of dividend shares.
8. Discussing the fiscal rights and benefits of the Board members like salary & wages, perdiems, bonus & premiums and alike.
9. Submitting, to the approval of General Assembly, the members elected by the Board of Directors, for the Board memberships becoming vacant over the year so that the predecessors can complete their remaining term of office.
10. Electing the Auditor.
11. Granting permission to the members of the BoD with respect to articles 395 and 396 of Turkish Commercial Code.
12. Presenting information to General Assembly as per Article 1.3.6 of Corporate Governance Principles, annex to the Capital Markets Board Corporate Governance Communiqué.
13. Presenting information to General Assembly about operations effected as part of the Buy-back Program for bank's own shares in 2018.
14. Presenting information to General Assembly about the donations made by the Bank in 2018.
15. Authorizing the Board of Directors as per Article 6/10 of the Regulation on the Fundamentals and Principles on Acceptance and Withdrawal of Deposits and Participation Funds, on Overdue Deposits, Participation Funds, Trusts and Receivables,
16. Convenience yield as per article 10/2 of the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside,
17. 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. : 1929
DATE : 27 February 2019

Adnan Ahmed Yusuf ABDULMALEK
Chairman

Osman AKYÜZ
Vice Chairman

Hamad Abdulla Ali ALOQAB
Board Member

Kemal VAROL
Board Member

Ibrahim Fayez Humaid ALSHAMSI
Board Member

Mustafa BÜYÜKABACI
Board Member

Fahad Abdullah A. ALRAJHI
Board Member

Süleyman KALKAN
Board Member

Muhammad Zarrug M. RAJAB
Board Member

Mehmet ASUTAY
Board Member

Khaled Abdulla Mohamed ATEEQ
Board Member

Melikşah UTKU
Board Member and General Manager

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 FUNDAMENTAL CORPORATE VALUES

Collaboration

- » Growing by sharing the value created with shareholders, employees, customers and the 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 making a positive impact on the lives of our customers for the greater good of society.

Sincerity

- » Valuing our customers and always offering friendly service, 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 environmentally-friendly policies in line with legal and regulatory requirements while also contributing to numerous social and cultural projects.

corporate governance

technology

infrastructure

Albaraka Türk adds value to its stakeholders and Turkey through its extensive service network comprised of 230 branch locations as well as alternative distribution channels spread across the country.

well-trained
personnel

Turkey's First Participation Bank

As the country's first participation bank, Albaraka Türk has played key roles in the development of participation banking in Turkey thanks to its over 30 years of experience, specialized human resources and commitment to advanced technology.

Founded in 1984, Albaraka Türk started its business operations in 1985, strengthening the Turkish financial sector with its innovative products and services from day one.

Robust Partnership Structure Focused on the Future

Albaraka Türk was founded via a collaboration of Albaraka Banking Group (ABG), one of the most distinguished groups operating in the Middle Eastern finance industry, Islamic Development Bank (IDB), and a domestic industry group active within the Turkish economy for over half a century.

Albaraka Banking Group is the main shareholder of the Bank. The Group enables the Bank to focus on the future with more ambitious targets thanks to its robust capital structure.

As of December 31, 2018, the share of foreign shareholders is 65.87%, the share of domestic shareholders is 8.91% and the free-float ratio is 25.22%.

Strong Advanced Technology Infrastructure, Extensive Service Network

Steadily expanding its customer base thanks to a corporate identity closely linked with trust and reliability, Albaraka Türk adds value to its stakeholders and Turkey through its extensive service network comprised of 230 branch locations as well as alternative distribution channels spread across the country.

The Bank's customer relationship management approach is based on "experience-performance-trust" – a proven formula for success. Albaraka Türk's entire business model is centered around collaboration and trust. This model is continuously reinforced by the Bank's commitment to fully understand its clients and provide them with tailored solutions.

Support to Turkey's Sustainable Growth

Boasting key competitive advantages that include a strong capital structure, professional approach to corporate governance, advanced technology infrastructure and well-trained personnel, Albaraka Türk not only delivers modern banking services to savers and investors, but also makes valuable contributions to the sustainable development of Turkey.

Albaraka Türk supports the real economy by effectively fulfilling its mission of financing production and trade in line with the principles of participation banking. The Bank channels funds collected through private current accounts and participation accounts towards the real economy via services such as retail finance, corporate finance, leasing and profit/loss sharing on the basis of individual projects. Albaraka Türk regards SME development and support for economic development as a top priority.

Confident Steps Forward to Become a Regional Financial Player

Powered by its main shareholder Albaraka Banking Group and backed by the Group's solid capital structure, Albaraka Türk undertakes key roles in helping Turkish industrialists and

Total Assets of
**Albaraka
 Banking Group**
 USD

23.8
 billion

investors open up to the world. The Bank operates a branch in Erbil, Iraq, and moves forward with the vision of becoming a regional financial player in the Gulf, Middle East and North Africa by capitalizing on the Group's synergy.

Top Priority: Operational Excellence...

Albaraka Türk meets the changing needs and expectations of its customers in line with its objective of achieving operational excellence. The Bank bolsters its high service standards with a sincere and friendly service approach.

The Bank conducts all its business activities in line with the ISO 9001: 2008 Quality Certification. In 2015, Albaraka Türk also took a big step to ensure continuous operation of business processes by obtaining ISO 22301 Business Continuity Certification.

A Pioneer in Innovation...

To achieve its vision of "Becoming the Best Participation Bank in the World," Albaraka Türk invests in banking of the future by keeping abreast of developments in the rapidly changing financial world. The Bank also successfully expends efforts to deliver all its physical branch services via end-to-end digital solutions.

Albaraka Türk is firmly committed to supporting entrepreneurs. The Bank helps Turkey develop its entrepreneurial ecosystem by offering incubation and acceleration support to entrepreneurs with finance technology-based business ideas and projects, via Albaraka Garage – a first among participation banks.

Albaraka Banking Group (ABG)

One of the leading proponents of interest-free banking in the global finance industry, Albaraka Banking Group (ABG) delivers retail, corporate and investment banking services in line with the principles of participation banking. 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.



Service Network Spread Across Three Continents

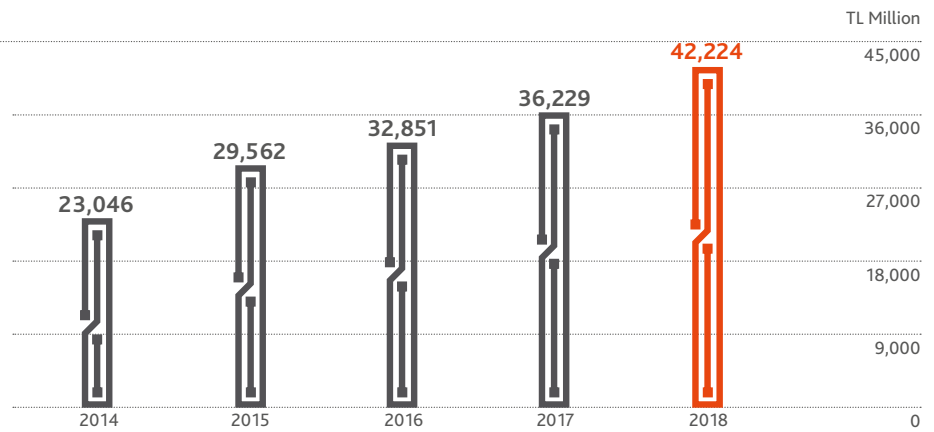
Albaraka Banking Group operates subsidiaries and representative offices across three continents, delivering services via 12 banks, two representative offices and one investment firm in 17 countries. In addition to Turkey, ABG has banking institutions in Bahrain, Algeria, South Africa, Lebanon, Egypt, Pakistan, Sudan, Syria, Morocco, Tunisia and Jordan; an investment company in Saudi Arabia; a branch in Iraq; and representative offices in Indonesia, Libya and Germany. As of end-2018, Albaraka Bank has a total of 698 branches and 12,937 employees.

Total Assets of USD 24 Billion

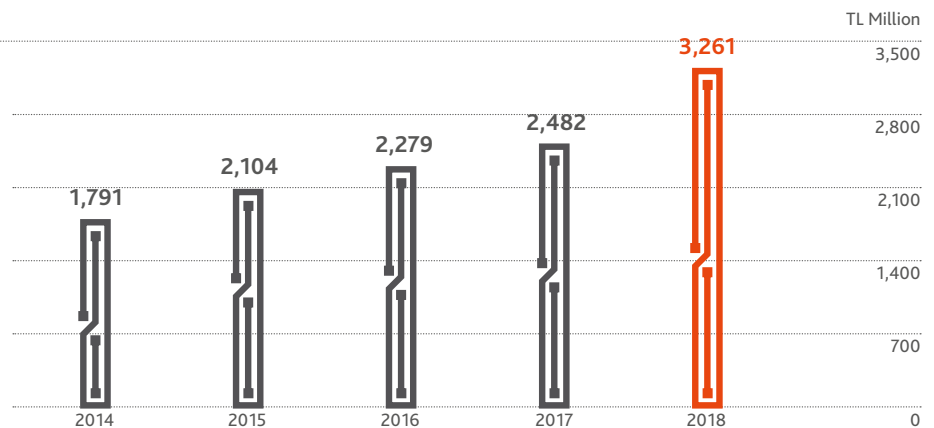
As of end-2018, Albaraka Banking Group reported total assets of USD 2.3 billion, and shareholders' equity of USD 23.8 billion. The Group posted net profit of USD 217 billion at end-of-year 2018. Albaraka Banking Group shares are traded on the Bahrain and NASDAQ Dubai stock exchanges. Standing out with its strong credibility, ABG was assigned long-term and short-term credit ratings of BB and B, respectively, by Standard & Poor's. ABG conducts its business activities within the framework of the Al Baraka Social Responsibility Program. The Group annually presents its progress report to stakeholders in accordance with the UN Global Compact that it signed back in 2018.

our sustainable performance made a difference

total
assets reached
TL **42.2**
billion

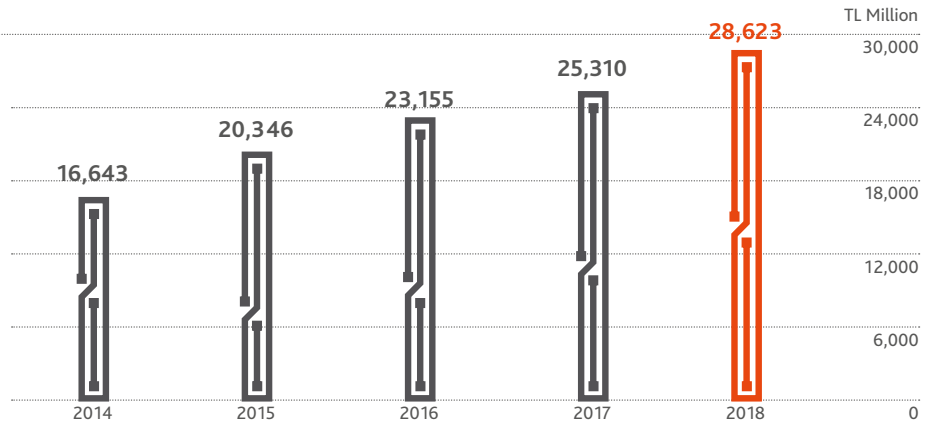


total
shareholders'
equity increased
TL **3.3**
billion



funds collected reached

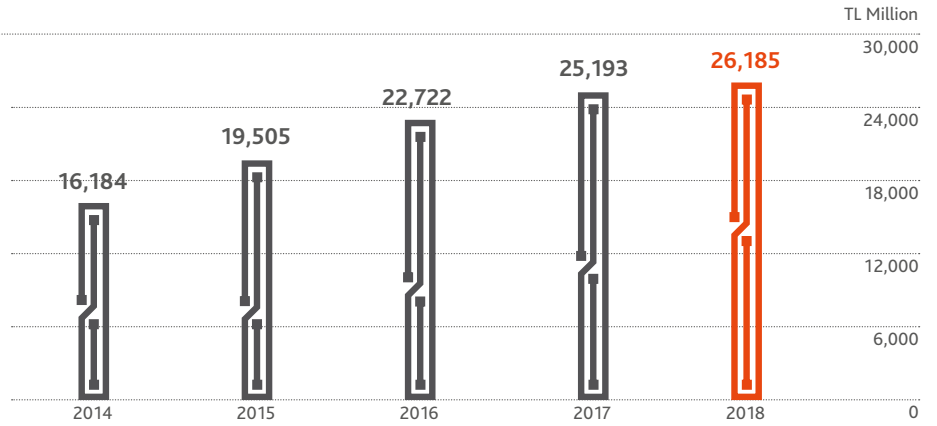
TL **28.7**
billion



funded credits increased to

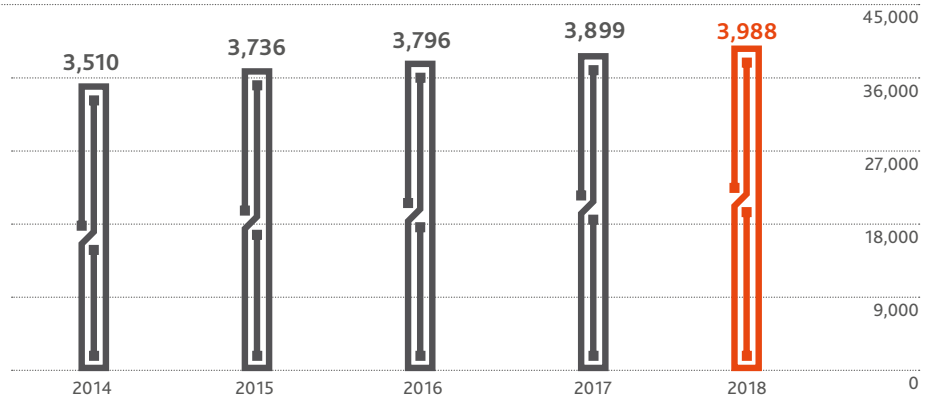
TL **26.2**
billion*

*Includes financial leasing.



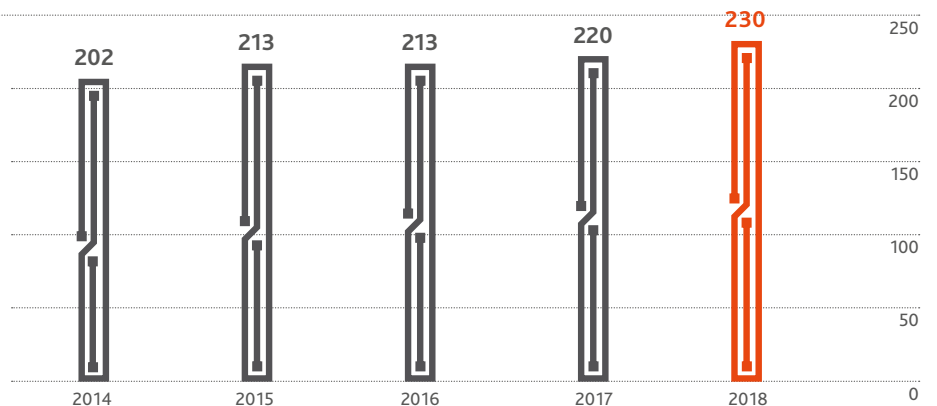
number of personnel reached

3,988
in 2018



number of branches

230



capital adequacy

ratio is **14.7%**

Financial Ratios (%)	2014	2015	2016	2017	2018
Funded Credits*/Total Assets	70.2	66.0	69.2	69.4	62.0
Funded Credits*/Funds Collected	97.2	95.9	98.1	99.5	91.5
Funds Collected/Total Assets	72.2	68.8	70.5	69.9	67.8
Average Return on Equity	15.6	15.8	10.0	10.0	4.3
Average Return on Assets	1.3	1.1	0.7	0.7	0.3
NPL Ratio	2.0	2.4	4.7	4.7	6.9
Net NPL Ratio	0.2	0.9	2.3	2.0	3.6
NPL Reserve Coverage Ratio	87.9	60	52.3	57.7	47.3
Capital Adequacy Ratio	14.2	15.3	13.5	17.1	14.7

*Includes financial leasing.

**CAPITAL AND
SHAREHOLDING
STRUCTURE**

31.12.2018

**Albaraka
Banking Group**
486,523,265.68

54.06%

**Islamic
Development Bank**
70,573,778.85

7.84%

Free Float
227,114,100.97

25.22%

900,000,000.00

100%

Other
36,855,889.78

4.11%

Local Shareholders
78,932,964.72

8.77%

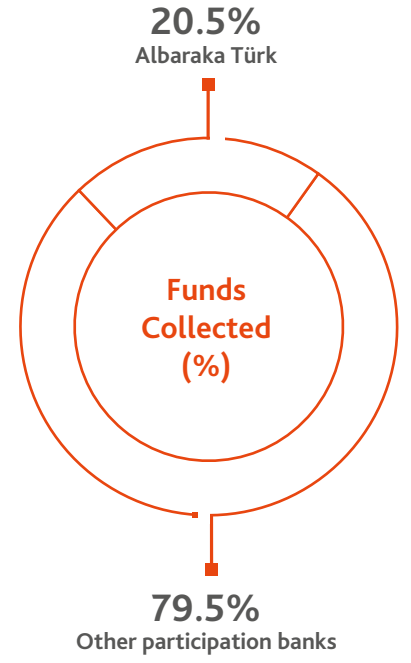
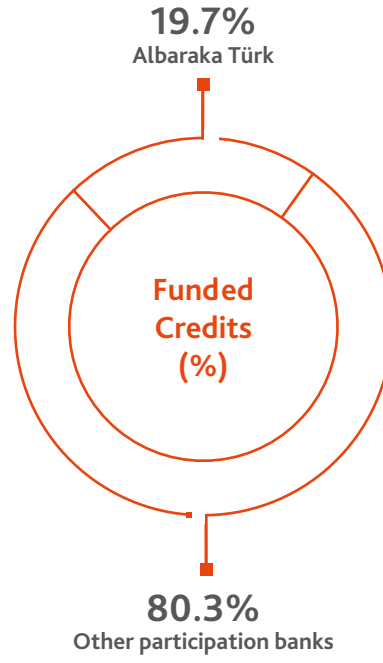
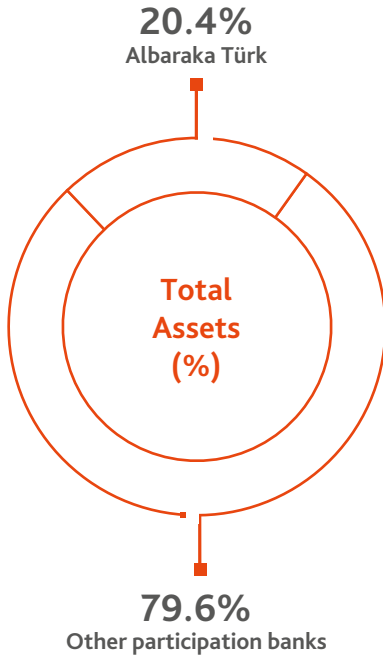
total funds collected was raised to

TL **28,623** million in
2018

Pioneer of participation banking in Turkey, Albaraka Türk increased its total fund collected to TL 28,623 million and continued to be trustworthy choice of its customers in 2018.

Industry Growth (%)	2016-2017			2017-2018		
	Albaraka Türk	Participation Banks	Banking Industry	Albaraka Türk	Participation Banks	Banking Industry
Total Assets	10.3	20.5	19.3	16.5	29.1	18.7
Credits (Funded Credits)	10.9	25.5	20.9	3.9	19.8	14.5
Deposits (Funds Collected)	9.3	26.6	16.8	13.1	30.3	19.9

Market Shares (%)	2017			2018		
	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	22.6	1.1	4.9	20.4	1.1	5.3
Credits (Funded Credits)	22.7	1.2	5.1	19.7	1.0	5.3
Deposits (Funds Collected)	23.6	1.4	5.9	20.5	1.3	6.5



**AMENDMENTS
TO THE
ARTICLES OF
ASSOCIATION**

There were no amendments to Albaraka Türk Katılım Bankası A.Ş. Articles of Association in 2018.

**BOARD OF
DIRECTORS
RESOLUTION**

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

SESSION NO. : 1937
DATE : 7 March 2019

The following resolution(s) that were submitted to all members upon the proposal from General Manager and Board Member Melikşah UTKU were ADOPTED with the approval of the undersigned members as per Article No. 390/(4) of Turkish Commercial Code and Article No. 26/(4) of our Bank's Articles of Association.

RESOLUTION:

It has been DECIDED that the following distribution of the profit for the year 2018 shall be proposed to the General Assembly of Shareholders pursuant to the BRSA letter dated 14.11.2018 and numbered 20008792-101.02.01-E.14201.

Profit of the Year	133,968,304.36
Profit of the Previous Year	0.00
Accounting Profit	133,968,304.36
First Tier Legal Reserve (-)	6,698,415.22
Distributable Net Profit of the Year	127,269,889.14
Tier I. Dividends to Shareholders (Gross)	0.00
Tier II. Dividends to Shareholders (Gross)	0.00
Tier II. Legal Reserve	0.00
Special Reserves (Profit of Real Estate Sales)	4,580,115.53
Allocated to Extraordinary Reserve	122,689,773.61

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

SESSION NO. : 1937
DATE : 07 Mart 2019

Adnan Ahmed Yusuf ABDULMALEK
Chairman

Osman AKYÜZ
Vice Chairman

Hamad Abdulla Ali ALOQAB
Board Member

Kemal VAROL
Board Member

Ibrahim Fayez Humaid ALSHAMSI
Board Member

Mustafa BÜYÜKABACI
Board Member

Fahad Abdullah A. ALRAJHI
Board Member

Süleyman KALKAN
Board Member

Muhammad Zarrug M. RAJAB
Board Member

Mehmet ASUTAY
Board Member

Khaled Abdulla Mohamed ATEEQ
Board Member

Melikşah UTKU
Board Member and General Manager



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IN YOUR LANGUAGE
WITH YOUR
VALUES



ALBARAKA
TÜRK'S
MILESTONES

we are forging
ahead towards
OUR SUCCESS
journey

Albaraka Türk continued its successful performance in 2018, creating added value for all of its stakeholders.



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.

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 entering into an agreement 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, a transaction 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 instruments 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, launched 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 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.

2018

- » The total branch network reached 230 locations.
- » The Bank received the "Best Participation Bank of the Year" award at the third edition of the Adding Value to Turkey Awards organized by Turcomoney in 2018.
- » Albaraka Mobile was enhanced with the addition of QR code, Voice Assistant and Face Recognition features.
- » Albaraka Türk was a standout at the WIFA 2018 Awards, collecting three first prizes in three separate categories.



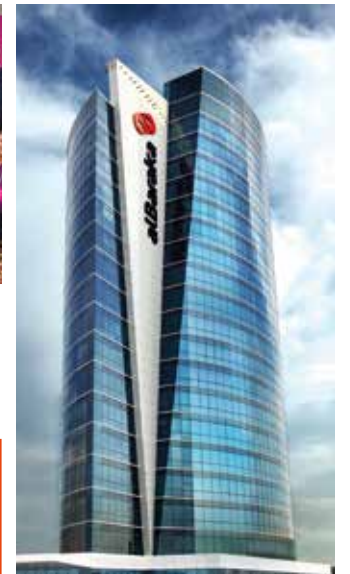
2012

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



2018

The Bank received the "Best Participation Bank of the Year" award at the third edition of the Adding Value to Turkey Awards organized by Turcomoney in 2018.



we will continue to grow through **digital transformation**

Protectionist tendencies emerging in the trade wars between China and the United States were felt across all markets in 2018, suggesting that we are in the beginning of a new global economic epoch.

Esteemed Stakeholders,

In 2018, economic growth momentum continued, despite elevated geopolitical risks across the global economy. Protectionist leanings that emerged during the trade wars between China and the United States were felt across all markets in 2018, suggesting that we are at the beginning of a new global economic epoch. According to the IMF's October 2018 'World Economic Outlook Report', the global economy is expected to grow by 3.7% in 2018, a performance similar to 2017. On the other hand, the US economy, marked by the Fed's four interest rate hikes during the year, grew 2.9% as of end-2018. The Eurozone, which in 2017 had recorded its largest growth figures in a decade, dipped to 1.5% growth in 2018. Emerging countries, led by China and India, are

expected to post 4.7% growth as of end-2018 on the back of strong domestic and overseas demand, as well as rising commodity prices; while China is anticipated to grow 6.5% in line with its controlled slowdown strategy.

Trade barriers will rise

The global economy, which has pursued a horizontal growth trajectory for a number of years, is expected to lose steam in 2019 due to geopolitical risks, the Brexit process and rising trade barriers among different regions. Owing to this slowdown, the Fed is expected to relax its tight monetary policy, which has triggered interest rate hikes in all markets.

Turkey eliminated risks with the New Economic Program...

After posting the highest growth rate among OECD countries in 2017, Turkey maintained its strong growth trend in the first quarter of 2018. However, in the second half of 2018, due to volatility in exchange rates, Turkey encountered a vicious circle comprising a deterioration in pricing behavior, a loss of consumer appetite, and rising consumer inflation. Faced with these issues, the government launched the New Economic Program (NEP), with due consideration of the current global economic conditions. The NEP has focused on savings in the public sector, as well as encouraging the private sector towards export-oriented growth, thus setting out a roadmap for all the economic players. The government's measures for stabilization produced positive impacts on the economy's actors in a short time,



while restoring equilibrium to the sector. Due to geopolitical risks in our region and local elections scheduled for March 31, 2019, NEP forecasts prudent growth figures of 3.8% for year-end 2018 and 2.3% for year-end 2019. At Albaraka Türk we believe that our nation performance will surpass these figures - which do not reflect its true potential - once the government's anti-inflation program achieves success. In this respect, we continue our strong support to the Turkish economy and resolutely maintain our growth targets.

The Turkish banking sector maintains its robust capital structure

According to BRSA data, as of end-2018, there are 50 banks active in Turkey, five of which are participation banks.¹ There are 11,493 domestic branches in total, with 72 overseas branches. According to BRSA's year-end 2018 data, the industry's total assets rose by 18.7% over the prior year, reaching TL 3.867.435 million, while total shareholders' equity rose 17.3% to TL 421.791 million. As of end-2018, the sector's capital adequacy ratio stood at 17.3%. BRSA's year-end data reveal that the Turkish banking sector was among Turkey's largest employers in 2018, with a total of 207,716 people employed by the sector.

Powered by the consistently expanding contribution of interest-free participation banking, the Turkish banking sector will continue to rank among the strongest and most significant pillars of the Turkish economy and the real sector in the upcoming period, with its robust deposit structure, professional management committed to corporate governance principles, and top-caliber human resources

Turkey's first participation bank: Albaraka Türk

As the bank that introduced interest-free banking to Turkish economy, Albaraka Türk, powered by the robust capital structure of its parent company Albaraka Banking Group (ABG), continued to offer innovative products and services to its customers in the 2018 activity period. With more than 30 years of experience and expertise, top-caliber human resources and a commitment to human values, the Bank has made important contributions to the development of interest-free participation banking in Turkey, and continues to add value to customers' savings with 230 branches across Turkey. By capitalizing on ABG's competence in the field of banking technologies, the

Bank successfully continued to structure all its business processes in line with its digital transformation process in 2018. Albaraka Türk, which continues to diversify and strengthen its alternative distribution channels under the scope of digital transformation investments, is proud to offer its customers interest-free banking products 24/7.

Success formula: "Experience-Performance-Trust"

The Bank's success formula, built on criteria of "experience-performance-trust," was the principle force in our business processes in 2018. We prioritize innovation and continuous development of human values and, thus, continue to diversify our product portfolio and bring customer experience to a higher level in terms of speed and quality, unscathed by fluctuations in the real economy. Inspired by the innovative banking philosophy of our parent company ABG, we at Albaraka Türk aim to rapidly add value to our business processes by integrating digital banking processes into our business practices.

With the New Economic Program in the second half of the year, the Turkish economy minimized adverse impacts arising from exchange rate volatility, and a new roadmap for all market players was set.

Albaraka Türk puts its stamp in every field of digital banking

In 2018, Albaraka Türk continued to successfully develop its products and services in line with its digital transformation process. Continuing to diversify its alternative distribution channels, our Bank is committed to maximizing customer satisfaction by being present across every field of digital banking. Introducing its innovative digital banking approach to overseas customers through its digital banking application 'insha', Albaraka Türk also invites its stakeholders to contribute to the digital banking ecosystem via its subsidiary Albaraka Garage.

ABG's Islamic Banking Vision shows us the way forward...

As our main shareholder, Albaraka Banking Group's (ABG) visionary Islamic Banking Approach, extending to 17 countries on three continents, also shaped the Bank's operations in 2018. Albaraka Türk has efficiently capitalized on ABG's responsible approach to products and services, as well as its widespread correspondent network, achieving a significant rise in productivity across business processes.

The Bereket Foundation works for the benefit of Turkish society

In addition to its pioneering Bereket Foundation, Albaraka Türk carries out a number of social responsibility projects in different fields, ranging from education to the protection of cultural-spiritual values, with its Goodness Club, which operates through the voluntary participation of employees. Our social responsibility projects for the victims of the civil war in Syria underscore the sensitivity of the Bank and its employees in this field.

Success formula confirmed by awards

Albaraka Türk again demonstrated the power of the 'Experience-Performance-Trust' success formula with awards won in 2018. At the World Islamic Finance Awards (WIFA 2018), we garnered awards in three categories, confirming our world-class product and service quality.

We will continue to grow through digital transformation...

At Albaraka Türk, we believe in the work ethic and commitment of the Turkish people and the bright future of Turkey, where we have worked for 30 years. To this end, powered by the robust capital structure of ABG, we move towards our growth targets with resolve and dedication. I would like to extend my gratitude to all our stakeholders, who contributed to our success in 2018. May we accomplish even greater achievements in the coming period...

Respectfully yours,



Adnan Ahmed Yusuf ABDULMALEK
Chairman

¹<http://www.bddk.org.tr/BultenAylik/en>

MESSAGE
FROM
THE CEO

we move
participation
banking forward
through
innovation

At Albaraka Türk, thanks to investments in digital transformation, we achieved significant increases in operational efficiency as well as financial profitability.

Esteemed stakeholders,

Albaraka Türk, a well-established player in the Turkish participation banking sector, has successfully added value to the lives of its customers by combining its experience and expertise with innovative practices in 2018. As Turkey's first participation bank, the Bank constitutes a milestone in the development of the interest-free participation banking in Turkey and, as of year-end 2018, it has increased its total assets 16.5% year-over-year to TL 42.2 billion. Its total collected funds reached TL 28.6 billion, an increase of 13%, and total funded credits reached TL 26.2 billion, rising 4%. The ratio of collected funds to total assets came in at 62%, and the Bank's capital adequacy ratio stood at 14.7%

Digital transformation has boosted our operational efficiency

Thanks to extensive investments in the field of digital transformation, our operational revenues increased by 33% to TL 4 billion, while our revenues from profit shares increased by 13.6% to TL 3 billion. Maintaining its sustainable profitability throughout a challenging year, Albaraka Türk posted net profit of TL 134 million in 2018. Our shareholders' equity remained strong and reached TL 3.3 billion, while our average return on equity came in at 4.3%.

We continued to diversify service channels

Consistently developing the service competencies of alternative distribution channels in the scope of its digital transformation, Albaraka Türk continued to expand its physical infrastructure network across Turkey during the year. As of year-end

2018, the Bank expanded the number of branch locations throughout Turkey to 230, and the total number of employees to 3,988. In line with our objective of continuous development, we continued to invest in our human resources and, in 2018, increased training time per employee to 62.5 hours.

We effectively manage risks in the banking sector with our robust capital structure...

The Federal Reserve (Fed), which has been performing interest rate increases since 2015 in line with its tight monetary policy, continued this policy in 2018, hiking interest rates four times. The Fed's tight monetary policy brought about liquidity shortage in global capital markets, as well as interest rate hikes by other central banks. In the face of these hikes across global capital markets, the Central Bank of the Republic of Turkey (CBRT) assumed a neutral attitude for a significant period; however,



In line with its mission to spearhead the development of interest-free participation banking in Turkey, Albaraka Türk, Turkey's first participation bank, achieved important breakthroughs in 2018.

exchange rate volatility in the second half of 2018 led to significant capital outflow in our country. Under these circumstances, the government announced the New Economy Program (NEP), which focuses on combating inflation in line with a growth approach focused on savings and exports. In order to support the government's stabilization measures, the CBRT increased the funding rate by 500 basis points in the first half of 2018 and by 625 basis points in August. The CBRT's tight monetary policy based on interest rate hikes has ushered in a new era for the banking sector. Embodying over 30 years of experience and expertise in the Turkish banking sector, Albaraka Türk did not compromise its corporate objectives and remained committed to its success formula based on 'experience-performance-trust', as well as a robust participation fund structure. The export-oriented growth target announced in the NEP added significant momentum to our Bank's growth targets. Committed to developing long-term relations based on mutual gain with its SME clients, the Bank started to offer significant financing opportunities in foreign trade to SMEs, powered by its parent company Albaraka Group's (ABG) operations and wide correspondent network across 16 countries on three continents.

In 2018, the Bank increased its foreign trade volume by 35% over the previous year, by tapping into the extensive correspondent network of Albaraka Group (ABG). The Bank's export volume increased by 44% and its imports volume by 18%, mainly due to our extensive correspondent network in the Middle East. The increase in foreign exchange transactions in 2018 was 12%.

We carry digital transformation to Europe with insha...

Reviewing all its business processes within the context of digital transformation, Albaraka Türk has launched insha, the first Islamic Digital Banking Practice in Europe, to introduce its overseas customers to the advantages of digital banking.

Insha GmbH, the Bank's wholly-owned subsidiary, completed its establishment process on July 17, 2018, and came online as the first Islamic Digital Banking Practice in Europe. Insha, which became operational in Germany first, delivers various services such as opening and managing accounts, and money transfers to the SEPA Region and Turkey. Functioning as a platform banking service available in numerous languages, the insha app also provides additional services, such as prayer time reminders, mosque maps and alms calculators, that touch upon the lives of European Muslims.

Albaraka Türk's digital banking ecosystem gains in power

Through Albaraka Garage, whose establishment it has pioneered, Albaraka Türk integrates its stakeholders in the development of new business ideas to the digital transformation process and thus enriches its innovation ecosystem. The Bank allows customers to tap further into the speed, quality and safety of digital banking with pioneering projects such as RP-Robotic Process Automation, Biometric Signature, Attack, Orbit, Optimum Process Development as well as the Start-Up Accelerator Albaraka Garaga.

New collaborations designed to enrich the customer experience

Albaraka Türk forged significant new collaborations in 2018 to provide its customers with an even more excellent banking experience. Thanks to its cooperation with PTT, the Bank offers its customers across Turkey access to more than 3,000 PTT ATMs, while offering its Istanbul customers the opportunity to top up their Istanbulkarts with credit cards, through another collaboration with BELBİM. In the field of collection management, the Bank continued to provide rapid and top-quality services to clients in 2018, expanding to 140 the number of corporations whose collections it intermediates. In its collaboration with the Customs Directorates, the Bank registered a 102% increase in total bill collections.

First lease certificate issue via IPO by Albaraka Türk

Leading the pack with its robust financing and strong partnership structures, Albaraka Türk continued to successfully strengthen its financing opportunities in 2018. In this respect, in 2018, the Bank issued the first lease certificate issue via IPO, within the framework of the issuance ceiling granted by the Capital Markets Board. The lease certificate issue, which met with ample demand and was of great importance in terms of spreading fund collection costs across a wider base, has demonstrated not only our financing power, but also our competence in financial technologies, as the issue was performed over Albatros monitors. Thanks to our new technological infrastructure, the Bank has prevented individual errors and delivered a significant increase in productivity. In addition, the integrated reporting system has made it easier to analyze post-issuance data.

We shall continue to grow with our values...

Playing a pioneering role in encouraging a wider embrace of interest-free participation banking in Turkey, Albaraka Türk will consistently advance its digital transformation process in the coming period and create value for the Turkish economy. Powered by the robust capital structure and vast correspondent banking network of our main shareholder, Albaraka Group, the Bank will manage risks and opportunities efficiently and resolutely. In line with our commitment to unconditional customer satisfaction and deep-rooted corporate values, we will stand by our customers via our state-of-the-art alternative distribution channels as well as our 230 branch locations throughout Turkey, delivering interest-free banking services 24/7.

I would like to extend my gratitude to the Albaraka Group and to other shareholders for standing by us unconditionally throughout 2018, a year marked by a challenging economic juncture in both Turkey and abroad. Guided by our corporate values, we will, without a doubt, add more value in the coming period.

Respectfully yours,



Melikşah UTKU

Board Member and General Manager

our total
funds rose
by 13.1%

a story of SUCCESS

Total assets of the banking industry rose 18.7% over the prior year-end to TL 3,867,435 million.

MACROECONOMIC OUTLOOK

Global Economy

The global economy maintained its strong growth drive in 2018, despite the rising trade tensions between the US and China, and various geopolitical risks. According to the IMF's World Economic Outlook Report dated October 2018, the global economy is expected to expand by 3.7% in 2018, in a similar performance to 2017.¹ The Trump administration's decision to raise customs tariffs in order to narrow the US foreign trade deficit vis-a-vis China escalated trade tensions between the United States and China during 2018. The US presidential administration's measures to stimulate the real economy are expected to lead to 2.9% annual growth as of end-2018. Meanwhile China, on the verge of becoming the world's largest

economy, posted 6.6% growth as of year's end. After having taken measures toward economic rebalancing for a long time, China is expected to channel its trade surplus into long term, comprehensive projects such as the One Belt One Road initiative in the coming period.

As for global capital and money markets, the key determining factor in 2018 was the Federal Reserve's steps toward monetary tightening. The Fed closed the year with four interest rate hikes. These tightening measures were strongly felt in emerging markets, particularly in the form of a dollar liquidity squeeze.

Due to the global climate of uncertainty fostered by trade wars, global economic growth is forecast to lose momentum in 2019. This trend is expected to have an adverse effect on the Fed's tightening policy. The Eurozone, which experienced a contraction in 2018 for the first time in a decade, is projected to see its risk level rise in the coming period due to Brexit.

Turkish Economy

After recording the highest economic growth rate among G-20 countries in 2017 at 7.4%, Turkey encountered problems such as inflation, rising market interest rates and increased financing costs from the second half of 2018 onwards, due to exchange rate volatility. Geopolitical risks and international turmoil further aggravated the situation.

This situation, however, did not reflect the sound fundamentals of the Turkish economy. The turbulence was subsequently stabilized to a large extent with monetary and fiscal measures directed toward the financial markets. The government launched the New Economic Program in October to recreate a success story in response to changing conditions in the global economy. The program, which outlines Turkey's growth trajectory from 2019 to 2021, fosters a growth performance built upon savings and exports. Under this effort, Turkey is expected to expand 2.6% in 2018 and 2.3% in 2019. Owing to rebalancing measures adopted in the wake of the New Economic Program, stability was restored to the foreign exchange markets and anti-inflationary policies gained more weight.

¹<https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018>



The BIST 100 Index, which started the year at historic highs, fell to as low as 90 thousand at the end of the year. In 2019, however, due to increasing doubts about the Fed's monetary tightening and the looming slowdown in economic growth, liquidity conditions are not expected to be as challenging as in 2018. As a result, the forecast for 2019 is more positive year than 2018 in both money markets and capital markets. Due to this expectation, Turkish growth is projected to pick up pace in 2019.

Banking Industry Outlook

According to Turkish Banking Association figures, there are 50 banks in operation in Turkey as of end-2018, 32 of which are deposit banks.² Banks active in Turkey operate a total of 11,493 domestic branches and 72 overseas branches. Banking Regulation and Supervision Agency (BRSA) October 2018 data show that total assets of the banking industry rose 18.7% over the prior year-end to TL 3,867,435 million, while total shareholders' equity went up 17.6% to TL 421,791 million. Total deposits of the

banking sector climbed 19.0% to TL 2,035,965 million over the previous year-end, while total loans increased 14.1% year-over-year to TL 2,394,426 million. According to December 2018 figures of the Turkish Banking Association, the Turkey's banking sector figured among the strongest industries in terms of employment in 2018. The total number of employees employed by the sector stood at 193,815, down 207,716 (0.3%) year-on-year, but up 564 over the previous quarter.²

The exchange rate shock of third quarter 2018 was a major stress test for the banking industry. Turkey's banking sector successfully navigated this turbulence by prudently leveraging its robust capital structure and professional management approach. Despite this significant stress test, the Turkish banking industry demonstrated strong growth across all key indicators. The sector is expected to adopt a conservative approach in the coming period in the face of challenges such as contraction of liquidity sources, inflation, and rising operational costs resulting from the fluctuations in 2018. Nonetheless, the industry is expected to maintain positive growth

despite the risks appearing in domestic and international markets. Having played a key role in Turkey's sustainable growth performance to date, the banking industry will continue to stand by the real economy with its robust financing capabilities.

² <https://www.tbb.org.tr/BultenAylık/en>

analyzing and finding

fast solutions

The Bank facilitates business and trade while providing more added value by continuing to diversify its products.

Unconditional Support to SMEs...

Albaraka Türk is committed to the principle of always providing support to SMEs, a segment that plays a key role in Turkey's sustainable development drive. To this end, the Bank introduced significant changes to its sales team structure, transforming its Commercial Sales staff into Commercial and SMEs Sales staff. Under this new structure, SMEs were redefined as special clients and marketing efforts have been realigned 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 2018, the Bank launched the "Albaraka Dealer Card," which allows for goods purchases from the franchiser only. The POS device developed for this card has software that enables systemic interaction only between the dealer, bank and franchiser. This product has enhanced the purchasing power of SMEs, and met their financing needs with flexible maturity terms, thereby offering them significant advantages.

"www.kureselkobiler.com" for SMEs That Want to Go Global

Albaraka Türk also supports SMEs with the 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 Glocal SMEs platform is designed to help SMEs seeking to expand 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. Glocal SMEs 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.

Sustainable Financial Results in the SME Business Line...

Despite an environment 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 the economy – has boosted its support to this key segment. At present, the share of SMEs in the Bank's total funding has climbed to 45%.

Innovative Products and Services in Line With Customer Expectations...

Having played a critical role in the development of Turkish participation banking with its innovative products and services, Albaraka Türk continued to offer customers products that facilitate commerce and create more value in 2018.

Albaraka Türk analyzes the needs of its customers and develops interest-free instruments to address these needs. The Bank ensures that these products are:

- » Innovative,
- » Digital-friendly,
- » Socially responsible,
- » Accessible to disabled customers.

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

PGS: PGS (Portfolio Guarantee System) is a Treasury-backed guarantee provided via banks, based on the guarantee limit that KGF assigns the banks on the basis of portfolios. No additional KGF evaluation of the beneficiary's creditworthiness is required. Albaraka Türk was rapidly integrated into PGS, KGF's new agreement with immense importance to SMEs. The Bank was the first participation bank to offer PGS guarantee to its clients.

Albaraka Dealer Card: Albaraka Dealer Card offers a swift, practical solution to firms that engage in forward sales and want to guarantee these sales. The card allows the financing of purchases by dealers from the main company,

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

ELÜS (Electronic Warehouse Receipt)

Backed Credit: Albaraka Türk became the first participation bank to offer its clients the Electronic Warehouse Receipt (ELÜS). This is one of the major outputs of the Licensed Warehouse System established with government support. ELÜS helps prevent price drops in agricultural products due to excess supply, and thus balance the market. In addition, ELÜS enables farmers and producers with financing needs to obtain funds from banks with their product receipts; facilitates the sale of agricultural products; and enables 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.

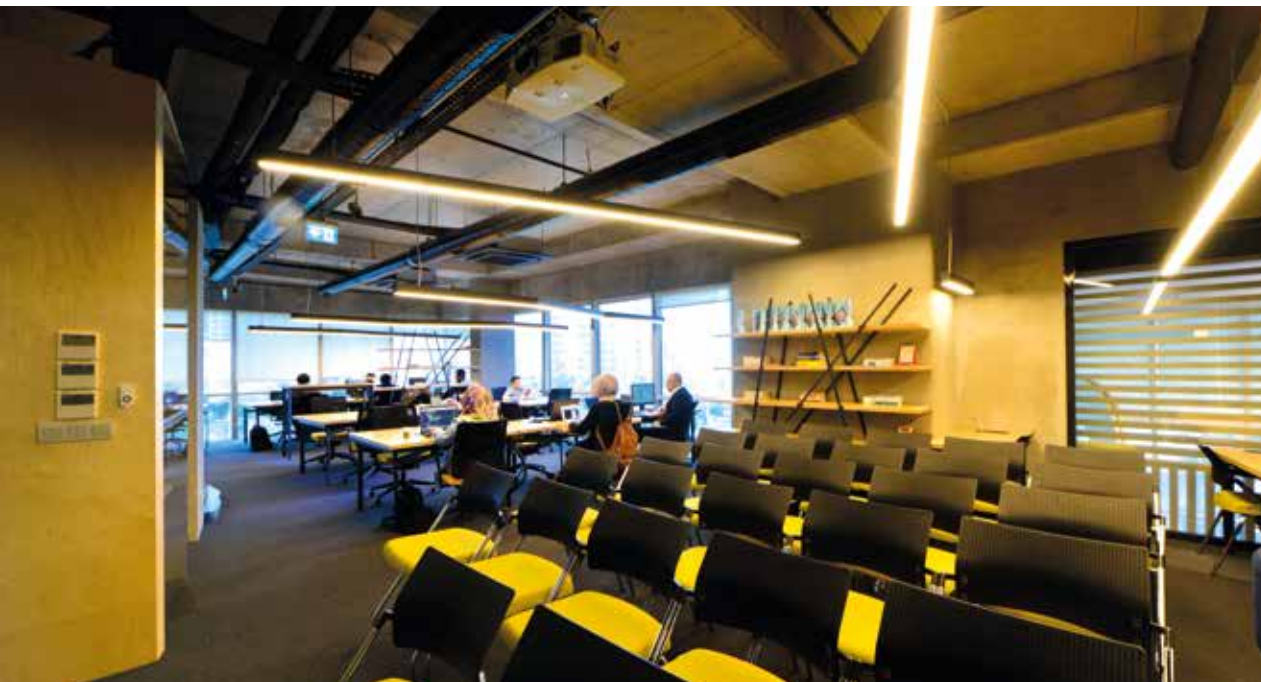
One-Day Financing: This innovative financing instrument is designed to meet customers' urgent daily needs in relation to checks, promissory notes, money transfers and EFTs, at zero profit share and commission. One-Day Financing is closed at the end of the day.

Bill Paying Account: The Bank intermediates in the bill collections of various companies. This account automatically pays on the maturity date the bills of 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, exchange rate risk is one of the major threats to a company's business activities. Albaraka Türk's new banking product Forward Exchange Transactions provides an innovative solution to this issue. 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 better financial forecasts.

Tax – SGK Financing: This financing product, featuring a maximum three-day maturity term, in addition to zero profit share and commission, 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.



The number of active mobile customers increased by **67%** over the previous year.



ASSESSMENT OF OUR ACTIVITIES IN 2018

Check Financing: This credit product, with a maximum maturity of three days and zero profit share, provides financing to cover 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, which features a maximum maturity of three days and zero profit share. Salary Financing allows customers to perform salary payments in instances when their current account balance is not sufficient.

Sacrifice Donation in Instalments: This innovative product 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 has launched three new Participation Accounts under the category of Hajj/Umrah Saving Accounts to enable customers (especially potential customers) to save for a future hajj or umrah trip, at advantageous profit sharing rates.

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 to finance their business or land purchase transactions.

Loan with Preclosure Option: This product 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, and who want to guarantee tuition payments for their children and protect against the risk of death, disability and unemployment. In addition, 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.

Supporting Customers 24/7 via Alternative Distribution Channels (ADC)

Digital transformation is fundamentally changing the banking industry just like other sectors. Smartphones gain more and more importance in individuals' daily lives and reshape habits of consumption and usage. The innovative face of the participation banking sector, Albaraka Türk, has launched a comprehensive digital transformation initiative and has rapidly adapted its products and services.

Seeing digital transformation as a holistic effort, Albaraka Türk places customers at the core of its digitization drive. User experience holds a special place in the efforts across digital channels. The Bank focuses on supporting its customers 24/7 by rapidly integrating developments in information technologies into its business processes. As of end-2018, the Bank delivers an excellent customer experience by means of the Mobile branch, Internet branch, ATMs, Alo Albaraka, PTT branches, PTTmatik, the digital banking app "insha" designed for customers overseas, and the corporate web sites.

The innovative face of the participation banking sector, Albaraka Türk, has launched a comprehensive digital transformation process, and has rapidly adapted its products and services. Viewing the digital transformation process as a whole, Albaraka Türk places customers at the core of its digitization drive.

Funds Collected (TL thousand)	2017		2018		Change (%)	
	TL	USD equivalent	TL	USD equivalent	TL	USD equivalent
Funds in TL	13,247,715	3,504,687	11,799,608	2,231,409	-11%	-36%
Current Accounts	3,195,749	845,436	2,809,656	532,233	-12%	-37%
Participation Accounts	10,051,966	2,659,250	8,969,952	1,699,176	-11%	-36%
Funds in Foreign Currency	12,062,125	3,191,038	16,843,865	3,190,730	40%	0%
Current Accounts	3,957,483	1,046,953	5,918,977	1,121,231	50%	7%
Participation Accounts	8,104,642	2,144,085	10,924,888	2,069,500	35%	-3%
Total	25,309,840	6,695,725	28,623,473	5,422,139	13%	-19%
Share of TL Accounts	52.34%		41.2%			
Share of Foreign Currency Accounts	47.66%		58.8%			
Current Accounts	7,153,232	1,892,389	8,728,633	1,653,463	22%	-13%
Participation Accounts	18,156,608	4,803,335	19,894,840	3,768,676	10%	-22%
Total	25,309,840	6,695,725	28,623,473	5,422,139	13%	-19%
Share of Current Accounts	28.26%		30.5%			
Share of Participation Accounts	71.74%		69.5%			
Funded Credits (TL thousand)	2017		2018		Change (%)	
	TL	USD equivalent	TL	USD equivalent	TL	USD equivalent
Funded Credits*	25,193,463	6,664,937	26,184,989	4,960,128	4%	-26%
NPL	1,212,610	320,796	1,888,547	357,747	56%	12%
Reserves (-)	699,437	185,036	893,485	169,523	28%	-9%

*Includes financial leasing receivables.

USD/TL Exchange Rate

2016 3.510

2017 3.780

2018 5.279

ASSESSMENT OF OUR ACTIVITIES IN 2018

Fast and Practical Service in Internet Branch...

In 2018, Albaraka Türk continued to expand its customer base over its Internet Branch. During the reporting year, the Bank focused its internet banking efforts mainly on corporate users. In addition, Project Responsive made the Internet Branch compatible with mobile devices, expanded functionality offered in the Internet Branch for corporate and retail customers, and introduced over 90 services via the internet.

Steady Growth in Mobile Branch User Base

Albaraka Türk boosted the number of its active customers in the Mobile Branch by 67% over the previous year thanks to investments in mobile technologies. In 2018, the Bank increased the service offerings provided in the Mobile Branch, including registration to the Internet and Mobile Branch and obtaining a new password over the Mobile Branch.

Albaraka Türk also launched "Albaraka Yanımda" a mobile application that allows users to receive special notifications and reminders about the Bank's products and services. The app 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 2018, Albaraka Türk redesigned the Mobile Branch as a platform. The new platform, which focuses on ease of use, includes the repeat transaction tab. This feature allows users to easily repeat a previous money transfer without having to reenter the same information.

The main page of the application is designed to allow customers to perform numerous transactions. It also offers various personalization options, such as creating a menu of favorites, and switching various features on or off. In response to issues experienced by customers in password management during the digital transformation process, face recognition technology was offered to mobile customers in light of biometric verification technologies. In parallel with the increasing importance of chatbots and virtual assistants in customer relationship management, mobile assistance service was offered to Albaraka Türk mobile customers. Customers can perform their transactions with the mobile assistant by either typing or voice commands. Transaction notifications were added to Albaraka Mobile so customers may be informed immediately of any transactions they perform and any incoming money transfers. In line with the integrated channel management strategy centered on the mobile channel, it became possible to withdraw money from ATMs with QR code.

Albaraka Türk's Mobile-Friendly Web Site

The mobile-friendly Albaraka.com.tr web site offers customers excellent digital business processes via the following micro-sites.

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

- » www.albarakainsankiyemetleri.com
- » www.albaraka.iq (Erbil Branch's Turkish, English, Arabic web sites)
- » www.kureselkobiler.com
- » www.albarakagaraj.com
- » www.albaraka.blog

Growth in ATM Channel via Collaboration

In 2018, Albaraka Türk expanded by means of collaborations and continued to grow in the basis of transaction and turnover. With the addition of 26 new ATMs, the Bank's ATM network grew to 313. Albaraka Türk also allows its customers to use over 3,000 PTT ATMs thanks to integration with the PTT. 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 command 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.

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

A Call Center That Enriches Customer Experience

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 2018, call center management system functioned effectively in Albaraka Türk Call Center The Interactive Voice Response (IVR) system, which features user-friendly, varied functionality and advanced technologies, recognizes customers from their voice, phone number or personal information, and guides them to the right menus. A considerable part of customers complete their transaction using the IVR, without contacting a customer representative.

During the reporting year, Albaraka Türk continued to innovate in line with its productivity-oriented business culture that optimizes customer experience. The Bank completed call steering projects and boosted the variety of transactions offered over the IVR during the year. Arabic and English language support was added to the support hotline Sorun Söyleylim at 0850 222 8787.

The Bank constantly monitors overall performance of the Call Center in order to boost customer satisfaction. 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 via Virtual Card

The Bank aims to respond to all the various 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-2018, number of credit cards and their turnover continued to increase.

In 2018, Albaraka Türk focused efforts on the infrastructure of its card payment systems. During the year, the Bank established effective partnerships to enrich customer experience. A perfect example of these partnerships was the joint project with BELBİM allowing the transfer of money to Istanbulcards via Albaraka credit cards, where any extra amounts in kuruş were donated to various NGOs.

POS Infrastructure Upgraded...

During the reporting year, in addition to upgrading its existing POS infrastructure, Albaraka Türk also offered its clients a POS service at a fixed rate. The Bank increased the number of firms whose bill collections it intermediates up to 140 as of end-2018. Agreements were signed with the new customs' offices, and total bill collections soared by 102%.

Targets for 2019

As part of its digital transformation drive, Albaraka Türk plans to conduct the following projects in 2019:

- » Efforts will continue to integrate AI technology into the voice assistant responsive to typing as well as speech. The voice assistant, which was placed in the mobile channel in 2018, will be extended to other channels in 2019. Work on the mobile side to diversify the app's functionality and add new features will continue at full speed in 2019.

- » In line with the integrated channel management approach, the Bank will develop new functionality for corporate customers in the Internet Branch channel. The Albaraka corporate web site will also be revamped to achieve a dynamic structure.
- » ATM menus will be revised to further enrich the customer experience.
- » The IVR tree will be upgraded in the channel Alo Albaraka.
- » A transformation project was initiated to improve and enhance the infrastructure for credit cards, whose application and contract processes were simplified in 2018. The objective is to meet customers' card payments system needs in the most rapid, practical and safe manner, and to offer cards with different value suggestions for different segments.

Financial Institutions with Robust Foreign Financing

Relations with Correspondent Banks

To meet its clients' international banking needs with a high quality and efficient service approach, Albaraka Türk undertakes intense efforts with domestic and overseas correspondent banks in line with the reciprocity principle. In 2018, the Bank provided corporate and SME customers with effective, high quality service with 56 nostro accounts in 26 banks located across 24 countries in 16 different currencies. These are part of a network of over 1,000 correspondents with operations in 120 countries.

During the year, the Bank conducted a series of initiatives to meet customer demands in an effective manner and expand their foreign trade volume. Bank representatives made in-person visits, especially to Africa and Asia. In addition to existing correspondent banks, Albaraka Türk visited new correspondent banks and established correspondent banking relationships. Visits were made to Kenya and Ethiopia in Africa, and to Bangladesh in Asia. These efforts had a significant positive impact on the Bank's foreign trade with the referenced countries.

In the Middle East region, visits to Qatar, Bahrain and the United Arab Emirates resulted in increases in foreign trade volumes across the region.

As part of the Bank's efforts to extend its overseas branch network, work on the inauguration of the Baghdad branch is almost complete. The branch is expected to become operational in the first half of 2019.

In 2018, new correspondent accounts in EUR, SAR and QAR were opened to meet customers' demands related to foreign trade and customer payments in a more efficient fashion. Furthermore,

Albaraka Türk's foreign trade volume rose by 35% over the prior year, one of the major reasons for the aforementioned increases in foreign trade was the Bank's ability to serve in Turkey's export markets with its vast correspondent network.

a correspondent banking relationship was established with Goldman Sachs concerning the Bank's treasury transactions.

In pursuit of the Bank's medium and long-term growth strategies, with a view toward bolstering existing correspondent relations in African, European and Middle Eastern markets, Albaraka Türk organized country visits. In addition, senior management participated in international events such as SIBOS, IMF, World Bank meetings, Bonds & Loans and WIBC. At these events, face-to-face meetings were held with senior representatives of correspondent banks and efforts were expended to ensure the continuity and efficiency of correspondent relations. In addition to existing correspondent banks, discussions were held with potential correspondent banks that could benefit the Bank in expanding the correspondent banking network. The Financial Institutions and Investor Relations Department represented Albaraka Türk at the SIBOS event that took place in Australia in 2018, holding meetings with nearly 40 banks.

During visits to correspondent banks, the Bank also made a point of visiting the Turkish Embassies and Trade Attaches' Offices in those countries. As such, the lists of Turkish firms operating in the countries visited, and up-to-date and detailed information on administrative, political, financial and foreign trade issues were obtained first-hand. These lists of firms were shared with the Bank's marketing units to support effective marketing initiatives designed to expand foreign trade volumes.

Rising Foreign Trade Volume

In 2018, Albaraka Türk's foreign trade volume increased 35% over the prior year. The export volume climbed 44% — a rate much higher than the overall rise in Turkish exports (9%). The Bank posted an 18% jump in import volume, while foreign exchange transactions rose 12% during the year.

One of the major reasons for the aforementioned increases in foreign trade was the Bank's ability to serve clients in Turkey's export markets with its vast correspondent network.

Sensitivity to International Legislation and Customs

2018, Albaraka Türk's General Directorate of Legislation and Compliance took major steps to enhance collaboration with authorities; implement decisions adopted by OFAC, UN General Council and MASAK; and manage the KYC (Know Your Client) demands from correspondent banks. As a result of this collaboration, the Bank set up the International Banking Committee and established coordination between relevant departments.

To raise awareness on the issues of legislation and compliance, the staff of the relevant head office unit underwent periodic training. In addition to this in-house training, the personnel attended legislation and compliance training programs organized by account correspondents and other correspondent banks to ensure harmony with correspondent bank policies.

We Continued Supporting SMEs

In first quarter 2018, Albaraka Türk extended its loan agreement with the Saudi Export Program (SEP) and provided financing to its clients exporting to Saudi Arabia under favorable terms. Work began on the World Bank loans to be allocated with the intermediation of Turkish Industrial Development Bank (TSKB); these loans will start being extended to clients in second quarter 2019. In the coming year, efforts to secure overseas loans for export companies will continue. The depreciation of TL vis-a-vis the US dollar in August 2018 had an adverse impact on securing overseas loans.

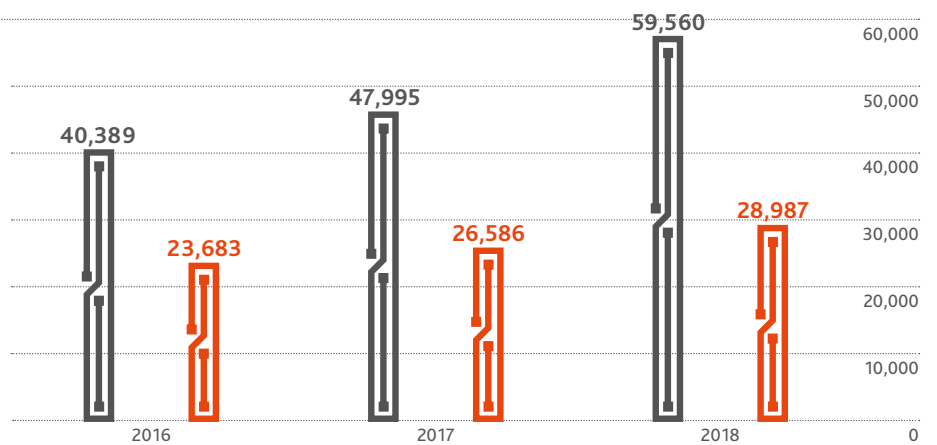
Ties to Correspondent Banks Strengthened Via Orientation Programs

Albaraka Türk regularly invites current and potential correspondent banks to Turkey. This effort ensures the active promotion of the Bank and enhances relationships with correspondent banks. Furthermore, detailed information on products and services is provided to the participating bank representatives who want to grow Islamic Banking in their countries. This practice ensures that these 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.

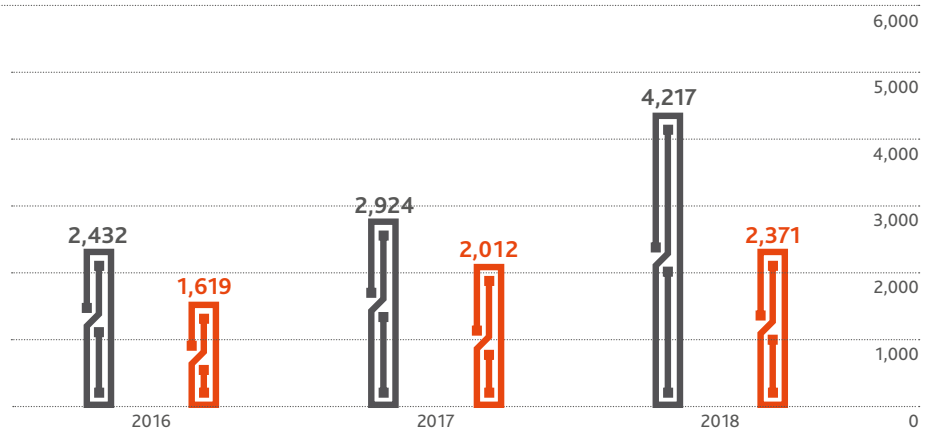
Foreign trade

Import
Export



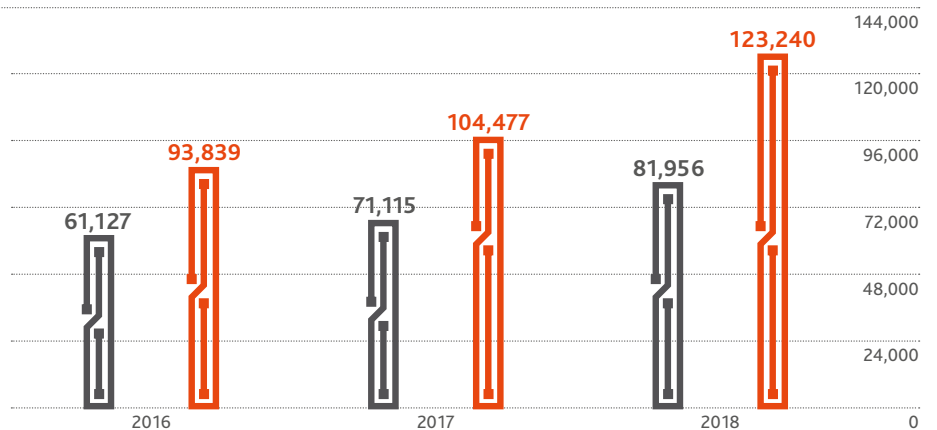
Foreign trade USD million

Import
Export



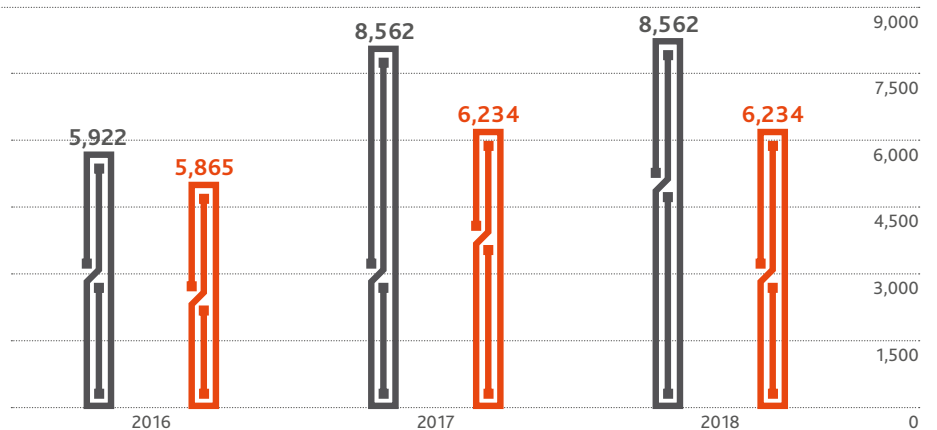
Foreign exchange

Received Transfer
Made Transfer



Foreign exchange volume USD million

Import
Export



ASSESSMENT OF OUR ACTIVITIES IN 2018

In 2018, representatives from Uganda's Tropical Bank Limited, Kyrgyzstan's BTA Bank, and Oman's Bank Sohar participated in Albaraka Türk's orientation program, receiving ample information on participation banking practices. These programs are scheduled to continue in 2019.

Investment Banking Services That Add Value to Clients

2018 was the first year of operation of the Investment Banking Department and a rather intense period due to significant market fluctuations. Albaraka Türk began to offer custody services for the first time in 2018, via the Investment Banking Department. During this process coordinated by the Department, the Bank established integration with the Central Registration Agency, procured software from third parties, and completed the whole process with success following the testing stage. As of 2018, the Bank offers customers the chance to open up investment accounts, place their securities in custody, and perform money transfers in a rapid manner. As such, the Bank not only provides better quality and faster services to customers, but also generates commission revenues.

In 2018, Albaraka Türk issued lease certificates via public offering for the first time. Within the limited issuance ceiling granted by the Capital Markets Board, the Bank conducted its first issue with success and ample participation. Such issues are a significant means of extending fund collection activities across a wider base. In addition, the book-building and distribution processes for lease certificate issues were transferred to the Albatros monitors. As a result of this transfer, individual errors were reduced to a large extent, boosting the efficiency of the issue process. Furthermore, the integrated reporting system facilitates data analysis after the issue.

Total Funds Reach TL 7.5 Billion

Fiscal year 2018 was marked by success in terms of both domestic and overseas market transactions. The total volume of funds collected by the Investment Banking Department amounted to about TL 7.5 billion. A total of 22 issues were held in the domestic market, yielding a total of TL 3.3 billion (TL 3,338,470,000.00). As of end-2018, outstanding lease certificates stood at TL 1.6 billion. In the international markets, the Bank issued its first Additional Tier 1 Capital (AT1 Sukuk) worth USD 205,000,000 in February. This transaction was the first Additional Tier 1 Capital (AT1 Sukuk) issue in Turkey. In April, the Bank rolled over its USD 213 million murabaha syndication which had come to maturity, securing a

murabaha syndication loan worth USD 245 million and EUR 60 million. In May 2018, the Bank issued a Privately Placed Sukuk worth USD 90,000,000 with a six-month maturity period. In addition, the Bank issued a Basel III-compliant AT1 Sukuk worth USD 205,000,000 listed on the Irish Stock Exchange. As a result of the additional capital issue, the Bank's capital adequacy ratio increased by nearly 3%, well above the industry average. This is a fairly new product in the global capital markets and was issued for the first time in Turkey by Albaraka Türk.

Corporate Loan Services Empowering Corporate Clients

Albaraka Türk continued to pioneer innovative corporate loan projects in 2018. The major Corporate Loans projects conducted during the year include:

Digital Allocation Limits

Systemic improvement efforts under the umbrella of the Digital Allocation Project gained steam in 2018. The current system's disadvantages in use and outcomes for customers were reanalyzed from every angle. A series of meetings were organized with the relevant units; as a result of these meetings, it was determined to revisit issues such as a radical transformation of the loan module and reorganization of product groups.

Currently, the Bank's loan allocation processes are automated to a limited extent, and labor-intensive efforts are required from the users. The vast amount of operational workload on the users leads to significant problems. With optimization of the loan proposal/allocation process under the digital transformation program, a more user-friendly process with less operational workload, integrated into the system, has been designed. In addition, the Bank aims to establish an automatic allocation structure within specific conditions for limits/guarantees via the rating system. The transformation process, which started in first quarter 2017, was over 70% complete as of end-2018. Physical tests began in early 2019 at a pilot branch with real firms and now it is available in all branches.

The ultimate objectives are overcoming time barriers in finalization of loan proposals, reducing loss of time and energy, producing simpler and more comprehensible results, enhancing the motivation of branch and head office personnel by eliminating systemic problems, and maximizing customer satisfaction.

Rating-Based Credit Allocation Limit Authorization

In the banking industry, it is vital to accurately analyze data affecting firms' credit worthiness and to make credit decisions in light of this data. To perform a more objective assessment, a bank must allocate loans on the basis of a rating methodology.

In this assessment method, a much more comprehensive financial and non-financial analysis is performed for loan allocation. The firms' risk scores are calculated by adding up their points in each category of analysis. The rating score thus calculated for each firm then becomes the most determining factor in the credit allocation decision as well as credit type, volume, guarantee, pricing and other conditions.

The Bank Board of Directors resolved to make the client rating score an important factor in credit allocation authorization, alongside other factors such as limit amount and guarantee. Such credit decisions based on the risk ratings of credit clients are expected to bring down the Bank's NPL ratio and have a favorable impact on the Bank's risk map.

Product Management

In 2018, the Bank's Product Management Department made significant improvements in the current product portfolio, while also introducing customers to numerous innovative products and services. Closely monitoring the digital transformation process, the Bank focused on digital solutions in product management in order to design products and services that maximize customer satisfaction.

Products That Improve Processes

Support for Acquisition of Citizenship by Investment:

To provide swift services to clients who want to acquire Turkish citizenship via investment, the Bank encouraged customer representatives to learn about the applicable regulations and practices.

Consumer Finance: The Bank listed consumer spending categories that can be funded under interest-free banking in order to meet customers' consumer finance needs in line with participation banking principles. These efforts were undertaken exclusively for the purpose of goods purchases and not for "cash payments."

Retail Banking Service Packages: The Bank designed a series of service packages to help retail clients optimize their costs according to their needs while using banking services.

Ready Retail Finance Limits: To meet customers' retail financing needs, the Bank performed periodic assessments, allocated ready limits, and periodically notified customers with approval.

Gold/Foreign Exchange Saving Account:

The Bank conducted automatic follow-up for customers who want to purchase gold and foreign exchange with the TL in their current accounts, on the days of their choosing.

Online Gold Sales: Customers now have the chance to purchase quarter, half or full gold coins via the Internet Branch.

Mutual Fund Custody Account: The Bank granted customers willing to invest in capital markets access to investment accounts, custody services and mutual funds.

Condo Fee-Paying Account: The new Condo Fee-Paying Account automatically pays condo fees at the maturity date, effectuates the payment via profit-free financing in case the bank balance is insufficient, and gives building administrators the chance to manage the condo fees.

For SMEs: The Bank launched the Supplier Financing System, Additional Accounting Solution Integrations, as well as short term support and commercial service package for Salary and Check Payments.

Innovative Products and Services for Customers

Gold Transfer System: Albaraka Türk has very swiftly adapted to this system which allows transfers from a gold account to another bank and provided access to its client base.

Supplier Financing System: The Supplier Financing System (SFS) is a cash management product that allows suppliers who have outstanding receivables from the main company to which they sell products to give these receivables to the Bank as guarantee while taking out loans. SFS also allows main companies to perform their multiple payments to suppliers automatically.

Real Estate Investment Fund with

Commitment: Real estate investment funds were added as a commitment of buyback at a specific maturity and rate, to give interest-averse customers the chance to sell funds with a fixed return.

Targets for 2019

In fiscal year 2019, Albaraka Türk, as part of the digital transformation process, will manage its current product portfolio in line with customer demands and expectations, while also introducing new innovative products.

In fiscal year 2018, as part of the Bank's digital transformation drive, the Investor Relations Department continued to provide information to its stakeholders using diverse technologies and emerging channels in an attempt to adopt innovative practices.

SALES AND MARKETING

Today, the banking industry is undergoing a rapid transformation due to the increased use of chatbots and artificial intelligence, initiation of blockchain practices, and the rising importance of personalized services. To best adapt to this swift transformation, Albaraka Türk keeps close watch on technological developments. The Bank also makes its sales and marketing processes even more efficient in light of its commitment to excellent customer experience.

In accordance with the principle of banking without charges, Albaraka Türk greatly enhances the products and services offered to customers over the Internet Branch and Mobile Branch, while consistently developing its physical service infrastructure. The Bank inaugurated 10 new branches in 2018 and offered customers the chance to withdraw money free-of-charge from PTT ATMs thanks to the deal reached with PTT. To stand by its customers 24/7, the Bank regularly enhances its physical and alternative distribution channels.

PROJECTS TO BOOST SERVICE QUALITY

Albaraka Mobile Branch: The Mobile Branch has helped customers and Bank employees save time and money thanks to its free-of-charge transfer and EFT functionality. A voice assistant was created to guide users about the Mobile Branch's capabilities and functions. This feature directs customers to the transaction of their choosing in seconds, without losing time, just as if they were being guided by branch personnel.

Albaraka Field: This mobile application allows sales teams (Portfolio Managers, Branch Managers, Regional Teams and Head Office Sales Teams) to perform transactions supportive of marketing and sales actions even when they are outside the branch.

Albaraka in the Field: This application provides access to customer data via the personal record (Account Information, Contact Information, Risk/Limit/Guarantee Data) and manages activities such as tasks, visits, potential customers and map actions.

New Generation Branch: This effort aims to add new systems and methods to the ongoing branch network expansion. The Bank continued improvements related to waiting areas, tellers, portfolio managers and branch organization in order to take the customer experience to the highest level and ensure that customers leave the branches more satisfied.

Banking Models: Aware that each customer has individual personal characteristics and different demands arising from these characteristics, Albaraka Türk started categorizing its customers in demographic and sociological terms and delivering tailored services.

Private Banking: Albaraka Türk launched a private banking unit in 2018 to serve its clients in specially designed spaces. The Bank's private banking staff provide financial consultancy services to private banking clients to help them maintain their assets while offering personalized investment recommendations and financial solutions.

Under this banking model, portfolio managers keep watch on the economic agenda to offer customized financial services to the clientele. The Bank delivers the following consultancy services in private banking:

- » Participation Accounts,
- » Lease Certificates,
- » Mutual Funds and Real Estate Investment Funds,
- » Financing,
- » Consultancy.

Albaraka Türk aims to complete the private credit card issuances and deliver the desired services at special rates, together with assistance services in 2019.



INVESTOR RELATIONS

In 2018, Albaraka Türk Investor Relations Department effectively fulfilled its core responsibilities by closely monitoring capital markets developments as significant events took place in both the global and domestic economy during the year. Over various communications channels, the Investor Relations Department elaborated on the effects of the current economic conditions on the financial and operational performance of the Bank; the measures taken to counteract these effects; actions to be implemented by the Bank in the near future; corporate action plans; and expectations of the Turkish economy's performance. The Department also adhered to the principles of transparency, reliability and consistency in all its activities. In 2018, the Albaraka Türk Investor Relations Department held numerous events for investors as well as analysts of leading brokerage firms. In the presentations delivered at these events, investors and capital market managers were informed about the Bank's investment instruments.

In fiscal year 2018, as part of the Bank's digital transformation drive, the Investor Relations Department continued to provide information to its stakeholders using diverse technologies and emerging channels in an attempt to adopt innovative practices. For example, the Bank's financial results were regularly evaluated on the Albaraka Türk YouTube channel by the Investor Relations Department.

During the year, the Investor Relations Department also contributed to Albaraka Türk's innovations in the area of digitalization. In 2018, the Bank launched the mobile investor relations application Albaraka IR for investors. Aware of the importance of continuous communication and accessibility, the Investor Relations Department ensured that its investor base can rapidly and practically access comprehensive and up-to-date information on many issues – from the Bank's operations to share performance. This approach demonstrates the importance the Bank places on technologies that make investors' lives easier. Users of Albaraka IR, which serves as an alternative information distribution

channel, can immediately access information on the latest financial results, share price, share performance, corporate news, corporate governance, other relevant developments and updates.

The Investor Relations Department is committed to capitalizing on its strengths and always delivering better services. In 2019, the Department will continue providing top quality services to investors and stakeholders alike, by upholding the principles of transparency, accessibility and integrity.

In 2018, Albaraka Türk continued to lead the way in the sector with innovative projects and applications that integrate ever-changing information technologies into the systems and processes required today.

SALES AND MARKETING ACTIVITIES IN 2018

- » The Hajj Financing Campaign recorded 5,210 loan allocations and Umrah Financing Campaign saw 1,813 loan allocations, with the campaigns thus reaching an 80% target achievement rate.
- » The Automatic Bill Payment Sweepstakes Campaign helped the Bank gain 17,751 automatic payment orders. The campaign's target was achieved.
- » During the Mobile Branch Sweepstakes Campaign, the app was downloaded and activated 40,197 times, yielding a successful target.
- » In 2018, the Bank undersigned 25 brand collaborations. Some of these campaigns and their results include the following:
- » Customers who opted for Albaraka Türk for their Motor Vehicles Tax (MVT) payments in January and July 2018 enjoyed Tekzen and Autowax's car maintenance services at a discount. In 2018, MVT payments rose 65% over the prior year.
- » Goldmaster, Turna.com and "Cepte Tamir (Mobile Repair)" promotional campaigns were offered only to customers using the Internet Branch to encourage active use of the channel and support channel migration. The Bank posted an 80% target achievement rate in boosting active customer numbers during the campaign.
- » The Bank signed deals with Ekoçiçek for March 8 International Women's Day, with BiSU for Ramadan, with Lezzetlibuket for Mothers' Day, and with Markapark for Fathers' Day. This effort closed with a 90% target achievement rate in terms of increasing customer interactions.
- » A joint promotional campaign with Turknet was intended to have a positive effect on credit card sales. The Bank posted an 85% credit card sales target achievement rate.
- » The Bank signed the following brand collaboration agreements to meet SMEs' needs:
 - Bidolubaskı – for printing,
 - Kargomkolay – for shipping,
 - Safepoint – for private security,
 - Temizlikyolda – for cleaning services.This campaign yielded a 70% interaction achievement rate.
- » The campaigns with Goldmaster, KVK Huawei, Lezzetliçecek and Marka Park figured among the most popular and successful promotional campaigns.

Albaraka Türk recorded target achievement rates of nearly 100% in promotional campaigns conducted during fiscal year 2018. The Bank aims to execute effective sales and marketing activities during the year as well.

RESEARCH & DEVELOPMENT

In 2018, Albaraka Türk continued to lead the way in the sector with innovative projects and applications that integrate ever-changing information technologies into the systems and processes required today. During the year, the Bank successfully completed a number of projects and efforts in this area. These projects included the following:

- » The Bank revamped the mobile branch as a platform that prioritizes ease of use. Thanks to the "Repeat Transaction" feature, a user can easily repeat a previous money transfer without having to enter the necessary information again. The main page of the application was redesigned to allow the customer to perform many transactions. Other upgrades include personalization options that allow users to create a favorite menu and turn on/off different features.
- » Recognizing that digital processes are at the center of life today, the Bank expended efforts to upgrade password management by introducing biometric verification technologies.
- » **The Albaraka Field** mobile application allows sales teams (Portfolio Managers, Branch Managers, Regional Teams and Head Office Sales Teams) to perform transactions supportive of the marketing and sales actions even when outside the branch. The app is designed to enable quick access to customer data, record customer related actions and information in the corporate memory, plan and monitor tasks and visits, establish potential customer records, among other functions.
- » The Bank has executed various collaboration projects with a focus on infrastructure in card payment systems. A prime example of these partnerships was the joint project with BELBİM, which allows the transfer of money to Istanbulcards via Albaraka credit cards, where any extra amount in kuruş was donated to various NGOs with the "Round Off" feature. On the POS side, the Bank upgraded the virtual POS infrastructure to offer fixed-fee POS services to customers.

BUSINESS EXCELLENCE AND DIGITAL TRANSFORMATION

Closely monitoring the digital transformation taking place across the banking industry, Albaraka Türk implemented major efforts related to digitization and business excellence in 2018. Pioneering projects in this area included:

BigBang

During the year, the Bank launched the second version of BigBang, an idea development platform. This platform allows employees to share their ideas and support each other in putting those ideas into practice. BigBang has been key in strengthening the innovative side of Albaraka Türk's corporate culture.

Discover

The in-house entrepreneurship program Albaraka Discover functions as an incubator for employees. In 2018, Albaraka Discover evolved into a model comprising the branches in Turkey and Erbil, where close to 150 project presentations took place. Twenty-four of these projects passed the preselection process and eight made it to the incubation stage to be implemented subsequently.

Albaraka Garage

Placed under the umbrella of Albaraka, Albaraka Garage is a start-up accelerator that supports entrepreneurs with technology-based business ideas and projects. As the first start-up accelerator in the world established by a participation bank, Albaraka Garage aims to help entrepreneurs who want to develop innovative solutions for banking, work on high-tech applications and have ideas to this end, via incubation and acceleration opportunities. Committed to keeping the entrepreneurial spirit alive at Albaraka and standing out in an innovative and competitive environment, the Bank rapidly adopts the latest technologies, integrates the most relevant into its banking ecosystem and strives to become the industry's technology- and innovation-centered bank. These efforts in collaboration with entrepreneurs are expected to sharpen the Bank's innovative edge further. Some start-ups within the Garage have been included in the Albaraka Venture Capital Fund established under the roof of Albaraka to provide them financing. In addition, thanks to cooperation with one of the supported start-ups, it has become possible to carry out transactions at bank counters only by taking a customer's biometric signature on a tablet PC, without printing a bank receipt.



A total of 455 applications were received in the first round, where nine entrepreneurs received the jury's approval and got the chance to enjoy all of the aforementioned opportunities. In 2018, POC studies were performed with seven of the first round applicants at Albaraka Garage; the products of four others were acquired by the Bank. As a result, the Bank has rapidly extended the culture of collaboration with entrepreneurs. Albaraka Garage completed the first round and started the second round. Over 500 entrepreneurs from 50 cities applied to the start-up acceleration center Albaraka Garage, and 11 more start-ups were accepted in 2018.

insha, a service that provides free-of-charge money transfer between Turkey and Germany as of January 1, 2019, also plans to strengthen its ties with Turkey.

Fintech Venture Capital Investment Fund

Following the surge in start-up activity and entrepreneurial drive prompted by Albaraka Garage, the Bank decided to establish Fintech Venture Capital Investment Fund. This fund aims to create commercial partnerships with talented entrepreneurs who want to learn more about the Bank. Fintech Venture Capital Investment Fund was founded by Albaraka Portfolio Management, which will support such fintech ventures. Soon after the fund was set up, investment decisions were made for four enterprises – three from Albaraka Garage and one from outside.

RPA – Robotic Process Automation

In a first for the industry, Albaraka Türk launched RPA (Robotic Process Automation), using robot technology to transform the organization's way of doing business. Under the RPA project, the Bank recorded a productivity increase of 63% and a cost reduction of 90% in processes where robots now operate. Investment in the project is expected to yield a return of 1,200%. The RPA project was recognized with awards for excellence by IDC and FIA.

Biometric Signature

Albaraka Türk's Biometric Signature project will digitize the Bank's processes to save time and money. Receipts for transactions of less than TL 20,000 are currently provided with biometric signature at three branch locations; this will be extended across the entire branch network in 2019. With this effort, Albaraka Türk aims to deliver its customers a more secure, faster and digital service. This project is also expected to save 2,000 trees over the next 10 years. The Biometric Signature project garnered awards from the IDC, FIA and Banking Technology Awards.

SLA – Service Level Agreement

The SLA project is designed to ensure the traceability and measurability of the Bank's operations. This effort aims to boost productivity and improve customer experience in business processes by means of manager dashboards developed in-house.

Agile Process Improvement

The Bank continued to step up its processes and deliver better services to customers thanks to Agile Process Improvement and Lean Six Sigma models.

Optimum Process Program

The Optimal Process Management System is an integrated and sustainable process management platform developed to help organizations shift to a process-oriented management approach. An Optimum Process Program was established within the Bank. In addition, a Process Hierarchy was developed on a department basis. The Bank selected Process Representatives for each department and provided necessary training.

Project "Orbit"

After the projects were completed and the teams dispersed, new projects were designed and transferred to relevant units. The biggest impact of this effort carried out by employees on a purely voluntary basis, outside of their job descriptions, was to reveal their existing but previously unknown talents.

This impact subsequently translated into a fresh vision in their way of doing business. Furthermore, employees who do not work in a project-based manner in their routine workday had a different experience and made an important contribution to the Bank by turning this into an opportunity.

Project "Attack"

Project "Attack" is a new business model based on speed and the feeling of employee ownership, launched to achieve organizational agility. Under this model, which is currently in the pilot stage, work on numerous projects with the support of three "attack" coaches take place. With this initiative, the Bank aims to change the way it operates by spreading this agile model across its entire organization. The objective is to solve problems with more effective and flexible micro teams that work like a swift start-up to complete operations.

Organizational Development

Albaraka Türk established a Validation Function to examine and analyze models for determining customer ratings and to check the accuracy of these models. The Financial Institutions and Investor Relations Department was divided into the Financial Institutions Department and the Investor Relations Department. Meanwhile, the Treasury and Investment Banking Department was similarly divided into the Treasury Department and Investment Banking Department. The name of the Process Management and Organization Department was changed to the Business Excellence and Innovation Department. In addition, Deputy General Manager Turgut Simitcioğlu was appointed as Assistant General Manager – Credit Risk and Mustafa Çetin as Assistant General Manager – Finance and Strategy.

Targets for 2019

insha – Europe's First Islamic Digital Bank

The platform banking service insha was established on the systems infrastructure created by Solaris Bank AG, which received all the necessary permits and licenses from the German central bank Bundesbank. By using Solaris Bank's banking license, a platform banking service was launched to deliver participation banking services across continental Europe. This innovative service is designed to provide a socio-financial solution to Muslims and Turkish citizens in Europe. The insha platform includes applications that meet financial needs while also adding value to users' lives. The service offers the chance to become an online client in just eight minutes while going beyond conventional banking services. The Bank delivers a multi-language platform banking service by providing other features such as namaz reminders, prayer room maps, and zakat calculator, all of which are increasingly sought by Muslims.

On July 17, 2018, Albaraka founded the wholly-owned subsidiary "insha GmbH" as Europe's first fully digital participation bank. This was followed by insha's press launch in Berlin on September 28, 2018, and the launch of service in Germany. At the first stage, "insha" is delivering basic banking services, including account creation, account management, payments and money transfers to the Single Euro Payments Area (SEPA) and Turkey.

Alneo – Practical and Fast Payment Platform

Alneo offers an innovative and hassle-free solution for POS, the area where fintechs are trying to capture the largest share, and is scheduled to come online by end-2019. The service is planned as Turkey's first artificial intelligence supported, practical and quick payment platform. Alneo features two applications: one that will function as the retailer's safe and another that the customer will use as a wallet if they wish. This will not only eliminate material such as physical POS devices and paper rolls, but also provide instalment options for credit cards.

Semosis – Centralized Promissory Note Payment Platform

Semosis is a centralized promissory note payment platform. This platform allows the Bank to monitor the promissory note system and enables clients to make payments without having to visit a branch. Creditor companies can create promissory notes over the platform. Promissory notes registered here can be paid by entering the promissory note number only. It is also possible to make a payment even if the note is not registered on Semosis, by entering certain information.

Collection Platform

In 2019, Albaraka Türk plans to launch a web-based, automated collection platform. The platform is designed to offer solutions to the budget, collection, communication and social issues of communities that make financial transfers, and companies that perform regular collections. The application will provide added convenience in areas such as meter reading and building management. The collection platform will facilitate automation by means of dynamic and real-time integration that can meet the needs of both companies and internal administrations. As a result, the platform will provide solutions to all existing needs as well as new problems that may arise.



Ahali Fund – Crowdfunding Platform

The Bank's Ahali Fund – Crowdfunding Platform will offer an alternative financing channel to individual entrepreneurs, start-ups and SMEs with projects, while serving as an alternative investment opportunity to savers. It also allows Platform Albaraka to generate a medium- and long-term revenue stream at low operational cost.

Open Banking

In recent years, Open Banking (API Banking) projects have been increasingly implemented by global banks in response to the evolving requirements of the rapidly changing banking system. These projects serve to ramp up bank integration and cooperation efforts with corporate firms and financial technology enterprises. Banks open up their APIs via a portal, thus acquiring the capability to implement more collaboration in a shorter space of time. Albaraka Türk decided to establish an Open Banking Service under the Business Excellence and Innovation Department, by sharing the Bank's APIs with third party providers. The objective is to launch the Open Banking project through the Albaraka API Portal, which is scheduled to go online in first quarter 2019.

Process Management

In 2019, Albaraka Türk aims to boost the number of robots working across the organization and to put biometric signature in use at all branches. In addition, the Bank plans to continue enhancing its productivity with follow-up of SLA studies and implementation of process improvement studies.

Cloud Workforce

Intended as a work scheme that will cut the Bank's costs in certain areas and provide additional income/benefits to personnel, the Cloud Workforce is designed to provide previously outsourced products and services from inside the Bank by crowd resource management. The Cloud Workforce scheme is scheduled to go online in 2019 in collaboration with the Human Values - Business Family.

In 2018, Albaraka Türk Human Values Department conducted efforts to create in its business units a cultural atmosphere that reflects the values of an organizational structure centered around people.

"OUR EMPLOYEES ARE ASSETS, NOT RESOURCES..."

Albaraka Türk is one of the most preferred banks in the industry thanks to its staff who are team-driven, self-motivated, committed to high quality and efficiency, embrace the corporate culture and are open to change and innovation. The Bank sees its workforce not as a resource but rather a valuable asset, moving the Bank forward into the future. In addition to offering continuous development opportunities to increase synergy among employees, the Bank also implements a large number of motivational activities.

In 2018, Albaraka Türk Human Values Department conducted efforts to create in its business units a cultural atmosphere that reflects the values of an organizational structure centered around people. The Human Values Department undertook special projects to boost the loyalty of employees toward the Bank and make the Bank an employer of choice in the eyes of candidates.

Embracing the latest human resources practices, Albaraka Türk Human Values Department conducted innovative projects in 2018 to more efficiently position the Bank's human resources in the Bank's business processes. As a result of its meticulous

approach in this area, the Bank won, for the eleventh year in a row, the "Respect for People" award, presented by the recruitment web site kariyer.net. The award aims to recognize and promote successful human resources practices in the banking sector.

Albaraka Türk's human values totaled 3,988 as of year-end 2018, with 90.6% of the Bank's employees holding a two- or four-year university degree. During the year, the Bank recorded 1,094 appointments, transfers or temporary assignments. The percentage of graduates of elite universities in high-status positions rose from 75% to 90.5%. As of year-end, the Bank reported a total of 230 branches, eight regional offices and 364 new recruits. In addition, the Bank appointed one Assistant General Manager, one President, four Unit Managers, 36 Branch Managers and one Branch Manager in 2018.

Projects implemented by Albaraka Türk in the field of human values in fiscal year 2018 included:

» As part of digitization efforts, the Bank shifted to the Recruitment Module System. Job applications and candidate selections have started to be monitored through this module. A total of 142,000 applications were received over the Recruitment Portal and as intra-service suggestions. Some 99% of candidates were provided with a positive or negative response.

- » Students from Turkey's leading universities were offered internship opportunities under vocational training agreements. Some 203 high school and university students who wanted to complete their compulsory internship at Albaraka Türk were offered internships.
- » A special activity model – Career Mentality – was designed to communicate better with university students and inform them about the work environment at a participation bank. Such activities were subsequently held at different universities. Twelve workshops were organized for people with different profiles, ranging from potential employees (undergraduates) to personnel having just completed their first year at work, around important concepts such as Career Mentality, Young Albaraka Employee Mentality, Employee Mentality and Branch Mentality.
- » Videos were shot featuring employees who joined the Bank via the Young Albaraka Employee channel. The videos were then published on social media under the title "Youth Take the Floor."
- » The Bank used social media accounts to create a strong employer brand and communicate with potential candidates.
- » On social media, employees' photographs rather than stock photos were used to strengthen the sense of belonging.
- » The Bank conducted workshops to help reveal the personality, character, and professional values of employees. Based on the results, motivational activities (photography workshop, activities to increase efficiency) were held.

- » Albaraka Türk analyzed social activities and hobbies of the staff and created new content accordingly. Employee clubs were established and encouraged to start activities. (A total of 13 activities were held, including a drama performance, outdoor cinema event, a concert for women, women's volleyball game, camping and hiking excursions, participation in the Eurasia marathon, and trekking.)
- » To strengthen the employer brand, the Bank conducted strategy efforts with Great Place to Work and Way to Say. The Bank transitioned to the employee satisfaction survey called Great Place to Work (GPTW) to measure employee confidence.
- » The Bank sent families of new recruits letters signed by the General Manager, which generated positive feedback.
- » Successful and competent employees were given priority in appointments to fill any vacancies in management positions.
- » Albaraka Türk employs a permanent workplace physician and an expert nurse to ensure that employees have swift access to physical and mental health services at the Head Office.
- » The Bank continued to hire dietitians to inform employees and their families at the Head Office and Istanbul branches about healthy eating habits. Specialized psychologists are also hired to strengthen the mental health of employees who require such a service.
- » The Bank organized seminars on Health and Communication within the Family.
- » Albaraka Türk systemized branch visits, immediately addressed problems and demands in the branches, and provided necessary feedback to employees.
- » According to the branch capacity utilization report issued by the Performance and Career Management Department, the Bank transferred work flow roles of those branches with low capacity to the branch operation manager. Branch personnel efficiency was maximized with this effort.
- » The Bank organized Maker Workshops for the staff's children.
- » As part of the project Game at Work, the Bank signed a deal with the firm BASME to set up an educational workshop for employees' kids.
- » Elections were held for the Employee Committee. Management collaborated with these elected representatives to prevent any misunderstanding in a proactive manner. The Employee Committee held its first meeting, with the participation of the General Manager.
- » Under efforts to robotize business processes, the Bank identified jobs with low added value and transferred these positions to robotic software. A special Chatbot software, BotİK, was created for the Human Values Department.
- » The Bank reached a deal with the platform Youthall to interact with university students over a digital portal.
- » Thanks to the Masters in the Field project, current employees tapped into the know-how of retired employees, who provided feedback as consultants. A total of 108 branches were visited under this effort and Branch Portfolio Managers made visits to 36 branches.
- » Albaraka Türk continued Competency-Based Interviews in the recruitment service. The Bank offered new employees "Training on Competency-Based Interviews."
- » The Bank continued to conduct preliminary video interviews via the HR Venue system, and held online video interviews with certain candidates in Anatolia. The Bank shortened the interview process by using preliminary video interviews.
- » In keeping with the principle of placing the right person in the right position, Albaraka Türk extended contracts with contracted recruitment web sites, and acquired additional modules with new functionality to reach more candidates.
- » The Bank continued to collaborate with the firm Empatik for competency measurement and system digitization. This system is also used to collect CVs and perform personality inventory and competency testing. In the processes to be completed, the same online module is used to register candidates and form an archive.
- » Thanks to its Human Values Policy, Albaraka Türk is focused on better understanding individuals. To this end, the Bank has recruited three psychologists to fully understand candidates and internal customers in interviews, and to assess them in a healthier manner. At least one psychologist attends each interview to measure the candidate's level of competence and communication. The results of the personality inventory (PIT), which each candidate takes before interview, as well as the psychologist's assessment are integrated into the candidate selection process.
- » Sixty-six persons with different levels of competence and experience were recruited for the IT Business Family.
- » A large number of Young Albaraka employees were recruited for the Ankara Call Center.
- » In 2018, the Information Management and Payroll Service continued to use the Humanist System as database.
- » To manage temporary branch assignments in a sound manner, the Bank completed work on the automatic temporary assignment follow-up platform. The process was handed over to the Banking Services and Operations Department.
- » In 2018, the Humanist System was used actively across all platforms. As part of Digital Human Values practices, the Bank activated the Overtime Module on the Humanist System.
- » The Bank reached an agreement with LinkedIn to use the site actively in candidate selection processes; as a result, nearly 20,000 applications were received.
- » The Bank started to provide meal cards (Metropol Kart) to its employees.
- » The PPS employer contribution was aligned with employees' seniority to award senior workers and enhance employee loyalty. The Bank's contribution to the staff's private pension schemes, which varies between 2% to 5% of gross salary depending on seniority, was transferred on a monthly basis to the participation pension company in 2018.
- » The Bank further boosted employee satisfaction with the Flexible Side Benefits scheme. Now, employees can choose the side benefit best suited to their individual needs. The portal Showcase, related to side benefits, came online during the year.
- » The Bank launched its net salary scheme.
- » Personnel record files started being kept in digital format.
- » Testing began with Microsoft Kaizala to meet the need for a mobile communication platform and orientation process.
- » From 2018 onwards, salary payments at the Erbil Branch started being effectuated over i-Albatros.
- » Albaraka Türk created a seniority-based organizational structure for the positions of security guard, waiter and driver.
- » In the position of "Authorized Personnel," the Bank eliminated salary differentiation according to education level. All Authorized Personnel became subject to the same salary scheme.
- » Albaraka Türk abolished the pre-tenure salary scheme. The salaries of all pre-tenure employees were raised to the tenure levels.
- » The Bank collaborated with Korn Ferry Hay Group to evaluate its business on the basis of services. Meetings were held to this end with Assistant General Managers.
- » For the settlement of the fees for employee incapacity reports, the Bank signed an agreement with Social Security Insurance in 2018.
- » In 2018, the Head Office generated TL 1,540,000 in revenues from retrospective Social Security Insurance premium discounts.

In 2019, Albaraka Türk will undertake a wide range of efforts and projects to move its corporate structure forward into the future, become the employer of choice in the banking industry and maintain this position, with the help of its valued employees who are open to change and innovation.

Targets for 2019

In 2019, Albaraka Türk will undertake a wide range of efforts and projects to move its corporate structure forward into the future, become the employer of choice in the banking industry and maintain this position, with the help of its valued employees who are open to change and innovation. To these ends, the Bank designated the following objectives:

- » Collective exams will be held for vacant positions when required.
- » To recruit highly competent employees for Albaraka Türk, the Bank will increase the number of "Career Day" events to reach out to youth at the country's top-notch universities.
- » As part its communication activities, the Human Values Department has already planned career days, presentations, conferences and seminars at foremost universities for 2019.
- » In 2019, the Bank will give priority to branches whose employee loyalty scores are below the desired levels; branch visits will be duly organized.
- » To boost efficiency and render recruitment processes more effective and rapid, the Department will complete the changes in job definitions and ensure continuity.
- » The Department's procedures and documentation will be revised over the intranet.

- » To access employees faster and receive more rapid feedback, the Department is working on procurement of a mobile-friendly communication platform.
- » For completion of efforts related to orientation processes, the program Kaizala will be pilot-tested at the Head Office and then extended to other units at the Bank.
- » Albaraka Türk aims to reduce employee turnover rates in the fast-growing participation banking sector and rapidly fill vacancies arising from resignations with appropriate candidates. Necessary work will be carried out to this end.
- » To strengthen the employer brand, the Department will strive to reach out to potential interns and Young Albaraka employees effectively, and extend agreements with communication channels.
- » To increase awareness and recognition in digital platforms, the Department plans to accelerate its branding activities in popular channels, especially social media.

PERFORMANCE AND CAREER SCHEMES

Training Activities

Major Training Planning and Organization Activities

In 2018, Albaraka Türk organized 38 hours of in-class training and 24.5 hours of e-training per employee, totaling 62.5 hours for each staff member.

The breakdown of training sessions by topic is shown below (hours):

- » Basic Training: 37,480
- » Regulatory Training: 45,275
- » Career Training: 55,672
- » IT Training: 5,297
- » Other Topics: 6,930

Major training schemes organized by Albaraka Türk in 2018 include:

- » ISO 90001:2015 Quality Management Systems
- » ISO 19011 Management Systems Auditing Standard
- » ISO 10002 Customer Satisfaction Management System
- » ISO 9001: 2015 Quality Management Systems Certification
- » Prevention of Laundering of Crime Proceeds and Financing of Terrorism"(MASAK) (2,623 hours in total)
- » Occupational Health and Safety Training (3,228 hours in total)



E-Measurement and Assessment Project

Albaraka Türk digitized forms designed to measure the effectiveness of training sessions, thus ensuring an improved measurement and evaluation process. Bank employees can complete these forms 24/7 on their mobile phones.

My First Branch Project

With the "My First Branch" project, training programs transitioned to the applied training method as well. Staff who start work in the operations service get their first experience within My First Branch.

Albaraka Training Catalogue Project (E-Catalogue)

The Bank established an online platform to enable the staff (either by themselves or with their superiors) to determine training and development activities and communicate their training needs. In 2018, 477 staff members expressed demand for 116 training programs.

Albaraka Academy Service

The Bank established Albaraka Academy in 2013 to provide the best training available in the market to all employees using the latest education technologies in line with Albaraka Türk's vision and mission. In 2018, the Academy continued to meet the needs of the Bank and employees at the same time with efficient training programs. During the year, the Bank organized 101,122 hours of e-training, resulting in 24.5 hours of e-training per person, up 139% year-on-year. Between January 1 and December 31, 2018, some 78 trees were saved by Albaraka Academy.

Virtual Classroom Project

Albaraka Türk has entered the digital era in training, in accordance with its organization-wide digitization drive. In virtual classrooms, personnel can engage in video and audio interaction with instructors via 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. Furthermore, the Bank has initiated the use of tablet computers in training programs. With this effort, training documents are not be printed but offered to users online. The objective here is saving paper and protecting natural resources. Thanks to the virtual classroom and tablet projects in 2018, nearly TL 1,000,000 was saved in the training budget.

International Orientation Training

In 2018, under its International Orientation Programs, Albaraka Academy provided 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. During the year, 22 participants took part in the International Orientation Programs at the Bank. To date, 43 participants have taken part in these programs. The International Orientation Programs have provided training support to interest-free banking activities in other countries.

e.Mobile App

In 2018, with its mobile browser compatible design, the e.Mobile application allowed access to Albaraka Academy from everywhere and delivered training sessions 24/7, in the fastest manner. The new mobile-friendly interface of the e.Mobile application came online to provide stronger support to learning at anytime, anywhere. In 2018, 36,549 user logins were made to the Albaraka Academy platform via mobile devices, up 48.8% year-on-year. In total, 12,651 hours of mobile learning were delivered during the year. Thanks to Albaraka Academy's e.Mobile app, Bank staff can continue their personal development and learning anywhere: on the road, on the service bus or at home.

General Mobile Usage Data for the System

Topic	e.Mobil	Mobile Browser	Total
Number of Logins	7,067	20,482	25,061
Number of Individuals	754	8,328	6,451

Online Questionnaire Module

In 2018, a questionnaire was assigned to 96 different topics by the Albaraka Academy Online question platform. During the year, 43,109 questionnaire forms were completed by employees, up 96% year-on-year.

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.

Personal Development and Learning Platform

On the Personal Learning and Sharing Properties Platform, 65 social groups were formed and 13,966 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. Employees can keep track of the training schedule thanks to the "Best Of" list updated monthly.

Post Graduate and Doctoral Theses

The "Thesis" section on the main page of the web site 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 66 theses in total at Albaraka Academy in 2018.

Online Promotions Testing

In 2018, 857 persons took promotions tests throughout the Bank. Savings of TL 313,492 was recorded with the online promotions testing made via Albaraka Academy.

Training for Female Employees on Work – Life Balance

In fiscal year 2018, the Bank organized the training program "Work – Life Balance for Women" for its female staff.

Albaraka Academy TV

Albaraka Academy TV features the use of educational technologies (videos) as a learning tool. The videos are designed to enrich employees' knowledge, attitude and behavior. Founded on the principle of sharing information through mutual interaction, Albaraka Academy TV has published 762 training and development videos as of end- 2018. New videos are added to the collection every day.

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 documents uploaded to the Digital Library, where training documents are stored online to be accessed from any location at any time, were downloaded 17,995 times in total in 2018.

Production of Animated Introduction and Training Content

In 2018, Albaraka Academy continued to produce animated training and orientation video content featuring instructional scenarios.

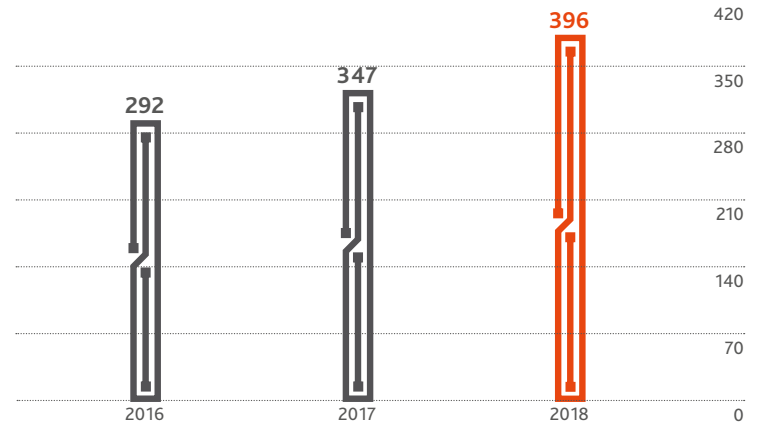
Performance Management

Albaraka Türk monitors staff performance via performance measurements conducted twice a year. In 2018, the Bank created a new screen called "Pergel" to give metric scores to branch operations staff. Operations metrics laying the basis for the 2018 performance were calculated via this screen. As part of 3D performance assessment efforts, manager evaluations and business relation evaluations commenced. With the creation of the Pergel screen, the branch operation personnel is now capable of monitoring performance status, in addition to region and general ranking on a daily and monthly basis. This has resulted in a more efficient performance management.

Quality and Access Authorization

In 2018, the Bank achieved automation in authorization processes to a large extent. Demands previously collected via five different channels are now collected in a single channel, thereby reducing the number of process steps.

employees receiving postgraduate education support



Service Role Changes in Career and Talent Management

During the year, Albaraka Türk continued its certification efforts in SPL, BES, SEGEM, among others. Bank employees were supported via training programs to receive the necessary certificates for their profession.

In-House Recruitment Practices

As part of its in-house recruitment system, Albaraka Türk started to publish vacant positions on its internal portal and receive applications. Personnel with positive assessment results were transferred to their new positions. Almost all vacancies inside the Bank were filled by current staff members. Employees who shifted to different in-house positions honed their know-how, competence and efficiency.

Career Academy Certificate Programs

In promotion assessments, role- and title-specific certificates were set as criteria. This arrangement encouraged colleagues to enhance their know-how and competence in their area of expertise.

Business Analytics Training Groups for Employees

Albaraka Türk organized business analytics training groups to inform employees about which techniques to use in the face of which business problems. Programs such as Power BI, Reporting and Report Writing Techniques and Presentation Skills were conducted to strengthen employee competences. Programs such as Blockchain, Robotic Process Automation, Digital Transformation and Influence of Robots on the Finance Sector, Digital Innovation in Finance were provided to update employees about current developments.

Mentoring for Employees

Albaraka Türk launched the Young (Reverse) Mentoring scheme to advance the digitization process of the Bank, tap into the dynamism of young employees, resolve differences between generations, and contribute to healthy communications. In addition, the Bank initiated an orientation project covering the Head Office and branches. As a result, associates temporarily sent to branches for on-the-job training had the opportunity to improve their team work competency. This effort also enhanced communication quality with branch staff.

Albaraka Türk employees can receive career counseling support whenever they wish, without any time or other restrictions. By means of inventories on personality, professional values and occupational interest, the Bank supports employees in their career decisions.

Management Trainee Pool

Albaraka Türk launched the evaluation center scheme to evaluate the managerial competence of candidates in the branch manager candidate pool and service manager candidates at the Head Office.

As part of its in-house recruitment system, Albaraka Türk started to publish vacant positions on its internal portal and receive applications. Personnel with positive assessment results were transferred to their new positions.

The evaluation center scheme for candidates in the branch manager candidate pool and service manager candidates provided them with the opportunity to see the level of their managerial competence.

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.

Having shaped its sustainability approach with the vision of “Becoming the Best Participation Bank in the World,” Albaraka Türk conducts its business operations with due consideration of their environmental footprint.

Targets for 2019

- » In 2019, Albaraka Türk will support in-house trainers with all necessary training. As such, the Bank will have recourse first to in-house resources and then to external resources in its training programs.
- » The Bank plans to extend the scope of the “Tablet” project, which was successfully implemented in 2018.
- » Albaraka Türk will make the promotion system more functional by putting in practice the new changes.
- » The mentoring and young mentoring projects will continue to expand the sharing of information and experience within the Bank.
- » Digital training projects based on VR technology will also continue in 2019.

CUSTOMER SATISFACTION: TOP PRIORITY

Albaraka Türk continued to shape all its business processes in line with customer needs and expectations in 2018. The Complaint Management Achievement List – published by the independent complaint management web site www.sikayetvar.com with the slogan, “We don’t respond to complaints, we resolve them” – ranked Albaraka Türk first among all banks. The Bank has been committed to steadily reducing its customer complaint response times. In 2018, Albaraka Türk established the Customer Experience Committee to manage customer relationships more effectively. In addition, in September 2018, Albaraka Türk obtained ISO 10002: 2004 Customer Satisfaction Management System Quality Certification to manage its Customer Satisfaction Services in accordance with internationally accepted quality standards. To ensure 100% customer satisfaction and render customer loyalty sustainable, the Bank provided training programs focused on customer satisfaction to all personnel. During the year, Albaraka Türk completed the transfer of the Solving Problems – Rota Work Flows module to Rota Plus. This effort aimed to manage notification processes more effectively and ensure that all Bank employees can give feedback to the notifications assigned to them more easily, and from a single screen.

ENVIRONMENTALISM FOR THE NEXT GENERATION

Having shaped its sustainability approach with the vision of “Becoming the Best Participation Bank in the World,” Albaraka Türk conducts its business operations with due consideration of their environmental footprint. The Bank continued preparations for application to the BIST Sustainability Index. Albaraka Türk also formulated its environmental policy, which was approved by the Board of Directors. The Bank demonstrated sensitivity and respect to the environment, meticulousness in using the world’s resources, resolve to leave a habitable environment to the next generation through participation in various initiatives. These include the Green Building Project, Carbon Disclosure Project, Studies on Gray Water and Waste Water Use, Zero Waste Project, among many others.

ACTIVE PARTICIPATION IN THE CARBON DISCLOSURE PROJECT

The Carbon Disclosure Project is a UK-based enterprise which represents 650 of the world’s largest investors with investments totaling USD 87 trillion. CDP guides investors by calculating their carbon emissions and disclosing these figures to shareholders and the general public. Empowered by this huge investor dynamism, CDP works with many companies around the world, primarily global firms, calculating the emissions of these companies and ensuring that climate change management strategies are formulated.



Having received a "C" in 2017 from the Carbon Disclosure Project featuring 6,771 companies, Albaraka Türk aims to obtain a "B" in 2018.

GREEN BUILDING PROJECT

Albaraka Türk is the first bank in the industry to obtain Green Building Certification for its Headquarters Building.

STUDIES FOR THE USE OF GREY WATER AND ARTESIAN WATER

At Albaraka Türk:

- » Treated artesian water rather than city water is used in the toilets and sinks of the Head Office 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 the Head Office; the resulting water is used in the reservoirs, leading to the recycling of 747,000 m³ of water during the year. As a result, 32% less water was consumed in 2018.

IMPACT ON THE ENVIRONMENT, ENERGY AND ATMOSPHERE

At Albaraka Türk:

- » Energy survey studies were conducted to determine the energy consumption of the Head Office building in detail.
- » The garden lighting system was restructured at the Head Office building to save electricity.
- » The timing scheme of lighting sensors was revised to consume less electricity.
- » Heating and cooling systems came to consume less electricity due to systemic changes in their operating systems.
- » A vehicle tracking system was installed on branch marketing vehicles. As a result, branch marketing vehicles can no longer be used out of purpose. Fuel consumption was also reduced.
- » In car rentals, the Bank replaced gasoline vehicles with eco-friendly diesel vehicles, reducing exhaust emission by approximately 1,408 kg/year per vehicle.
- » The Bank acquired electric vehicles, whose exhaust emission is 70% less than that of 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 the Head Office.

- » Efforts were made to enrich the lawns at the Head Office with individual plants that consume less water. 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 points were set up at the Head Office building to fight pests. As such, pest control is made not periodically, but only when needed, for minimal impact on the natural environment. Efforts were made to reduce light pollution at the Head Office.
- » At the Head Office building, collectors were installed for plastic bottle caps. Some 50 kg of plastic caps were collected and sent to the Turkey Spinal Cord Paralysis Association.
- » At the Head Office, carton boxes for transportation are used approximately 15 times. Scrap carton boxes are sent to the municipal recycling center.

ASSESSMENT OF OUR ACTIVITIES IN 2018

FULL COMPLIANCE WITH OCCUPATIONAL HEALTH AND SAFETY LAWS

Conducting its business operations in line with the principle of full legal and regulatory compliance, and as stipulated by Law No. 6331 on Occupational Health and Safety, Albaraka Türk executed the following activities in fiscal year 2018, separately for each location at the Head Office and all branch locations:

- » Preparing Risk Analysis, Preparing the 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 Occupational Health and Safety activities of the 23 branches opened in fiscal year 2018, the Bank conducted risk analysis, emergency plan, emergency drill, emergency team list, occupational health and safety instructions, floor plans, occupational safety training, and employee representative selection efforts with success.

A total of 265 staff members, including 176 Head Office personnel and 89 branch employees, underwent job initiation training to help them adapt to the working environment and business equipment of the Bank. All new recruits will continue to participate in this program.

EMERGENCY ACTIVITIES

The Bank conducted the following emergency activities in fiscal year 2018:

- » The Bank effectively organizes Emergency Management efforts to ensure the safety of customers, employees, documents, computer systems and data against possible damages that may arise at Head Office 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.
- » Emergency training was given to the emergency crews at the Head Office and the branches.
- » The annual evacuation drills are conducted to raise the awareness of Head Office employees. This year's evacuation drill was held on October 10, 2018; the evacuation was completed in only 12 minutes.
- » Fire/evacuation drills were conducted at all branches.

CORPORATE COMMUNICATION TOWARD STAKEHOLDERS

In 2018, Albaraka Türk's Corporate Communications Department conducted activities that would sustain its strong reputation among stakeholders. The main promotion and marketing communication efforts organized during the year included:

- » In 2018, three digital advertising campaigns were completed in connection with the corporate advertising films broadcast on TV.
- » During the month of Ramadan, 1,500 followers were gained with the influencer campaign.
- » Real time content was monitored throughout the year, and appropriate ones were shared. Thanks to these efforts, Albaraka Türk social media accounts reached their highest level of interaction.
- » The series "People Adding Value to the World" was launched. The winners of three months were determined with questions asked to the followers in the prior month.
- » Sponsored ads were published on social media in connection with the locations of new branches. Residents in the geographic vicinity were informed.
- » Posts shared on special days yielded high levels of interaction.
- » Prior to events sponsored or attended by the management, relevant social media posts increased interest in the events. In addition, social media accounts promoted our affiliate web pages, increasing their follower numbers.

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.

Targets for 2019

In 2019, Albaraka Türk's Corporate Communications Department aims to respond to rapidly changing and increasingly competitive market conditions through an agile marketing communication approach. The Department will strengthen the Bank's brand reputation in the eyes of the target group, by highlighting its focus on digital transformation, entrepreneurship and innovation.

LONG-TERM SOCIAL CONTRIBUTION PROJECTS

Albaraka Türk, which is committed to being an exemplary corporate citizen, undertook numerous social responsibility projects in 2018. Via the Bereket Foundation which it has founded, the Bank donated TL 10.1 million to education, health, environment, culture, sports, classical arts and social development projects in 2018.

ALBARAKA ART ACADEMY AND GALLERY

For many years, Albaraka Türk has 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 General Manager Melikşah Utku and Turkish Culture and Tourism Minister Nabi Avci participated in the inauguration of Albaraka Art Academy and Gallery. The Center was established to maintain the cultural heritage of the past and pass it along to future generations. Albaraka Art Academy and Gallery consists of two main sections: art workshops and art gallery. The Center 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.

As a result of the importance it places on Turkish-Islamic art, Albaraka Türk organized the exhibition "The Abundance of Pen: Calligraphy and Illumination" in various provinces across Turkey for 12 months in 2018.

KINDNESS CLUB

Albaraka Türk pioneered the foundation of Kindness Club – a new channel for the voluntary participation of employees in social responsibility projects.

The Kindness Club has conducted a wide range of activities to date. 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.

BEREKET FOUNDATION CONTRIBUTES TO EDUCATION

Bereket Foundation was established in 1986 and obtained tax exemption rights 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 people in need with cash support and in kind assistance.

Since 1987, the Bank has offered scholarships to a total of 61,780 students, 95% undergraduates and 5% graduate students, by means of the Bereket Foundation.

Since 1987, the Bank has offered scholarships to a total of 61,780 students, 95% undergraduates and 5% graduate students, by means of the Bereket Foundation. 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 2018, the Bank granted scholarships to 1,840 undergraduate and 77 PhD students, 1,917 students in total.

Other corporate social responsibility projects implemented by Albaraka Türk in 2018 include:

- » A school in the area of the Euphrates Shield Operation, which had been devastated during the Syrian civil war, was renovated and inaugurated to educate 1,215 students. Thanks to this effort, Syrian teachers, students and parents could return to a normal life. The physical conditions of the school have been improved and basic education and winter clothing needs of the students have been met.
- » Some 8,000 sprout pencils and 8,500 books have been gifted to 7,500 students in 11 schools. The objective is to help students acquire the habit of reading books and to raise their environmental awareness. To meet the needs of 3,200 students in nine schools, the Bank sent educational materials such as computers, printers, projectors, headsets and smart boards. Furthermore, the Bank sent equipment it no longer uses to these schools as well.

- » A one-month training program on memory techniques and effective learning was organized across 33 schools in 15 cities in the eastern and southeastern regions of Turkey. Approximately 10 thousand students have been reached under this project.
- » With the contribution and participation of employees, books and stationery were sent to a village school in Şanlıurfa to help establish a library. Moreover, the school walls were painted in fresh colors by Bank staff volunteers.
- » During Forest Week, March 21-26, 2018, 8,000 saplings were planted in nature with the participation of employees from the branches and regional offices of Hatay, Kahramanmaraş, Konya and Gaziantep, in cooperation with the Environmental Solidarity Association.
- » The plastic cap collection boxes located on floors B1 and 15 of the Head Office building contributed to the environment and improved accessibility. In Üsküdar, a kitchen workshop was created for mentally and physically disabled students in a school providing education in vocational training courses alongside academic training. The objective is to graduate an average of 10 students from the workshop each year. Upon graduation, students are encouraged to work in their area of specialization in order to increase employment rates.
- » A Braille printer was donated as part of education on the Quran and religious information for the visually impaired conducted by the İstanbul Muftitane. In this way, visually impaired individuals now have the opportunity to access Braille documentation (Quran, Ilmihal, Tajwid) more easily.
- » The Bank integrated with its credit cards a social entrepreneurship project called "Round It Off," where, in purchases by credit card, any extra amounts in kuruş are rounded off to be donated to various NGOs.
- » The Bank provided sponsorship to a school in İzmir, which organized an exhibition to inform students about the Hejaz Railway built by the Ottoman Sultan Abdülhamid. For the exhibition, the school's walls and floors were decorated, models were placed in the halls, and photos of the Hejaz Railway were placed all around.
- » In 2018, as per the Regulation on the Accessibility of Banking Services based on Law No. 5411 on Banking and Law No. 5378 on Disabled Individuals, 205 branch locations took measures to advance their accessibility for disabled employees. With the participation of more branches in 2018, these accessibility measures are now complete in all our domestic branch locations.

ANNUAL REPORT COMPLIANCE OPINION

AUDITOR'S REPORT REGARDING THE BOARD OF DIRECTORS ANNUAL REPORT

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

Opinion

As we audited the full set of financial statements of Albaraka Türk Katılım Bankası Anonim Şirketi (hereinafter referred to as the "Bank") and companies subject to consolidation (hereinafter referred to as "Group" collectively) for the accounting period between 1 January 2018 and 31 December 2018, we also audited the annual report for this accounting period.

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

Basis for Opinion

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

Our Opinion on the Full Set of Consolidated Financial Statements

We have expressed an unqualified opinion on the full set of consolidated financial statements of the Bank for the accounting period between 1 January 2018 and 31 December 2018 on 7 March 2019.

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 Report by the Banks ("Regulation") published in the Official Gazette dated 1 November 2006 and numbered 26333, the Bank's management shall be responsible for the following regarding the annual report:

- a) The Bank's management prepares its annual report within the first three months following the balance sheet date 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, truly and fairly the flow of annual operations and consolidated financial position of the Bank. In this report, the financial position of the Bank is assessed in accordance with the Bank's consolidated 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 taking place at the Bank 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 in-kind facilities, insurance and similar guarantees.

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

Independent Auditor's Responsibility for the Independent Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report and analysis of the Board of Directors, as conducted by using the information included in financial statements audited, regarding the position of the Bank is consistent with the audited consolidated financial statements of the Bank and the information obtained during the independent audit and give a true and fair view and form a report that include this opinion in accordance with the provisions of TCC and the Regulation.

We conducted our independent audit in accordance with the BRSA Regulation on Independent Audit of the Banks and Standards on Independent Auditing. Those standards require that compliance with ethical requirements and planning of independent audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors, as conducted by using the information included in the financial statements audited, for the position of the Bank is consistent with the consolidated financial statements and the information obtained during the independent 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 2019
Istanbul, 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 2015. In 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.



Osman Akyüz Vice Chairman

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 hold 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 2012-16. He is also the Board Member of EYG Real Estate Portfolio Management Inc. As of 01 July 2018, he was appointed as the Vice Chairman of the Board of Albaraka Türk.



Ibrahim Fayez Humaid Alshamsi
Board Member

He was born in 1949 in the Ajman city of the United Arab Emirates (UAE). Mr. Ibrahim Fayez 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. As of December 2018, he was appointed as the Chairman of the IT Governance Committee.



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.

BOARD OF DIRECTORS



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

Kemal Varol who was born in 1943 in Iğdır, had his master's 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 a 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. It was decided that Prof. Dr. Kemal VAROL, whose Independence status will expire as of 29.03.2019, shall maintain his board membership in our Bank under the status "Non-Independent Member of the Board of Directors" as of 29.03.2019, at the Board of Directors Meeting dated 27.02.2019.



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 and substitute member of the Credit 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 and between 2012 and 2018 he served as Independent Board Member at BİM Birleşik Mağazalar A.Ş. He serves as Independent Board Member 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 Participation Bank since April 2017. He is also the Vice Chairman of the Board of Trustees at İstanbul Sabahattin Zaim University.



Dr. Khaled Abdulla Mohamed Ateeq
Board Member

Dr. Khaled 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.



Süleyman KALKAN
Board Member

Süleyman Kalkan was born in Kırşehir in 1956. He graduated from the Faculty of Political Sciences, Department of International Relations at Ankara University. Mr. Kalkan began his professional career as an assistant inspector at İşbank in 1983. He then served as Retail Loans Assistant Manager in 1993, Commercial and Corporate Loans Regional Manager in 1995 and Non-performing Loans Manager from 1997 until the end of 2003 and sat on the Disciplinary Committee for six years at the same bank. Mr. Kalkan served as a Branch Manager during 2003-2010. He also served as Board Member of İşbank affiliates, including TSKB (Industrial Development Bank of

Turkey), Anadolu Hayat Emeklilik (life insurance) and İş Factoring. Mr. Kalkan was appointed as the Executive Member of the Board and the General Manager of Vakıfbank in March 2013 and served as the Chairman of the Vakıfbank affiliates Güneş Sigorta (insurance) and Vakıf International AG (Vienna). He has served as Deputy Chairman of Halkbank between April 2013 - April 2016. He also chaired the Audit Committee as an Independent Board Member. Mr. Kalkan was the member of Supervisory Board of Demir-Halk Bank (Nederland) N.V., one of Halkbank affiliates between April 2013 - October 2016 and served as the member of RCC (Remuneration & Compensation Committee), NC (Nomination Committee) and SBCC (Credit Committee).

BOARD OF DIRECTORS



Prof. Dr. Mehmet ASUTAY Board Member

Mehmet was born in 1966 in Kiğı, Bingöl. He has a BA in Public Finance from the Faculty of Economics of the University of Istanbul; continued for MSc in Public Finance at the University of Istanbul; has Postgraduate Diploma in Economic and Social Policy Analysis, University of York (UK); MA in Economics of Public Policy, Department of Economics of the University of Leicester (UK); Ph.D. in Political Economics, University of Leicester. Mehmet joined Durham University in 2005 and is currently a Professor of Middle Eastern and Islamic Political Economy & Finance at Durham University Business School; is the Director of the Durham Centre in Islamic Economics and Finance, the Director for MSc in Islamic Finance & MSc in Islamic Finance and Management programs and is also the Director of the Durham Islamic Finance Summer School. Mehmet's teaching, research, publication, and supervision of research is all in Islamic moral economy, Islamic finance and banking, Islamic political economy, Islamic governance and management, and the Middle Eastern political economies. Mehmet's articles

on his research interest have been published in various international academic journals as well professional magazines. He has published and edited books on aspects of Islamic moral economy and Islamic finance. He is also the editor, managing editor or member of editorial board of a number of academic journals as well as members of learned societies in the field (honorary treasurer of IAIE-International Association for Islamic Economics and of BRISMES -British Society for Middle East Studies). Mehmet has delivered lectures in numerous conferences, universities and professional organizations on the topics related to his research interests; and still contributes to teaching in Islamic finance programs in various universities in the world. Mr. Asutay was elected as a Board Member of Albaraka Türk as of 01 July 2018. He is also a member of Audit Committee, Corporate Governance Committee, the Vice Chairman of the IT Governance Committee and the Chairman of the Sustainability and Social Responsibility Committee. Mr. Kalkan was appointed as the Board Member of Albaraka Türk as of 31 May 2018. He is a member of Audit Committee.



Melikşah UTKU Board Member and CEO

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 a consultant to General Manager of Albaraka Türk. In 2006- 2007, he was the head economist in Albaraka Türk. In addition, he was an economics columnist for Yeni Şafak newspaper for over 10 years (1995-2009). He later worked as Investor Relations Manager between 2007 and 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 İstanbul 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 Bereket Varlık Kiralama A.Ş., Albaraka Portföy Yönetimi A.Ş., Katılım Emeklilik ve Hayat A.Ş. and Albaraka Kültür Sanat ve Yayıncılık A.Ş. He is a member of Executive Committee, Credit Committee, Remuneration Committee and IT Governance Committee.

SENIOR MANAGEMENT



Melikşah Utku
Board Member and General Manager

Please see Board of Directors page for the CVs.



Turgut Simitcioğlu
Deputy General Manager (CMO)

Turgut Simitcioğlu was born in Erzurum in 1961. After graduating from King Saud University, Faculty of Education in Saudi Arabia in 1989, he received his Master's degree in Business Administration from Fatih University, Institute of Social Sciences. Mr. Simitcioğlu joined Albaraka Türk in 1990 and worked in the Fund Allocation Department from 1990 to 1995, and at the Central Branch from 1995 until 2001. He was Director of the Central Branch between 2001 and 2003, and later Director of the Corporate Banking Department, before

serving as Central Branch Manager from 2003 to 2009. In December 2009, he was appointed Assistant General Manager, thereafter serving as Assistant General Manager in charge of Credit Operations, Foreign Transactions Operations, Payment Systems Operations, Banking Services Operations and Risk Monitoring. Still serving as a Member of the Board of Directors at Katılım Emeklilik ve Hayat A.Ş. Yönetim and Deputy General Manager in charge of Business Lines as of January 2017, Simitcioğlu has been serving as the Assistant General Manager in charge of Credit Risks since October 2018.



Nihat Boz
Legal Affairs Manager

Nihat Boz was born in Kars in 1963. After graduating from Istanbul University, Faculty of Law in 1985, Mr. Boz worked as an independent lawyer from 1985 to 1987, before being appointed as a lawyer in the Legal Affairs Department of Albaraka Türk in 1987. In 1995, he was appointed Deputy Director, and in 1996, Legal Affairs Director. Mr. Boz served as Legal Counselor from 2002 to 2009 and Assistant General Manager – Legal Counsel and Legal

Follow-up between 2009 and 2017. Since January 2017, he has served as Assistant General Manager – Legal Affairs.

SENIOR MANAGEMENT



Süleyman Çelik **Assistant General Manager**

Süleyman Çelik was born in Samsun in 1963. He graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Public Administration. Mr. Çelik started his professional career in 1988 at Albaraka Türk. He worked in the Foreign Transactions Department from 1988 to 1996, at the Fatih Branch between 1996 and 1997, and at the Ümraniye Branch from 1997 until 2000. Between 2000 and 2011, Mr. Çelik worked at

Türkiye Finans as Ümraniye and Sultanhamam Branch Manager, Credit Operations Manager, and Human Resources Manager. In 2011, he was appointed Üsküdar Branch Manager at Albaraka Türk, before assuming the role of Human Values Manager between 2012 and 2017. Mr. Çelik was appointed Assistant General Manager in January 2017, and is in charge of Human Values, Administrative Affairs, Directorate of Construction & Real Estate, Department of Training and Career Management.



Nevzat Bayraktar **Assistant General Manager**

Nevzat Bayraktar was born in Bayburt in 1969. After graduating from Eskişehir Anadolu University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1993, he studied English at Leeds Metropolitan University in England between 1993 and 1994. Mr. Bayraktar holds Independent Accountant and Financial Advisor Certification and Independent Auditor Certification. After working in the Foreign

Transactions Department at Esbank in 1995 for nearly a year, he joined the Project and Marketing Department at Albaraka Türk in 1996. Mr. Bayraktar became Assistant General Manager of the Central Branch in 2003 and Branch Manager in 2010, serving in this position until end-2016. Nevzat Bayraktar was appointed Assistant General Manager in January 2017, and is currently responsible for the Corporate Sales Department, Commercial Sales Department, Retail Sales Department, Regional Directorates and Branches.



Fatih Boz **Assistant General Manager**

Fatih Boz was born in Edirne in 1973. He graduated from Ankara University, Faculty of Political Sciences in 1995. Mr. Boz obtained a Master's degree in Political Science from the institution. From 1995 to 1998, he worked as a director for various companies. In 1998, Mr. Boz joined Albaraka Türk as Assistant Inspector on the Inspection Board. He went on to serve as Deputy Director of the Operations Department in 2003, Branch Manager between 2006 and 2009, Manager in the Project Management

Department from 2010 until April 2011 and later as Credits Operations Manager. In January 2017, Mr. Boz was appointed Assistant General Manager responsible for central operations. He is currently Assistant General Manager in charge of the Collateral Management Department, Banking Services Operations Department, Foreign Trade Operations Department, Payment Systems Operations Department and Credits Operations Department.



Hasan Altundağ
Assistant General Manager

Hasan Altundağ was born in Konya in April 10, 1996. He graduated from Ankara University, Faculty of Political Sciences, Department of Economics. In 1986, Mr. Altundağ started work at Yapı Kredi Bank as Inspector on the Inspection Board. He served as Auditor, Operations Director and Field Director, respectively, at Yapı Kredi Bank until 1999. Mr. Altundağ was branch manager at a participation bank between 1999 and 2004. In March 2004, joined Albaraka Türk Participation Bank. At Albaraka Türk, Mr. Altundağ was Sultanhamam Branch Manager from 2004 to 2005. Subsequently, he served

as Regional Manager of Marketing between 2005 and 2011, Director of the Transformation Administration Office from 2011 until 2013, and Manager of Strategy and Corporate Performance from 2013 to 2016. As of January 2017, Mr. Altundağ was appointed Assistant General Manager – Marketing. He is responsible for the Product Management Department, Alternative Distribution Channels Department, Marketing Department and Corporate Communication Department. He also serves as Board Member at Albaraka Kültür Sanat ve Yayıncılık A.Ş. and Financial Literacy and Inclusion Association (FODER).



Malek Khodr Temsah
Assistant General Manager

Mr. Temsah was born in Beirut, Lebanon in 1981. He received his Bachelor of Business Administration from The George Washington University (Washington D.C., 2003) and completed his Master's Degree in Business Administration from Thunderbird, the Garvin School of International Management (Arizona, 2006). In 2003, Mr. Temsah began his career with Bank of America Business Banking in Washington DC followed by his tenure at the London-based European Islamic Investment Bank between

2007 and 2009. In 2010 he joined leading global Islamic bank Albaraka Banking Group, Bahrain as Vice President of Treasury where he established & oversaw the global sukuk desk until 2014.

Since 2014, Mr. Temsah has been working with Albaraka Türk Katılım Bankası and is currently overseeing the Treasury, Financial Institutions, Investment Banking, and Investor Relations work family. He is also a member of the board of directors for one of Morocco's first Islamic banks, BTI Bank, where he serves on the audit and board affairs committees.



Cenk Demiröz
Assistant General Manager

Cenk Demiröz was born in Istanbul in 1973. He received his BA in Economics from Boğaziçi University in 1996 (ranked first in his class). Mr. Demiröz went on to obtain his MA in Economics from Cornell University in 2000. He started his professional career at HSBC Bank as Corporate Customer Representative. Between 2002 and 2010, Mr. Demiröz served as Assistant Manager, Manager and Senior Manager, respectively, in the Corporate and Commercial

Credit Department at HSBC. In 2010, he joined ING Bank as Co-Head of Commercial and SME Credit & Risk. Mr. Demiröz returned 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. Appointed as the Assistant General Manager in charge of Corporate, Commercial and Retail Credits at the Bank in February 2017, Demiröz also serves as the Acting General Manager since October 2018.

SENIOR MANAGEMENT



Mustafa ÇETİN **Assistant General Manager**

Mustafa Çetin was born in Afyonkarahisar in 1971. In 1991, he ranked 20th in the national university exam. He went on to graduate from Boğaziçi University, Department of Management in 1996. In the same year, Mr. Çetin started his professional career at Finansbank in the Corporate Banking Management Trainee Program. Between 1999 and 2004, he served as Manager in the areas of Corporate and Commercial Banking at Turkish Foreign Trade Bank. In 2004, Mr. Çetin joined Albaraka Türk as Branch Manager, holding this position until 2008. He went on to serve as Marketing Manager from 2008 to 2011; Foreign Transactions Operations

Manager between 2011 and 2012; Financial Institutions and Investor Relations Department Manager and Corporate Governance Committee Member from 2012 until 2017; and Foreign Trade Operations Manager from 2017 to 2018. In April 2018, Mr. Çetin was appointed Assistant General Manager – Finance and Strategy. He is responsible for the Business Excellence and Innovation Department, Financial Reporting Department, Financial Affairs Department, Strategic Planning Department, Data Management Service, and the European Digital Banking Service. Fluent in English and German, Mustafa Çetin holds the Capital Market Activities Advanced License and Corporate Governance Rating Specialist License.

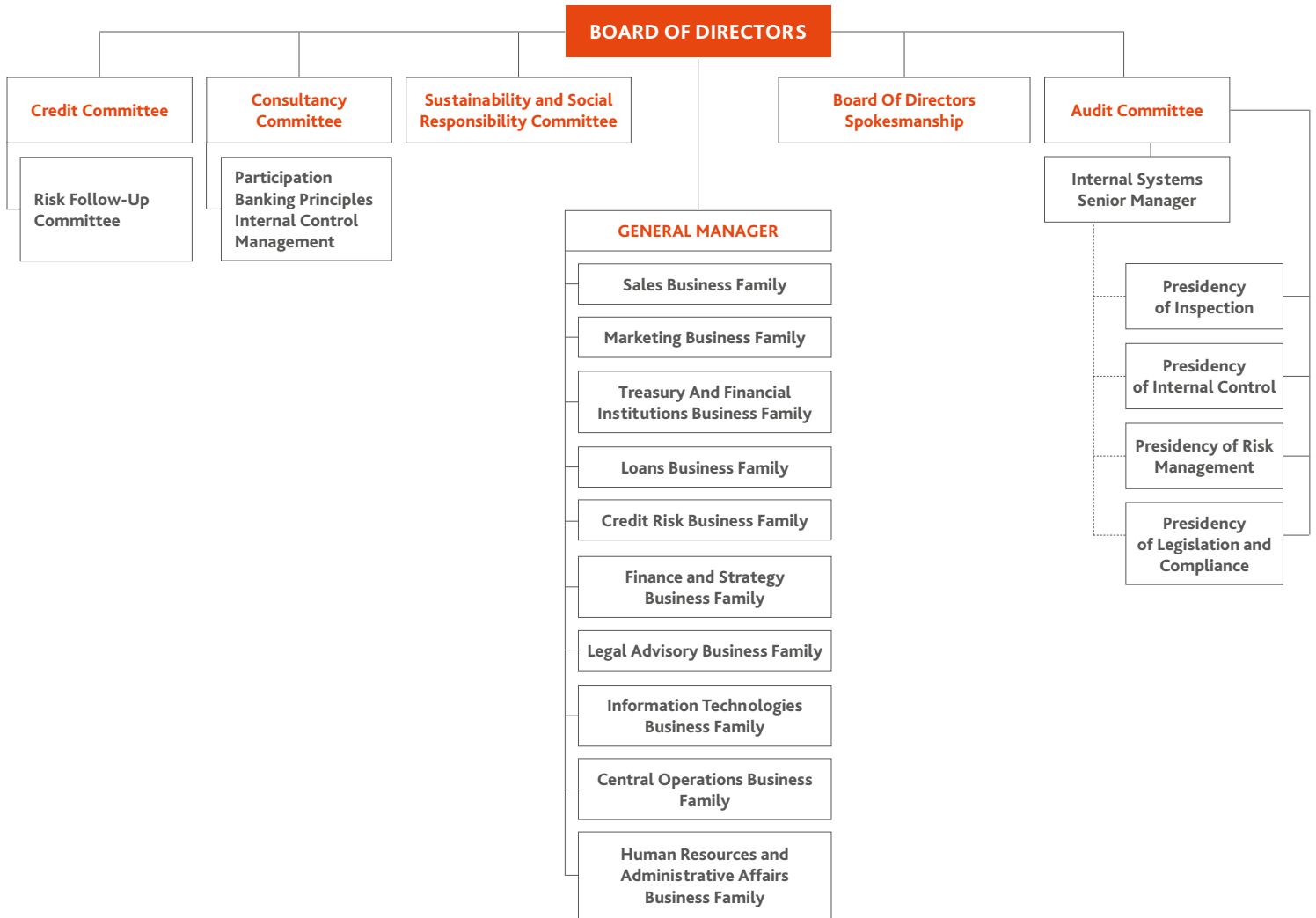


Volkan EVCİL **Internal Systems Senior Manager**

Volkan Evcil was born in 1966 in Eskişehir. In 1987, he graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics. In 1990, he began his career as Assistant Inspector at Tütünbank's Internal Audit Department after winning the exam for this position. In 1992, he joined the Albaraka Türk family as Assistant Inspector, before serving as Inspector, Chief

Inspector, Vice Chairman of the Internal Audit Department, and President of Risk Management. He was named President of Risk Management in 2006. Since February 2017, he has been serving as Internal Systems Senior Manager in charge of Internal Audit Department, Internal Control Department, Risk Management Department, and Legislation and Compliance Department.

ORGANIZATIONAL CHART



Changes to the Organizational Structure

- » Member of our Bank's Board of Directors, Hood Hashem Ahmed HASHEM retired from office at the Board of Directors as of 30 May 2018 and Süleyman KALKAN was elected as his successor. Serving as the Deputy Chairman of our Bank's Board of Directors, Yalçın ÖNER resigned on 30 June 2018 and Prof. Dr. Mehmet ASUTAY was elected as his successor. A member of our Bank's Board of Directors, Dr. Bekir Pakdemirli retired from office at the Board of Directors on 11 July 2018.
- » It was decided that Mustafa ÇETİN, Foreign Trade Operations Manager of our Bank, would be appointed as the Assistant General Manager in charge of Finance and Strategy at the Board of Directors Meeting on 27 April 2018. Serving as the Assistant General Manager in charge of IT Business Family, Operations Business Family and Human Values Business Family, Mehmet Ali VERÇİN retired from office as the Assistant General Manager as of 30 April 2018. Serving as the Assistant General Manager in charge of Financial Affairs Department, Financial Reporting Department, Strategic Planning Department, Process Management and Organization Department, Temel HAZIROĞLU retired from office as the Assistant General Manager as of 31 March 2018. Serving as the Assistant General Manager in charge of Credit Intelligence Department, Credit Risk Monitoring Department, Collection Department and Legal Follow-up Department, Deniz AKSU retired from office as the Assistant General Manager as of 31 August 2018.

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

Full Name	Position	Educational Status	Starting Date of Employment	Banking Experience
Board of Directors				
Adnan Ahmed Yusuf ABDULMALEK	Chairman	Master's Degree	2005	45
Osman AKYÜZ	Vice Chairman	Master's Degree	2000	32
İbrahim Fayez Humaid ALSHAMSI	Board Member	Bachelor's Degree	2005	48
Prof. Dr. Mehmet ASUTAY	Board Member	PhD	2018	2
Hamad Abdulla A. ALOQAB	Board Member	Bachelor's Degree	2008	25
Fahad Abdullah A. ALRAJHI	Board Member	Bachelor's Degree	2008	31
Süleyman KALKAN	Board Member	Bachelor's Degree	2018	35
Prof. Dr. Kemal VAROL	Independent Board Member	PhD	2013	10
Muhammad Zarrug M. RAJAB	Independent Board Member	Bachelor's Degree	2015	33
Dr. Khaled Abdulla Mohamed ATEEQ	Board Member	PhD	2017	21
Mustafa BÜYÜKABACI	Board Member	Master's Degree	2017	3
Melikşah UTKU	Board Member and General Manager	Master's Degree	2016	15
Senior Management				
Melikşah UTKU	Board Member and General Manager	Master's Degree	2016	15
Turgut SİMİTÇİOĞLU	Assistant General Manager (CMO)	Master's Degree	2017	29
Nihat BOZ	Assistant General Manager	Bachelor's Degree	2009	32
Süleyman ÇELİK	Assistant General Manager	Bachelor's Degree	2017	30
Nevzat BAYRAKTAR	Assistant General Manager	Bachelor's Degree	2017	23
Fatih BOZ	Assistant General Manager	Master's Degree	2017	21
Hasan ALTUNDAĞ	Assistant General Manager	Bachelor's Degree	2017	32
Malek Khodr TEMSAH	Assistant General Manager	Master's Degree	2017	16
Cenk DEMİRÖZ	Assistant General Manager	Master's Degree	2017	19
Mustafa ÇETİN	Assistant General Manager	Bachelor's Degree	2018	22
Volkan EVCİL	Internal Systems Senior Manager	Bachelor's Degree	1990	28

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

The Board of Directors of Albaraka Türk held five meetings in 2018 operating period.

1. CREDIT COMMITTEE

a. Purpose of the Committee

Within the authorities vested by the Board of Directors, the Credit Committee resolves about the requests 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 and related regulations.

b. Organization of the Committee

It consists of the General Manager or Deputy General Manager with at least two members elected by the Board of Directors from among the members that meet the conditions required for the General Manager (except for the term) to fulfill the duties assigned regarding credits. Two reserve members from among the board members that have the specifications required for the General Manager are elected (except for the term) to serve as substitute for the Credit Committee member who cannot participate in any meeting.

Members of the Credit Committee:

Chairman: Adnan Ahmed Yusuf Abdulmalek, Chairman
Member: Osman Akyüz, Vice Chairman
Member: Prof. Dr. Kemal Varol, Executive Board Member
Member: Melikşah Utku, Executive Board Member And General Manager
Reserve Members: Muhammad Zarrug M. RAJAB, Hamad Abdulla A. ALOQAB

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 framework 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 the branch's general limits and extension conditions,

- » Evaluates and decides on the branches' requests in terms of limit allocation and increases,
- » Resolves on credit lines that are to be decreased or canceled,
- » Monitors the general credit policies 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. Working 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 suggestion 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 intelligence reports of credit requestors should be attached.

Activities of the Credit Committee are subject to audit by the 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/she 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 the Board minute book is subject to.

The Credit Committee convened 98 times in 2018 with the full attendance of all members.

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. The basis of the relevant committee is structured in accordance with the provisions of Article 24/6 of the Law no. 5411 on Banking.

b. Organization of the Committee

The Audit Committee consists of at least two non-executive Board members. The Committee members have to have the qualities determined by the Banking Regulation and Supervision Agency.

Members of the Audit Committee:

President: Mustafa Büyükbacı,
Executive Board Member
Member: Süleyman Kalkan,
Executive Board Member

Member: Prof. Dr. Mehmet Asutay,
Executive Board Member
Observer: Hamad Abdulla A. Aloqap,
Executive Board Member
Observer: Ibrahim Fayez Humaid Alshamsi,
Executive Board Member
Observer: Khaled Abdulla Modamed Ateeq,
Executive Board Member

c. Functions of the Committee

On behalf of the Board, the 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 the 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 audit firms and rating, survey and support services agencies; regularly monitoring the activities of the said institutions which are appointed by the Board of Directors and with which contracts are signed; ensuring the consolidated internal auditing of partnerships subject to consolidation as per the regulations introduced with respect to the Banking Law, and coordinating their activities.

d. Working Principles of the 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 special items on their agenda, by also summoning the representatives of independent audit agencies, if and when needed.
- » Committee resolutions are submitted to the Board of Directors for acknowledgement or ratification based on its nature.
- » Resolutions of the Audit Committee are registered in the Book of Resolutions as per the related provisions of the Banking Law.

The Audit Committee convened 5 times in 2018 with the full attendance of all members.

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. In case of necessity, people who are not members of the board and are experts on their subjects can also be employed with the Committee.

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

Members of the Corporate Governance Committee:

President: Muhammad Zarrug M. Rajab, Executive Board Member
Member: Ibrahim Fayez Humaid Alshamsi, Executive Board Member
Member: Prof. Dr. Mehmet Asutay, Executive Board Member
Member: Sadrettin Bağcı, Investor Relations Service Manager
Observer: Khaled Abdulla Modamed Ateeq, Executive Board Member

c. Functions of the Committee

- » Ensuring that the Bank applies the corporate governance principles. In case they are not applied, determining the justification and the conflicts of interest arising due to the inadequate compliance with those principles and offering remedial suggestions to the Board of Directors,
- » 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,
- » Determining and supervising the approaches, principles and practices in performance evaluation, career planning and rewarding of the members of the Board of Directors and the executives.

d. Working Principles of the Committee

The committee convenes at least four times a year with one more than the half number of its members and adopts by majority. The works and proposals of the Committee are discussed at the Board as an agenda item. The Committee keeps written records of its works. It also submits the information regarding the works and the reports including the results of the meetings to the board of directors.

The Corporate Governance Committee convened five times in 2018. 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 develops proposals and strategies regarding the remuneration 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, Vice Chairman
Member: Melikşah Utku, Executive Board Member and General Manager

c. Working 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 a tie, the party involving the president is deemed to have constituted the majority. Decisions are made in writing and signed by the participating members.

The Remuneration Committee convened four times in 2018. 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 the field of Sustainability and Social Responsibility worldwide.

b. Functions 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 forth concrete sustainable banking targets and to create long-term values.
- » 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, Social Responsibility and Communications Executive Committee concerning Sustainability and Social Responsibility projects that will help communicate the Bank's corporate identity and understanding which are in compliance with its 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 the field of Sustainability and Social Responsibility worldwide.
- » Assesses the effects of the Bank's activities on the society. Supervises the impacts of the Bank's activities on the society and measures taken within this framework.
- » Discusses the issues reported by the Sustainability, Social 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 Social Responsibility.

c. Working Principles of the Committee

The Committee convenes at least two times a year. The decisions are taken by the majority of votes at the committee meetings. Decisions are made in writing and signed by the participating members. All topics on the Sustainability and Social Responsibility Committee's agenda must have been discussed beforehand by the Sustainability, Social Responsibility and Communications Executive Committee.

d. Organization of the Committee

Committee consists of the President Dr. Mehmet Asutay who is a Board of Directors Member and 3 Executive members, namely, İbrahim Fayeze Humaid Alshamsi and Mustafa Büyükbacı (Members of Board of Directors). The one who is appointed by the Committee carries out the reporter and secretariat duty of the Sustainability and Social Responsibility Committee. This person is responsible for composing and publishing meeting minutes and reports, and coordination in committee operations under 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: Prof. Dr. Mehmet Asutay, Executive Board Member
Member: Ibrahim Fayeze Humaid Alshamsi, Executive Board Member
Member: Mustafa Büyükbacı, Executive Board Member And General Manager

Social Responsibility Committee convened two times in 2018.

6. ADVISORY BOARD

a. Purpose

Advisory Board was founded on the 6th May 2001 with 957 number decision of the Board of Directors in order to maintain and develop Albaraka Türk Participation Bank A.Ş.'s banking activities in compliance with interest free banking principles.

b. Organization of the Committee

Consists of four members including president, one reporter and two observers.

Members of the Advisory Board:

President: Abdul Sattar Abu Guddah

Member: Hayrettin Karaman

Member: Ahmed Mohieldin Ahmed Hassan

Member: Hamdi Döndüren

The Council convened 3 times in 2018.

7. EXECUTIVE COMMITTEE

a. Purpose

The aim of this committee is to ensure that resolutions at the Board of Directors meetings are taken faster, effectively and in a sound manner, problems such as excess number of members of the Board of Directors and lower number of meetings is minimized and the issues to be decided urgently are discussed and settled; provided that they are not among non-transferable 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 and they are within the limits of authority and representation given by the Board of Directors, making suggestions regarding general issues such as the Bank's strategies, business plans, policies, procedures, preparing reports, making notifications, engaging in activities within the following limits with respect to the following situations and making urgent and active decisions when necessary.

b. Functions of the Committee

- » To make examinations and make proposals forming a basis for 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 observations about the bank's investment and finance level and possibilities and adequacies or inadequacies of the changes in finance and investment policies and make suggestions with respect to the updating thereof,
- » To express an opinion 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 such as purchasing and selling important goods, services and rights and acquisition or disposal thereof by other means, making commitments, acquiring participations, and engaging in joint ventures and making investments with other methods, making expenses, to decide upon purchasing of goods, services and rights, engaging in joint ventures, acquiring participations and making investments with other methods up to the amount between 2% and 5% of Bank's shareholders' equity, and making commitment up to the amount between 2% and 5% of Bank's shareholders' equity for 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 review the effectiveness of the reports, information and business policies of the Bank and to make determinations and recommendations,
- » To make credit and other risk classifications of the Bank and present the determinations and recommendations in this respect,
- » To examine the speed, adequacy and integrity of the reports prepared for the Bank's activities, and to make observations 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 with respect to the increase of the Bank's capital,
- » To provide suggestions about specific sectors, geographical regions and customers,
- » To review the works and make suggestions with respect to issues that may affect the Bank's activities and other issues to arise before the meetings of the Board of Directors,
- » To make suggestions for the restructuring of the debts of the Bank's customers, partial or total liquidation thereof and other matters, to decide for the 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 Bank's annual shareholders' equity, To decide on the discharge, settlement, waiver, acceptance and other transactions for the Bank's receivables or payables up to the amount between 2% and 5% of the Bank's annual shareholders' equity, To make suggestions for dividends to be distributed to the shareholders, premiums to be paid to the employees and other payments,

- » To make suggestions for the resolution of legal disputes between Bank customers, staff or third parties by way of discharge, settlement, waiver, acceptance and other methods, To make decisions with respect to issues up to the amount between 2% and 5% of the Bank's annual shareholders' equity,
- » To decide on the appointment, relocation and promotion of the employees with first degree signing authority, to present these transactions 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, the points of interest can also be discussed and resolved at the meeting. As a rule, the Committee convenes prior to Board meetings. However, it may also convene 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 Directors and the General Manager. The Board of Directors may change the number of members of the Committee at any time. Chairman of the Board is designated as the Chairman of the Committee and 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 Secretary, elected by the Committee. The secretary cannot be elected from among the members of the Committee.

The Executive Committee held 4 meetings in 2018.

SUMMARY OF THE BOARD OF DIRECTORS' ANNUAL REPORT

Esteemed Shareholders,

Welcome to the 34th Ordinary General Meeting of our Bank.

Before presenting the Board of Directors' and the Statutory Auditors' reports concerning the results of activities in 2018 financial year and profit and loss account for your consideration and approval, we respectfully greet our shareholders, their representatives, and our guests who have honored this meeting with their presence.

2018 was a year of sustainable growth for the banking sector despite the fluctuations in domestic markets due to the volatility in the global economy.

Compared to the last year-end, as of 31 December 2018:
Total Assets increased by 16.5% to TL 42,223 million.
Total Collected Funds increased by 13.09% to TL 28,624 million.
Funded Credits* increased by 3.9% to TL 26,185 million.
Shareholders' Equity increased by 31.4% to TL 3,621 million.
Net Profit realized as TL 133.9 million.

* Includes financial leasing receivables.

We, as Board of Directors, attained a sustainable growth in our assets despite the fluctuations that we experienced in 2018. With the support of our valued shareholders, we shall continue our steady growth in 2019 as well.

We hereby submit for your consideration and approval the balance sheet and profit and loss account contained in our annual report for 2018.

Respectfully,

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
BOARD OF DIRECTORS

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

Trade Name of the Support Services Provider	Business Line of Support Services Provider
C/S Enformasyon Teknolojileri Ltd. Şti.	Information Systems
Acerpro Bilişim Çözümleri Yazılım ve Danışmanlık Hizmetleri İç ve Dış Tic. Ltd. Şti.	Information Systems
Kıbele İletişim Sistem ve Servisleri Ticaret Limited Şirketi	Information Systems
Fineksus Bilişim Çözümleri Ticaret Anonim Şirketi	Information Systems
Fineksus Bilişim Çözümleri Ticaret Anonim Şirketi	Information Systems
Kartek Kart ve Bilişim Teknolojileri Ticaret Limited Şirketi (Smartsoft)	Instant Debit Card and Credit Card Printing Service
Provus Bilişim Hizmetleri A.Ş.	Credit Card Statement Printing Service
Yapı Kredi Bankası A.Ş.	Operational Services
Güzel Sanatlar Çek Basım Ltd. Şti.	Check Printing Contract
Tümsaş Teknolojik Endüstriyel Bilgisayar Ürünleri, Mühendislik ve Pazarlama A.Ş.	Queue Systems
İpoteka Gayrimenkul Yatırım Danışmanlık A.Ş.	Attorney for Transactions at the Directorate of Land Registry
Fu Gayrimenkul Yatırım Danışmanlık Anonim Şirketi	Attorney for Transactions at the Directorate of Land Registry
Nadir Metal Rafineri Sanayi ve Ticaret Anonim Şirketi	Physical Gold Collection
Active Bilgisayar Hizmetleri ve Ticaret Limited Şirketi	Information Systems
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.	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 Systems
Desmer Güvenlik Hiz. Tic. A.Ş.	Transportation, Custody, ATM Cash Supply and Maintenance
32bit Bilgisayar Hizmetleri Ltd. Şti.	Information Systems
Superonline İletişim Hizmetleri Anonim Şirketi	Information Systems
Monitise Yazılım A.Ş.	Mobile Banking
Tnetworks Bilişim Teknolojileri San. Tic. Ltd. Şti	Information Systems
Austria Card Turkey Kart Operasyonları A.Ş.	Personalization and Enveloping Services
Mastercard Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş.	Close Circuit Card POS Package Purchase
Innovaera Bilişim Teknolojileri A.Ş.	Information Systems
Avi Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş.	Attorney for Transactions at the Directorate of Land Registry
Fineksus Bilişim Çözümleri Ticaret Anonim Şirketi	Information Systems
Posta ve Telgraf Teşkilatı A.Ş.	PTT Correspondence 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 Ltd. Şti.	Information Systems
Adeo Bilişim Danışmanlık Hizmetleri Sanayi ve Ticaret A.Ş.	Information Systems
C/S Enformasyon Teknolojileri Ltd. Şti.	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 AG	Transaction Platform
Odc İş Çözümleri Danışmanlık Ticaret A.Ş.	Information Systems
Fineksus Bilişim Çözümleri Ticaret Anonim Şirketi	Information Systems
Global Bilişim Bilgisayar Yaz. Dan. San. ve Tic. Ltd. Şti	Information Systems
Simant Bilgi İşlem Sanayi ve Ticaret Anonim Şirketi	Information Systems
Enforsec Bilgi Güvenliği Yazılım Bilişim Danışmanlık Limited	Information Systems
Kobil Bilgisayar Enerji ve Elektrik Sistemleri Sanayi Ticaret Limited Şirketi	Information Systems
Thos Hukuk Otomasyon Sistemleri Yazılım A.S.	Information Systems
Bntpro Bilgi ve İletişim Hizmetleri Limited Şirketi	Information Systems
Kobil Bilgisayar Enerji ve Elektrik Sistemleri Sanayi Ticaret Limited Şirketi	Information Systems
Lostar Bilgi Güvenliği A.Ş.	Information Systems
Medyasoft Danışmanlık ve Eğitim Anonim Şirketi	Information Systems
Mobil Eğlence Telekomünikasyon Filmcilik Reklamcılık Turizm Yayıncılık San. ve Tic. Ltd. Şti.	Information Systems

TRANSACTIONS WITH THE BANK'S RISK GROUP

As of December 31, 2018 wakala borrowings obtained within the framework of the investment-purpose wakala contracts signed with the risk group that includes the Bank, amount to USD 31,856,532 and EUR 122,404,261 (December 31,2017: USD 190,095,236 and EUR 153,550,880). The profit share expense relating to these wakala borrowings for the period between January 1, 2017 and December 31, 2018 is TL 19,416 (December 31, 2017: TL 14,951). The Bank has issued Sukuk equivalent to USD 350,000,000 and TL 1,568,470 through Bereket Varlık Kiralama A.Ş., which is included in the risk group that includes the Bank. The total expenses of Sukuk issues are TL 277,503 for the accounting period that ended as of December 31, 2018. (December 31, 2016: TL 114,252).

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Declaration of Compliance to Corporate Governance Principles

Albaraka Türk Katılım Bankası A.Ş. ("Albaraka Türk" 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 Türk is also subject to the management structure, process and principle provisions determined by the "Regulation on the Banks' Corporate Governance Principles" published by Banking Regulation and Supervision Agency ("BRSA"). Determining its vision as being the Best Participation Bank of the World, Albaraka Türk has adopted the Corporate Governance Principles as the basic corporate value and demonstrated due diligence 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, the election for the independent member of the Board of Directors is made at the general assembly meeting in 2012. Moreover, in order to comply with the same communiqué and Turkish Commercial Code number 6102, the Articles of Association of the Bank were reviewed and submitted to the General Assembly of 2012 where it was approved. Updated information of the Bank is offered to the service of all our stakeholders at Albaraka Türk website and Investor Relations tab in the same site.

Within the scope of studies on compliance with the Corporate Governance Principles, the Bank's Corporate Governance Committee (the "Committee") responsible for following,

evaluating and performing improvement operations for compliance with the relevant principles is established in 2007. The Committee has made studies on improvement of the Bank's corporate governance implementations at the meeting held in 2018. Information on the activities of the Committee coordinating the studies of the Investor Relations Unit is given in detail in the section titled "Bank Committees" of the activity report. The Investor Relations Unit continued its activities as a separate unit in 2018.

Albaraka Türk is receiving rating service from JCR Eurasia Rating (JCR Avrasya Derecelendirme A.Ş.) authorized by CMB with respect to Corporate Governance Rating since 2010. In this respect, on 11 June 2018, while corporate governance rating note given by JCR Eurasia Rating is increased from 8.81 to 8.92, the outlook is revised as positive. As the note for compliance with CMB Corporate Governance Principles is over the Threshold Point of 7, Albaraka Türk is included in Borsa Istanbul Corporate Governance Index since 2010. Compliance notes that the Bank has received in four main categories are as follows:

Main Headings	Weight (%)	Note
Shareholders	25	9.05
Public Disclosure and Transparency	25	9.04
Stakeholders	15	8.90
Board of Directors	35	8.76

The note increase in 2018 is due to the Shareholders (from 8.83 to 9.05) and the Board of Directors (from 8.58 to 8.76). During this period, the "Investor Relations Application" was put into service, which facilitated the Bank's shareholders to obtain information and exercise their rights from their smartphones and tablets. This technological innovation increased the compliance level of Shareholders main category. The Secretariat of the Board of Directors has been transformed into a separate unit and the quality of the support service provided to the Board of Directors has been improved. This development is a factor that increases the compliance note of the Board of Directors main category. Another factor behind the increase of the compliance note of the Board of Directors main category was the increase of the quality and efficiency of the Board of Directors with the election of the new members. There has been no conflict of interest between the stakeholders within the period due to the corporate governance principles for which compliance is not ensured.

The "Corporate Governance Compliance Report (CRF)" <https://www.kap.org.tr/tr/Bildirim/746077> and the Corporate Governance

Information Form (CGIF) that we prepared pursuant to the Corporate Governance Communiqué numbered II-7-1 are accessible at <https://www.kap.org.tr/tr/Bildirim/746078>.

PART 1 - SHAREHOLDERS

2. Investor Relations Unit

According to the 11th Article of the Corporate Governance Communiqué (the "Communiqué") number II-17.1 published by the Capital Market Board, as it is mandatory to constitute an investor relations department ensuring communication between the partnerships and the investors and to operate this department 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 Türk has established Investor Relations Department in 2007. Sadrettin Bağcı, the Manager of Investor Relations holding the relevant licenses is assigned as the manager of the Investor Relations Department and he is working as the Member of the Corporate Governance Committee.

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

Sadrettin Bağcı

Manager

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Mustafa Karamehmetoğlu

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Investor Relations department is responsible for the 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 equality principle and continuous contact of the management and the shareholder is ensured.

In 2018, all correspondences made between the shareholders and the partnership relating to the shares and information and documents relevant to shares required to be kept within the scope of legal legislation are kept in a secure and updated manner.

In 2018, face-to-face meetings were held with 35 national and international intermediary institutions and investment funds. Within the activity period, over 250 questions asked by investors and analysts including individual investors via phone, email and teleconference were replied meticulously.

Investor Relations carrying out all processes with the rating institutions held credit evaluation meetings with four rating institutions within the year of 2018 and took part in providing required information flow and disclosure of the rating notes. Moreover, it has managed the corporate governance rating process with JCR Avrasya Derecelendirme A.Ş. and the compliance note is increased from 8.81 to 8.92 in the report published on 11 July 2018. This increase is the result of the fact that "Investor Relations Application" was put into service, which facilitated the Bank's shareholders to obtain information and exercise their rights from their smartphones and tablets, that the Secretariat of the Board of Directors has been transformed into a separate unit and the quality of the support service provided to the Board of Directors has been improved and that the quality and efficiency of the Board of Directors was increased with the election of the new members.

Financial statements stated in the legislation are obtained from the relevant departments as per quarterly periods and announced to public through Public Disclosure Platform in due time. Four teleconferences were organized on the results of the financial statements.

Four interim period activity reports as per quarterly periods when financial statements are published and which are also included in the independent audit report and four investor presentations were revised and prepared in 2018 and published on our website to inform the investors.

Five presentations were prepared for the Board of Directors Meetings held within 2018. The Regulatory Bulletin has been drawn up weekly and published in-house by the Investor Relations Unit.

Besides the explanations on the financial statements, 48 material disclosures were announced at the Public Disclosure Platform within the period about the Bank according to the Special Circumstances Communiqué number II-15.1.

With the Investor Relations tab in Albaraka Türk web site, information about the Bank submitted to the service of all our stakeholders were periodically updated within 2018 by the Investor Relations regarding the issues stated in the Corporate Governance Principles.

Investor Relations have managed all the processes of the Ordinary General Assembly Meeting of 2017 within the period and ensured that the meeting was held in compliance with the relevant legislation and the Articles of Association; within this framework, it has prepared all documents required to be submitted for the review and information 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 ensured the distribution of the profit of 45 million TL to the shareholders.

3. Exercise of the Shareholders' Right to Access Information

The Bank protects the rights of the shareholders related to information access, review, participation in general assemblies, voting, obtaining dividends and minority rights. With regard to the exercise of the right to access information, the Bank does not make distinction between its shareholders pursuant to the Banking Law and relevant legislation. Subjecting its shareholders to equal treatment, the bank provides all the shareholders with all the information they need to take investment decisions and exercise their rights.

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

Albaraka Türk has two separate Investor Relations websites, in English and Turkish.

Turkish investor relations website: <http://www.albaraka.com.tr/yatirimci-iliskileri.aspx>

English investor relations website: <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 introducing the Bank, and announcements about the latest developments related to the Bank.

Material disclosures related to changes in the rights of the shareholders which are required to be notified within the period are made by Borsa İstanbul via PDP.

Appointment of a special auditor has not been established as an individual right 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 Banking Law, Turkish Commercial Code and Capital Market Law. Ordinary General Assembly Meeting was held on 28.03.2018. The quorum of the Ordinary General Assembly Meeting was realized as 74.14% and all stakeholders wishing to attend the meeting have attended the meetings.

For the attendance of our shareholders to the General Assembly meetings, they were informed by sending invitation, publication in the Trade Registry Gazette and national newspapers three weeks before the determined date of the meeting and sending material disclosure 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 Exchange to attend the General Assembly.

Information document on the General Assembly meeting, procedure of participation to the general assembly meeting and general assembly invitation announcement are published at the website of the Bank, besides, invitation for the general assembly meeting and meeting date, agenda, sample of power of attorney are sent by registered and reply paid letter to the shareholders included in the share ledger and those shareholders sending a document beforehand to the Bank proving their shares or shareholding and notifying their places of settlement.

At the General Assembly, shareholders exercise 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.

Capital Distribution of the Bank as of 31.12.2018

Shareholding Structure	Share Amount (TRY)	Share (%)
Foreign Shareholders	593,952,934.31	65.99
Albaraka Banking Group	486,523,265.68	54.06
Islamic Development Bank	70.573.778,85	7.84
Other	31,106,364.35	3.47
Domestic Shareholders	78.932.964,72	8.77
Free Float	227.114.100,97	25.22
Total	900.000.000,00	100.00

According to the 38th article of the Articles of Association, shareholders may exercise their voting rights either personally or by proxy at the general assembly meetings. The Bank is subject to the provisions of the Regulation 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 made and the shareholders may also attend General Assemblies through the Electronic General Assembly System.

General Assembly Minutes are open to the shareholders at the website of the Bank, via 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 exercising the shareholder rights and duties providing the exercise of these rights are fulfilled by the Investor Relations of the Bank.

In order that the press members and stakeholders attend the general assembly meetings, convocation is sent for the general assembly meeting.

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

At the Ordinary General Assembly Meeting held on 28.03.2018, no request was received by our bank on adding an item to the agenda by the shareholders.

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 2018 is as follows:

The capital structure is published at 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 Securities Depository of Turkey ("MKK")

Minority rights are granted to shareholders holding one twentieth (5%) of the capital. In 2018, the Bank did not receive any criticisms or complaints from the minority shareholders.

6. Profit Distribution Rights

The Bank's profit distribution policy is submitted for the information of the general assembly and published at the corporate website.

No privileges are granted to the shareholders with respect to profit distribution. Each shareholder takes share from the distributed profits in the amount corresponding to his/her partnership share. Profit distribution is performed according to the Turkish Commercial Code, and relevant regulations of the Banking Regulation and Supervision Agency and Capital Market Board. Profit distributions are made in accordance with the decision taken at the General Assembly and performed within the legal period. In 2018, a profit distribution of 43.5 million TL is made from the income of the year 2017.

7. Transfer of Shares

According to the article 11 of the Articles of Incorporation titled Transfer of Shares, 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 Securities Depository regulations. Transfer of shares that require an approval by Banking Regulation and Supervision Agency (BRSA)

in accordance with the Banking Law can be transferred only after obtaining this approval. Share transfers without the necessary approval cannot be registered in the share register. This provision also applies for the acquisition of voting rights and the establishment of usufruct on shares. In case no approval is obtained from the aforementioned Board, the shareholders acquiring such shares cannot benefit from any right other than dividend payments. The Bank may acquire and accept as pledge its own shares within the framework of the Capital Market Law, Turkish Commercial Law and other relevant legislation. Bank shares are freely traded on Turkish or foreign stock exchanges in accordance with the Banking Law, Capital Market Law, the relevant legislation and the Articles of Association.

PART 2 – PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Disclosure policy of our Bank which was presented to General Shareholders' Assembly is published at the corporate web site.

The Board of Directors is responsible for monitoring and supervision of the disclosure policy. Albaraka Katılım Bankası A.Ş. The Disclosure Policy is prepared and approved by the Board of Directors and is submitted to the information of shareholders, stakeholders and the public. The Company demonstrates due diligence to comply with relevant legislation and implement the principles stipulated in the Corporate Governance Principles. New regulations or changes to be made in the disclosure policy are announced to the public within one week at the latest and published at the website.

The 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 substantial 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 considered as part of commercial secret. Information and meeting requests of the shareholders and other stakeholders are assessed within the framework of our Bank's disclosure policy and all information shared in this way can only be within the scope of previously disclosed public information.

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

Financial table announcements and material disclosures are made 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 one in English. You may access these websites at:

www.albaraka.com.tr for Turkish
www.albarakatürk.com.tr for English
All information required by CMB Principles of Corporate Governance is disclosed at our website.

Within the framework of public disclosure and information policies, our Bank's website provides easily accessible information to all stakeholders under the headings of About Us and Investor Relations.

Under the About Us heading; (History, Our Top Management, Organization Structure, Quality Policy, Vision and Mission, Ethic Principles for Banking) Under the Investor Relations heading: Corporate Information (Trade Registry Data, Shareholding Structure, Articles of Incorporation, Authorization Certificate for Investment Services and Activities), 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 at the website 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 might be of interest to them. This information is provided through material disclosures sent to KAP (Public Disclosure Platform), newspaper announcements, meetings, Q&A, the Bank's website and Investor Relations Manager.

A tip line has been allocated for stakeholders so that they can convey any act or situation that contradicts with the legislation or is unethical to the Audit Committee through the Presidency of the Inspection Board. Thanks to the tip line, notifications can be made online or via phone. The information on the tip line has been presented at Albaraka Türk website to the information of the public.

The tip line can be accessed at: <https://www.albaraka.com.tr/ihbar-hatti.aspx>

12. Participation of Stakeholders in Management

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

Albaraka Türk staff shares their opinions with the Senior Management of the Bank through conducted surveys and suggestion system.

The customers may 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 in the Customer Forms available at our web

site www.albaraka.com.tr, sending fax to +90 (+90) 216 666 16 87, writing directly to the Head Office located at Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6 PK: 34768 Ümraniye/ İstanbul, filling in the Customer Forms available at all branches, sharing them through our social media accounts (Facebook, Twitter).

All complaints and suggestions from our customers are assessed by customer relations department and feedback is provided to them. Complaints received are categorized by topic and reported to the Customer Complaints Committee and the senior management periodically.

13. Human Resources Policy

Objective of the Human resources policy; employing qualified and skilled personnel having the qualifications needed and specialized in their respective fields at national and international level, improving their qualifications and providing stability in compliance with the objective, vision, mission and corporate values of the bank to carry out the activities of the bank in an 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 in charge of Human Resources is primarily responsible for the implementation, development and follow-up of the human resources policy. This responsibility also involves all the relevant Managers in the fields they are assigned.

Basic principles of human resources policy are as follows:

- » To show respect to the personality of the personnel, provide protection of their rights about business relation,
- » To ensure sharing of the corporate culture, create loyalty to the corporate values and culture and ensure that all personnel come together to meet the common targets,
- » To employ personnel in the required and adequate number, proper for the job, having intellectual, professional knowledge and skills and ensure that personnel are working in line with the highest productivity and profitability target,
- » To provide occupational training, improvement and development opportunities to the entire personnel in line with the work to be performed,
- » To provide an environment for the personnel which shall lead them to innovative thinking and encourage them to produce new ideas and products,

- » To show efforts for training personnel within the bank for management and officer positions and give priority to the trained personnel within the bank with respect to the assignment for the vacant positions,
- » To inform the personnel on the subjects relevant to them, develop communication procedures and principles for the conveyance of their opinions and ideas to the managers easily,
- » To create a working environment increasing the working motivation of the personnel and show efforts to improve their social relations,
- » To encourage personnel to achieve success, develop practices in this regard, 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 within the 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 Türk Simurg transformation project. Purpose of the establishment of this service is to increase the brand value of Albaraka and become 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

Albaraka Türk carries out all its activities in accordance with the "Ethical Principles Policy" adopted on 22 December 2017 by the Board of Directors. Ethical Principles Policy is also disclosed to the public at the website of Albaraka Türk.

Social Responsibility is an inherited business ethic of Islam and, therefore, Al Baraka's traditional principles and philosophy. As a member of an Islamic banking group, Albaraka Türk aims to make a positive, sustainable impact to create a long-term economic growth and social development as well as support vulnerable and weak communities to be better off within the society. In this regard, a strategic road map has been created and Social Responsibility Program has been initiated. The Bank intends to support educational and social projects, and importantly, through active investments in the projects that contribute to the real economy. The Bank has also dedicated itself to build environmental sustainability into all of the business processes to become more environment friendly.

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

The priorities of the Bank focus on the 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 improves the quality of life of vulnerable communities. As the leading participation of the ABG, Albaraka Türk has a pioneer role of transforming societies' ability to confront important challenges and, by being a responsible legal person it fosters creativity and innovation at all times.

The Bank encourages and supports each of its members 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)" was founded by some volunteering staff of Albaraka Türk.

The volunteers organize social responsibility projects, philanthropic activities and support the people in need.

The Bank is totally committed to turning its business model into a socially responsible and environment friendly one.

The Bank aim to take further steps to advance and expand its 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 they consider important.

While conducting operations in line with 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, artistic and cultural activities are also important elements that will carry the Bank to the future along with its clients, Albaraka Türk carried out many projects and broke grounds in these fields.

Social Responsibility

The Bank's credit policy is being redesigned in accordance with the Social Responsibility Program. The Bank aims to increase its 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 help creating new jobs, are evaluated and supported within the scope of social responsibility targets. For this purpose, some questions are added to the evaluation criteria of credit applications.

The works to contribute to innovation and infrastructure goals of UN have been started.

On the innovation side, an internal innovation platform called "Big Bang – Open Innovation" has been developed and is being used since 2014. The platform is open to the Bank's staff and announcements are made to ask everyone's opinions to develop new products/ services and improve the systems and processes of the Bank. A new version of the platform by which the Bank will call for new innovative ideas from the people outside Albaraka Türk is being developed. With this, we aim to develop better products and services that will satisfy the expectations of our customers.

Furthermore, Albaraka Türk Meetups" where new trends and technologies in local and global banking are discussed with the participation of speakers from leading companies are being held. For the contribution of infrastructure development, the Bank aims to support Turkey's progress on development of infrastructure by its profit-loss products.

All the Bank's operations comply with Islamic ethical standards for which development of communities, improvement of people's quality of living standards are essential. In Albaraka Türk, the following principles are embraced and applied in the fields of operation.

First Principle: Investments may only be made in sectors and industries that meet the 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 activities that, 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 Principle: Albaraka Türk 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, the Bank and its depositors share the financial risk with the entrepreneurs and they reap the benefits of the investments together. 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 Principle: All contracts we enter into with business owners and depositors, must comply with the ethical standards of the Shari'a.

Within the credit policy, financing of harmful investments such as production of alcoholic beverages, tobacco or weapons are strictly forbidden. The 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, it is aimed to increase the Bank staff's awareness of our social responsibility initiatives. Moreover, all shareholders are encouraged and supported to create and participate in social responsibility activities and projects.

The Bank provides their commercial clients with short term financing facilities in form of qard al-hasan (e.g. salary, cheque, tax payments and day loans).

As the Bank is working on new products and services to provide the opportunity of qard al-hasan to our retail customers, the product of Hajj-Umrah financing on installment basis, which does not incur any expenses such as profit share, commission etc., has been created.

In accordance with the social responsibility program, investments and projects related to initiatives in line with the program objectives such as job creation, improvement of education and healthcare are aimed to be prioritized.

Increasing the portion of SME financing in the total financing portfolio is among the important strategic targets of the Bank.

Albaraka Türk 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. In 2018, a donation of TL 7.6 million was made through the Bereket Foundation.

Other Social Projects Conducted in 2018

- » Health support; events have been organized once every three months as part of a regular blood donation campaign jointly carried out by the Turkish Red Crescent and the Bank.
- » In the Euphrates Shield region, a school which was damaged and became unusable during the war in Syria, has been restored and provided education to approximately 1,215 students. Thanks to this development, Syrian teachers, student families and students have returned to the ordinary flow of life. The physical

conditions of the school have been improved and basic education and winter clothing needs of the students have been met.

- » 8,000 sprouting pencils and 8,500 books have been given as present to 7,500 students in 11 schools. In addition to developing reading habit, it has been aimed to instill environmental consciousness in students.
- » According to the needs of the nine schools, educational materials such as computers, printers, projectors, headsets and smart boards have been sent to the schools and by this way 3,200 students have been reached and the unused fixtures in the Bank have also been sent to schools.
- » In the eastern and southeastern region of Turkey, a 1-month training program on memory techniques and effective learning has been organized in 33 schools located in 15 cities. Approximately ten thousand students have been reached within the scope of the project. With the contributions and participation of bank employees, books and stationery materials have been sent to a village school with 162 students in Sanliurfa and a library has been built. Furthermore, the school walls were painted in new colors by volunteers.
- » Within the scope of the 21 -26 March Forest Week, 8,000 seedlings were planted with the participation of employees from branches and regional headquarters in Hatay, Kahramanmaraş, Konya and Gaziantep and the cooperation of The Environmental Agencies Cooperation Association(CEKUD).
- » The plastic cap collection boxes located on the floors B1 and 15 of the General Management building contributed to the environment and improved accessibility.
- » In Üsküdar, a kitchen workshop was created for mentally and physically disabled students in a school providing education in vocational training courses alongside academic training. It is expected that 10 students benefit from the workshop in 1 year. Following their graduation, the students will have the opportunity to work in their fields of education and therefore the Bank will contribute to the employment.
- » A Braille printer has been donated within the scope of the education of the Quran and religious information for the visually impaired conducted by the İstanbul Muftitane. In this way, visually impaired individuals have had the opportunity to access Braille documentation (Quran, Ilmihal, Tajwid etc.) more easily.
- » Roundup is a social initiative that rounds up the credit card purchases and donates the difference to the selected non-governmental organizations. Roundup has been integrated with Bank credit cards and it is aimed to be announced on 30 October.

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 does not have executive jobs within the scope of BRSA regulations.

Vice President of the Board of Directors is Osman Akyüz, and the members are Ibrahim Fayed Humaid Alshamsi, Mehmet Asutay, Muhammad Zarrug M. Rajab, Süleyman Kalkan, Mustafa Büyükbacı, Khaled Abdulla Mohamed Ateeq, Hamad Abdulla Ali Aloqab, Fahad Abdullah A. Alrajhi and Prof. Dr. Kemal Varol, and Melikşah Utku is a member and General Manager. Members of the Board of Directors are elected for a maximum term of three years pursuant to Article 16 of the Articles of Association. The Members of the Board of Directors may be re-elected after the expiry of their terms of office. The General Manager of the Bank and his deputy in his absence are natural members of the Board of Directors. Following the Ordinary General Assembly of the Bank held on 29 March 2013, with the amendment of the 14th article titled "Number and Qualifications of the Members of the Board of Directors" the number of the members of the Board of Directors was determined to be minimum five and maximum thirteen.

With the "Corporate Governance Communiqué" number II-17.1 put into effect on January 3, 2014 after publication in the Official Gazette, independent member of the board of directors is at the disposal 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, Audit Committee members Mustafa Büyükbacı, Süleyman Kalkan ve Mehmet Asutay are Independent Board Members.

Meeting all the criteria for independent membership declared by the Capital Market Board, Dr. Muhammad Zarrug M. Rajab and Prof. Dr. Kemal Varol were elected as the independent members of the board of directors. It was decided that Prof. Dr. Kemal VAROL, whose Independence status will expire as of 29.03.2019, shall maintain his board membership in our Bank under the status of "non-independent member of the board of directors " as of 29.03.2019, at the Board of Directors Meeting dated 27.02.2019. Independency declaration of Muhammed Zarrug M. Rajab who were elected as the independent members Dr. Of the board of directors at the Ordinary General Assembly Meeting held in 2017 is as follows:

"To Albaraka Türk 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 this 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 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 influence 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 privileged shares jointly or severally and have not established any significant commercial relation,
- c) I have not worked as an officer in management position taking on important duties and responsibilities or a member of the board of directors or a partner (5% or over) within the last five years at the companies making audit (tax inspection, legal inspection, internal audit are included), rating or consultancy of the Bank or within the framework of the agreements, at the companies the Bank purchases or sells significant amount of services or products or in periods services or products are sold or purchased,,
- d) I have the occupational education, knowledge and experience to duly fulfill the duties 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 reside in Turkey according to the Income Tax Law,
- g) I have strong ethical standards, occupational reputation and experience to make positive 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 stakeholders,
- h) I have the time to allocate for bank works to fulfill the requirements of the duties I undertake and follow the functioning of the bank activities,
- i) I have not worked as an independent member of the board of directors at the companies where the bank or the partners holding the management control of the bank hold the control of the management of such company,
- j) I shall carry out membership duty at the Board of Directors of the bank as a real person and that I have not been registered or announced on behalf of any legal entity elected as a member of the board of directors in this 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 2018.

The CVs, terms of office and task distribution of the Members of the Board of Directors may be found on pages 70 and 75 of the Activity Report.

Internal and external duties of the members of the Board of Directors 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 on other duty or duties outside of the bank

16. Basis of Board Operations

The Board of Directors holds its meetings at the Bank headquarters upon the invitation of the Chairman. Every member may request the invitation of the board to the meeting in writing from the chairman. The board meeting may be held in a location other than the Bank headquarters or outside of Turkey in exceptional cases on condition that at least two thirds of the members are present in person. In addition, Board of Directors meetings may also be held electronically.

About matters which are explained in the Corporate Governance Principles of the Capital Market Board, board members must attend to the meetings personally. If legal quorum is provided, decisions are taken by the majority of

the members present. Every member opposing to the decision can request his/her opposing opinion to be included in the decision.

Pursuant to the Banking Law, Capital Market Law, Turkish Commercial Code and the relevant legislation, the decisions of the Board of Directors are signed by the members who are present at the meeting within one month from the date of decision at the latest. If there is a risk of a retard, according to the Turkish Commercial Code a proposal made by one of the members may be submitted to the approval of the members which constitute the quorum on individual basis without requiring a meeting. This method is duly applied in our Bank as required.

The Secretariat is established in the Bank to inform and provide communication between the members of the Board of Directors. All decisions that are approved or rejected by the Board of Directors and the Committees consisting of members thereof are stored and archived according to the procedures and provisions defined in the legislation. Although a legal obligation does not exist, 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 for monitoring the functioning and adequacy of internal systems, accounting and reporting systems of the Bank.

In parallel with the common legal practice in the banking industry there is a Credit Committee with the Bank which consists of the Chairman of the Board of Directors, the General Manager, two members and two reserve members, in charge of the credit approval process. The Credit Committee is the last level of credit allocation process with 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 two Board members and the Manager of Investor Relations. 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 interest 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. Furthermore, the committee works on specifying policies and

strategies for a transparent system in identification, assessment, information and remuneration of suitable candidates for the Board of Directors posts.

There is a Remuneration Committee which consists of the chairman of board and two members reporting to the Board. The committee aims to ensure that the Board of Directors, the senior management and the Bank's employees are paid and awarded in proportion to their contributions to the Bank's value creation.

Taking into consideration the best practices in the world in the field of social responsibility, the Social Responsibility Committee is 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 Social Responsibility.

Detailed information regarding the formation and functioning 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 of Directors has a responsibility of establishing and providing compatible, adequate and effective systems on internal control, risk management and internal auditing as provided for by the Banking Law for the purpose of monitoring and controlling risks emerging from bank 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 for ensuring that departments of Bank operate in accordance with the specified policies and strategies about risk management as determined by the Board.

Moreover, necessary controls are also performed by means of regular internal control and audit to ensure compliance with the policies and strategies.

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

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 stated that the duties and responsibilities of Board members are subject to the relevant provisions of the Turkish Commercial Law and the Banking Law and provisions of the Articles of Incorporation.

Our Board monitors the development of the Bank to see whether it is in line with the strategic targets of the Bank set by the Strategy Planning Committee 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 figures and compares them with actual performance, collects information about the deviations from the relevant units and follows up the decisions taken. If there are important deviations from the budgetary expectations considering the changes in the market conditions, the budget is revised and submitted to the approval of the Board again.

20. Financial Rights of the Board

Conditions and scope of the financial rights to be provided to the Board of Directors are stated in the 20th article of the Articles of Association of the Bank. According to this;

"(1) Payments such 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 Chairman 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/she shall attend, time and effort he/she shall spend at the meeting, before and after the meeting to fulfill his/her 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 terms 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 2018; to pay an attendance fee not exceeding the amount of Turkish Liras corresponding to 1,000,000.00 USD (One million American Dollars) net annually to all of the Members of the Board of Directors;, besides, due to the Articles of Association, to pay a 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 authorize the Board of Directors for determining for each year and separately with the offer of the Remuneration Committee.

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

Key Financial Indicators (TL thousand)	2014	2015	2016	2017	2018
Total Assets	23,046,424	29,561,999	32,850,738	36,229,077	42,223,652
Funds Collected	16,643,218	20,346,178	23,155,134	25,309,840	28,623,473
Funded Credits*	16,183,692	19,505,392	22,722,054	25,193,463	26,184,989
Shareholders' Equity	1,790,927	2,103,914	2,279,593	2,481,506	3,261,451
Net Profit	252,631	302,863	217,609	237,093	133,968
Number of Personnel	3,510	3,736	3,796	3,899	3,988
Number of Branches	202	213	213	220	230

*Includes financial leasing.

Key Financial Ratios (%)	2014	2015	2016	2017	2018
Funded Credits/Total Assets	70.2	66.0	69.2	69.5	62.0
Funded Credits/Collected Funds	97.2	95.9	98.1	99.5	91.5
Funds Collected/Total Assets	72.2	68.8	70.5	69.9	67.8
Average Return on Equity	15.6	15.8	10.0	10.0	4.3
Average Return on Assets	1.3	1.1	0.7	0.7	0.3
NPL Ratio	2.0	2.4	4.7	4.7	6.9
Net NPL Ratio	0.2	0.9	2.3	2.0	3.6
NPL Reserve Coverage Ratio	87.9	60.0	52.3	57.7	47.3
Capital Adequacy Ratio	14.2	15.3	13.5	17.1	14.7

ASSESSMENT OF FINANCIAL SITUATION, PROFITABILITY AND SOLVENCY

Despite the problems in the global markets and volatilities within the country, Albaraka Türk has increased its assets by 16.5% compared to the previous year reaching TL 42.2 billion in 2018.

Albaraka Türk, continuing its support to the real economy in 2018 as well, has increased funded credits* to TL 26.2 billion with an increase of 4% compared to the previous year-end. Share of the funded credits* in the total assets has realized as 62%. Collected Funds by the Bank have increased by 13% and raised to TL 28.6 billion in 2018. Through its subsidiary, Bereket Varlık Kiralama A.Ş., the Bank issued lease certificates for 22 times in 2018 and TL 3.3 billion was issued. Source structure of the Bank is diversified thanks to domestic lease certificates.

Albaraka Türk has preserved its strong equity structure by increasing its equities to TL 3.3 billion with an increase of 31% compared to the previous year. The Bank has gained a net profit of TL 134 million in 2018. Raising its operating revenue to TL 4 billion with an increase of 33%, the Bank has raised its profit share income to TL 3 billion with an increase of 13.6%.

Capital adequacy ratio of the Bank is realized as 14.7% as of the end of 2018, which is above the level of legal obligation.

*Includes financial leasing receivables.

RISK MANAGEMENT

The objective of the Risk Management System of the Bank is to ensure the definition, measurement, 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-return structure including the future cash flows and, accordingly, the quality and level of the activities.

To monitor and control risks to which the Bank is exposed on account of the banking activities, the Board of Directors is responsible for establishing internal control, risk management and internal auditing systems in accordance with the Banking Law and ensuring and monitoring the proper functioning, conformity and adequacy thereof.

The Board of Directors periodically reviews and assesses risk management policies and strategies according to the changing market conditions.

The General Manager has to ensure that departments of Bank operate in coordination pursuant to the specified policies and strategies about risk management process determined by the Board.

The Board of Directors takes an important part in the process of risk management by following policies and strategies on consolidated and unconsolidated basis, setting up limit systems and procedures with the Bank.

Basically being exposed to credit, market, liquidity and operational risks as well as strategic and reputation risks, the Bank determines risk policies and implementation methods and risk limits 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 it is 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, monitoring, controlling and reporting of risks.

The ultimate target of the Bank's Risk Management System is to allocate capital in compliance with the risks exposed by our functional activities (economic capital) and to maximize capital return adjusted for risk, thus increasing the added value created.

The risks to which the Bank is exposed or may be exposed in the future are determined and definitions of these risks are made. The identified risks are measured and prioritized to the extent possible. Taking into account the risks stemming from the Bank's strategies and the potential impact of the strategy on the risk profile, it is ensured that all significant risks are included in the risk appetite. Bank strategies are associated with risk profile and risk appetite. If the risk profile is expected to change in the future, this change is considered together with the level of impact on capital. In the creation of risk profile risk type is analyzed on the basis of sector and/or geographical location.

Risk tolerance of the bank is the maximum amount of calculated risk that may be accepted according to the Bank's mission and vision. In other words, it is the foreseen amount of risk to be exposed before deciding on the necessity of taking any precautions. In this aspect, risk tolerance is the level of risk that the Bank deems acceptable in view of the diversity of services offered.

The Bank's risk appetite refers to the amount of risk that the Bank accepts to take in order to achieve strategic goals, it also includes reasonable variability in targets.

The "Risk Appetite Policy," approved by the Board of Directors and updated annually, determines the risk levels that the bank may take to implement its strategies and achieve its objectives.

Taking into account the activity profile and future growth expectations, financial status of the bank is calculated by the amount of capital needed to accomplish strategic objectives, stress tests and scenario analyses performed on a static and dynamic basis. Having regard to the conjunctural factors affecting the market in which the bank operates today and will operate in the future, stress tests and scenario analysis conducted on the financial structure of the Bank are taken into account along with other financial indicators and thanks to the capital planning conducted in this context, coordination was established between the bank processes.

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

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 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 of the Bank. 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 exercises that authority to extend 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. The system prevents the customers from exceeding the credit risk limit.

The Bank pays particular attention to prevent sectoral concentration that may adversely affect 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. In this way, it is ensured that the credit risk complies with the "Regulation on Credit Policies and Implementation Procedures."

Market Risk

Market risk of the Bank refers to the probability of loss that may be incurred due to the foreign currency risk, stock position risk, commodity risk and profit rate risk.

Within the context of market risk, the 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 it to the authorities accordingly on a regular basis. Additionally, for testing purposes, foreign currency position risk of our Bank is measured by various internal models. With back testing 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 unexpected risks is measured with stress tests including stress scenarios.

The Bank continuously monitors whether the market risk is in compliance with the limits set by the legislation. Exchange rate risk is also subject to review and supervision by the Asset/Liability Committee. The foreign exchange rate strategy of the Bank is to keep the exchange rate risk in balance and not to give short positions and open an excessive amount of position.

Liquidity Risk

The Bank's liquidity risk consists of funding liquidity risk and market liquidity risk.

The funding liquidity risk refers to the likelihood of loss occurring in cases where it is not possible to adequately meet the entirety of the bank's foreseeable and unforeseen cash flow requirements without affecting the daily banking activities or the financial structure of the bank.

The market 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 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.

Operational Risk

Operational risk is defined as the risk of loss due to insufficient or unsuccessful internal processes, people, and systems or loss due to external effects. Whereas legal risk and compliance risk are included in this risk group, reputation risk and strategic risk are excluded.

Operational risk is a type of risk inherent 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 authority or from structural and/or operational changes, natural disasters, terror and fraud, etc.

The Bank classifies operational risk into five groups according to their sources: staff risk, technological risk, organizational risk, legal and compliance risk and external risk.

The Bank also takes required preventive measures to maintain operational risks at acceptable levels.

Other Risks

Other risks to which the Bank may be exposed consist of strategic risk, reputation risk, counterparty credit risk, country risk and concentration risk.

With regard to the strategic risk, the Bank aims to make rational decisions and adapt itself according to developments by closely following the economic agenda, technological, financial and social developments, as well as the legal regulations and banking sector in Turkey and abroad.

Any factor that leads to the possibility of damaging the bank as a result of the negative thoughts about the bank of different or related parties, such as the current and potential clients, partners, competitors and supervisory authorities or the negative developments such as decrease of trust in the bank or damage to the bank's reputation due to failure to comply with the applicable legal regulations are considered as a reputation risk. 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 customers 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. 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 limitations, 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 lead to 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. The units in question operate under the Audit Committee and the Board of Directors through the Internal Systems Senior Manager.

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 in 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.

Presidency of Inspection functions with an understanding of risk-focused audit. Technological resources are made use of in the performance of auditing functions. Operations are checked to ensure that they are in compliance with both internal and external regulations.

Presidency of Internal Control conducts risk-focused and interactive controls at general management units and branches towards a regular, effective and safe undertaking of the bank's activities.

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 definition, measurement, observation, control and reporting of the risks to which the Bank is exposed.

In the monitoring and evaluation of credit risk, which is the most important risk type among the functional activities, the riskiness and composition of the credit portfolio are taken into account.

Additionally, risk measurement models are used for testing purposes 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. Whether the market risk of the Bank is in conformity with legal regulations and with the limits determined is constantly monitored.

Risks other than the credit and market risk to which the Bank is exposed, are prioritized and subjected to review and evaluation and constantly monitored to determine whether they are at an acceptable level or not.

Also, pursuant to Law no. 5549 on Prevention of Money Laundering Proceeds of Crime, the 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, reviewing the effectiveness and reliability of such activities, 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 at the Bank are done in compliance with the policies composed in the context of criminal proceeds legislations.

In addition, it follows and reports the establishment of mechanisms ensuring compliance with the amendments in legislations, provides information and opinions to the Board of Directors regarding the activities planned to be carried out and new products and procedures, organizes meetings with the participation of the relevant units to evaluate whether the services purchased by the Bank complies with the Regulation on Outsourcing Services Employed by Banks, communicates the decisions taken at the meetings and, coordinates the communication and application processes carried out with regulatory and supervisory institutions.

The staff assigned at units within the scope of internal systems, who perform their tasks 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.



Ahmet UYSAL
Chairman of the Internal Audit Department

Born in Istanbul in 1981, Uysal graduated from Istanbul University, Faculty of Economics, Department of Finance, and received his MBA in the Department of Business Administration. Uysal began his professional career in 2003 and joined Albaraka Türk in 2005. Having served in positions such as Inspector and Branch Manager, he has been named Chairman of the Internal Audit Department in January 2017.



Umut ÇAKMAK
President of Risk Management Department

Born in 1983, Çakmak graduated from Istanbul University, Faculty of Business Administration. He started his career in 2005 at Albaraka Türk Presidency of Risk Management. He served as a risk management expert and vice president and has been the president of risk management department since 2017.



Ahmet Faruk DEĞİRMENCI
President of the Internal Control Department

Born in 1984, Değirmenci graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Finance. He started his career in 2007 as Assistant Auditor at Albaraka Türk. He served as an investigator and vice president and since January 2017, he has been the president of the Internal Control Department.



Ahmet KOÇ
President of Legislation and Compliance

Born in 1970, he graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration. He started his career in 1996 as Assistant Specialist at Albaraka Türk. After passing various exams, he worked as assistant inspector, and inspector for 6 years at the Board of Inspectors. Between 2009-2013, he served as President of Compliance. Subsequently, he worked as Unit Manager for 10 years in various units (Banking Services Department, Foreign Relations Department, Training Department, Credit Risk Monitoring Department) and was named President Legislation and Compliance on March 1, 2019. He still serves in this position.

Managers of Internal Audit Systems

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

Name-Surname	Position	Professional Experience (Years)	Length of Service at Albaraka Türk	Length of Service in His/Her Area	Education
Ahmet UYSAL	Chairman of the Internal Audit Department	14 years 8 months	14 years 8 months	11 years 6 months	Master's Degree
Umut ÇAKMAK	President of Risk Management Department	14	14	14	Bachelor's Degree
Ahmet Faruk DEĞİRMENCI	President of the Internal Control Department	11	11	11	Bachelor's Degree
Ahmet KOÇ	President of Legislation and Compliance Department	22 years 4 months	22 years 4 month	8	Bachelor's Degree

Note: As of March 1, 2019, Ahmet Koç was appointed President of Legislation and Compliance to replace Hakan Kurbetçi.

**ALBARAKA
TÜRK'S
RATINGS BY
INTERNATIONAL
CREDIT
AGENCIES**

Standard & Poor Ratings of August/October 2018

Long Term Credit Rating	B
Short Term Credit Rating	B
Outlook	Stable

Jcr Eurasia Rating Results as of August 2018

	In Foreign Currency	In Local Currency	Outlook
Long Term	BBB-	BBB-	Negative
Short Term	A-3	A-3	Negative

Albaraka Türk's Corporate Governance Compliance Ratings of CMB

JCR Eurasia Rating Results Issued In July 2018

Compliance with Corporate Governance Principles	8.92
Shareholders	9.05
Public Disclosure and Transparency	9.04
Stakeholders	8.90
Board of Directors and Executives	8.76

Islamic International Rating – November 2018

	In Foreign Currency	In Local Currency	Outlook
Long Term	BB+	BBB-	Negative
Short Term	A3	A3	Negative

RESERVE POLICY

Explanations on reserves for expected losses

The bank carries out expected loss provisioning for amortized costs and fair value through other comprehensive income. According to the "The Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside" promulgated in the Official Gazette no.29750 dated 22 June 2016, as of 1 January 2018, the Bank has started to allocate provisions for losses in accordance with TFRS 9 provisions. Within this framework, as of 31 December 2017, the method for allocating provisions for losses under the relevant legislation of the BRSA were changed with the expected credit losses model following the implementation of TFRS 9.

Provisions released in same year are registered as a credit under the "Provision Costs," released portion of the previous period provisions are recognized under "Other Operating Income." Expected credit impairment model is applied to other instruments registered in the comprehensive income statement on the basis of the amortized cost or the fair value (such as bank placements, loans and financial leasing receivables) and to the financial leasing receivables whose fair value impairment cannot be measured by profit/loss, contractual assets, credit commitments and financial guarantee agreements.

The guiding principle of the expected credit impairment model is to reflect the overall picture of the increase or improvement of the credit risk in financial instruments. The amount of loss provision depends on the level of the increase in the credit risk from the first issue of the loan.

The expected credit loss is an estimate of the expected losses from the loan during the life of a financial instrument, and the following points are considered to be important for measurement.

- » A neutral amount weighted according to the likelihood determined by taking into account possible results,
- » Reasonable and supported information based on estimation of past events, current conditions and future economic conditions that can be achieved without excessive cost and effort as of the reporting date.

The provisions for these financial assets are calculated by using two different approaches, the 12 months expected credit loss and the lifetime expected credit loss. Moreover, they were divided into 3 categories based on the increase in the credit risk from the introduction of the relevant financial asset into the financial statements:

Parameters used in the calculation of expected loss provisions:

The probability of default (PD):

The term describes the likelihood of a default of a credit over a particular time horizon. In accordance with TFRS 9, the bank uses two different default probability values in the calculation of the expected credit loss:

- » **Probability of default within 12 months:** Estimation of default probability within 12 months from the reporting date
- » **Lifetime probability of default:** Estimation of the probability of default over the expected life of the financial instrument

Loss Given Default (LGD): it refers to the amount of economic loss when a borrower defaults on a loan It is expressed as ratio.

Default Amount (DA): The amount of the outstanding cash loans as of the reporting date. In non-cash credits and commitments, it refers to the amount calculated using the deposit to loan ratio. Deposit to loan ratio corresponds to the deposit to loan ratio used in the adaptation of the possible risk increased between current date and date of default.

12 Months Expected Loss Provision (Stage 1)

Financial assets that do not demonstrate a significant increase in credit risk at their introduction in the financial accounts or later. Their maturity does not exceed 30 days. For these assets, provision for credit risk impairment is recognized as the amount of provision for 12 months expected credit loss. It applies to all assets, unless there is significant deterioration in credit quality. 12 months expected credit loss values are included in the lifetime expected credit loss calculation (within 12 months following the reporting date or shorter if the life of a financial instrument in less than 12 months).

Significant Increase in Credit Risk (Stage 2)

If there is a significant increase in the credit risk following the introduction of a financial asset in the financial statements, it is transferred to Stage 2. The provision for credit risk impairment is determined based on the lifetime expected credit loss provision of the related financial asset.

The Bank classifies financial assets under stage 2 by considering the following criteria.

- » Loans over 30 days but not exceeding 90 days,
- » Data received from the early warning system and the assessment of the bank in such a case,
- » Conclusion of the bank management that there is a significant increase in the credit risk after the comparison with the default risk at the beginning performed in order to determine whether the client's default risk has increased significantly since the initial recognition of the loan,
- » In loans whose reimbursement solely depends on collateral, loans the net realizable collateral value of which is lower than receivable amount.

Default (Stage 3/Special Provision)

According to the internal procedures of the Bank, if the following conditions are present, the relevant financial asset is considered to be in default:

- » Loans that are not paid for 90 days from the last installment date (in this case, the client is monitored on the 91st day)
- » Loans reconstructed and classified as living receivables not paid for 30 days within the monitoring period of one year (In such case, the client is started to be monitored on the 31st day)
- » Loans reconstructed and classified as living receivables and reconstructed at least for the second time within the monitoring period of one year
- » Client loans that are partially removed from assets or acquired as collateral in order to offset the loan debts or paid in goods and services

ADVISORY BOARD REPORT

Advisory Board Report of 31 December 2018

To Al Baraka Banking Group Shareholders,

The rules and contracts with respect to the transactions and activities of the Albaraka Türk Participation Bank in 2018 have been reviewed. Moreover, the necessary supervision activities were carried out in order to submit opinion as to compliance with the Islamic Shari'a Rules and Principles and AAOIFI standards.

The Board of Directors is obliged to implement the decisions of the Advisory Board. The Advisory Board is also responsible for having enough information about all transactions and developments that are required to be decided upon. The responsibility of the Advisory Board is limited to supervising the implementation of the decisions taken as well as the Islamic Shari'a Principles and submitting opinion on the basis of the Bank's financial reports.

Our review includes direct and indirect supervision on the basis of certain reports and the documents supporting the relevant supervision activities. This review is conducted through supervision reports containing a sample selected from each type of activity and through documents related to the Bank's operations and procedures.

In 2018, supervision activities were planned and implemented in order to provide a reasonable assurance that the Bank do not violate the Islamic Shari'a Rules and Principles and to monitor all information and changes required for obtaining sufficient evidence.

In our opinion:

1. The contracts, transactions and operations in 2018 were conducted in accordance with the Islamic Shari'a Rules and Principles.
2. The allocation of profit and charging of losses relating to investment accounts were performed in accordance with the principles approved by the Advisory Board as well as the Islamic Shari'a Rules and Principles.
3. It was observed that the Bank fulfilled its obligation to commit all earnings realized from sources or by means prohibited by the Islamic Shari'a Rules and Principles to Charitable Causes.
4. The Management was requested to correct the transactions and activities that were found to be non-complying.

May Allah's Mercy and Blessings be upon you

Date: 08.02.2019

Members of the Advisory Board:

Dr. Abdul Sattar Abu Ghuddah - Chairman
Dr. Hayrettin Karaman - Vice Chairman
Dr. Hamdi Döndüren - Member
Dr. Ahmad Mohi Aldeen – Member

ALBARAKA TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL STATEMENTS AND
RELATED DISCLOSURES AT DECEMBER 31, 2018
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT AND FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE SECTION THREE NOTE XXIV)

March 4, 2019

This report contains "independent
auditors' report" comprising 3 pages and
"Unconsolidated Financial Statements
and Related Disclosures and Footnotes"
comprising 132 pages.



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly 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 2018 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2018, 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 ("TFRS") 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 Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TSA"s) published by the Public Oversight Accounting and Auditing Standards Authority ("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 are independent of the Bank in accordance with the POA's Code of Ethics for Independent Auditors ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 judgement, 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.

Impairment of loans measured at amortised cost

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost are presented in Section III, No: VII of the unconsolidated financial statements.



Key audit matter

As of 31 December 2018, loans measured at amortised cost comprise 62% of the Bank's total assets.

The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").

As of 1 January 2018, due to the adoption of the Regulation and Standard, in determining the impairment of loans it is started to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates.

The significant assumptions and estimates of the Bank's management are as follows:

- Significant increase in credit risk;
- Incorporating the forward looking macroeconomic information in calculation of credit risk; and
- Design and implementation of expected credit loss model.

The determination of the impairment of loans measured at amortised cost depends on (i) the credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.

The Bank calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.

The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models.

Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.

How the matter is addressed in our audit

Our procedures for testing the impairment of loans included below:

- We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.
- We evaluated the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples.
- We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard.
- We evaluated the Banks's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.
- We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.
- We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis.
- We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.
- We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.
- We evaluated the qualitative assessments which are used in determining the significant increase in credit risk.

Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to impairment provisions.

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 TSAs 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 TSAs, we exercise professional judgement 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 2018 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 Güvenç, ŞMMİM
Partner

March 4, 2019
Istanbul, Turkey

**UNCONSOLIDATED FINANCIAL REPORT OF ALBARAKA TÜRK KATILIM BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

Bank's headquarter address : Saray Mah. Dr. Adnan Büyükdeniz Cad. No:6 34768 Ümraniye/İstanbul
Bank's phone number and facsimile : 00 90 216 666 01 01 – 00 90 216 666 16 00
Bank's website : www.albarakaturk.com.tr
Electronic mail contact info : albarakaturk@albarakaturk.com.tr

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

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


Mustafa ÇETİN
Assistant General Manager


Fehmi GÖL
Financial Affairs Manager


Mustafa BÜYÜKABACI
Chairman of the Audit
Committee


Süleyman KALKAN
Member of the Audit
Committee


Mehmet ASUTAY
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, 2018

(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 İstanbul and is operating through 229 (December 31, 2017: 219) local branches and 1 (December 31, 2017: 1) foreign branch and with 3.988 (December 31, 2017: 3.899) staff as of December 31, 2018.

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, 2018, 54,06% (December 31, 2017: 54,06%) of the Bank's shares are owned by Albaraka Banking Group located in Bahrain. 25,22% (December 31, 2017: 25,16%) 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, 2018

(Thousand of Turkish Lira (TL) unless otherwise stated)

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

Title	Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
Chairman of the Board of Directors (BOD):	Adnan Ahmed Yusuf ABDULMALEK	Chairman of BOD	Master	(*) 0,0000
Members of BOD:	Osman AKYÜZ	II.Chairman 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
	Süleyman KALKAN	Member of BOD	Bachelor	-
	Mustafa BÜYÜKABACI	Member of BOD	Master	-
	Dr. Khaled Abdulla Mohamed ATEEQ	Member of BOD	Doctorate	-
	Prof. Dr. Mehmet ASUTAY	Member of BOD	Doctorate	-
	Prof. Dr. Kemal VAROL	Independent Member of BOD	Doctorate	-
	Muhammad Zarrug M. RAJAB	Independent Member of BOD	Bachelor	-
General Manager:	Melikşah UTKU	Member of BOD/General Manager	Master	-
		Assistant General Manager Responsible for Business Branches (General Manager Deputy)	Master	-
Assistant General Managers:	Turgut SİMİTCİOĞLU	Assistant General Manager Responsible for Business Branches (General Manager Deputy)	Master	-
	Nihat BOZ	Assistant General Manager Responsible for Legal	Bachelor	-
	Cenk DEMİRÖZ	Assistant General Manager Responsible for Credits	Master	-
	Mustafa ÇETİN	Assistant General Manager Responsible for Finance and Strategy	Bachelor	-
	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	-
	Süleyman ÇELİK (Deputy)	Assistant General Manager Responsible for Information Technologies	Bachelor	-
Audit Committee:	Mustafa BÜYÜKABACI	Chairman of Audit Committee	Master	-
	Süleyman KALKAN	Member of Audit Committee	Bachelor	-
	Prof. Dr. Mehmet ASUTAY	Member of Audit Committee	Doctorate	-

(*) 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 0,0000% of the Bank's share capital (December 31, 2017: 0,0342%).

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018

(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 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, 2018

(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., Insha Gmbh the subsidiaries of the Bank, through equity method and full consolidation method, respectively. Bereket One Ltd and Albaraka Sukuk Ltd, 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". Investment Funds "Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu" and Venture Capital Investment Funds "Albaraka Portföy Yönetimi A.Ş. Değer Girişim Sermayesi Yatırım Fonu" and other investments funds controlled by the Bank have been consolidated as well. Due to non-financial partnership, "Albaraka Kültür Sanat ve Yayıncılık A.Ş." which is the subsidiary of the Bank has not been consolidated.

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 profit or loss
- IV. Statement of profit or loss and other comprehensive income
- 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, 2018S

(Thousand of Turkish Lira (TL) unless otherwise stated)

ASSETS	Notes (Section Five-I)	Audited		
		TL	CURRENT PERIOD December 31, 2018	
			FC	Total
I. FINANCIAL ASSETS (Net)		3.824.347	10.260.210	14.084.557
1.1 Cash and Cash Equivalents	(1)	1.332.405	9.803.023	11.135.428
1.1.1 Cash and Balances with Central Bank		509.720	5.408.661	5.918.381
1.1.2 Banks		822.685	4.394.362	5.217.047
1.1.3 Money Market Placements		-	-	-
1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	(2)	1.110.506	6.741	1.117.247
1.2.1 Government Securities		834	-	834
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		1.109.672	6.741	1.116.413
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	(3)	778.787	450.735	1.229.522
1.3.1 Government Securities		708.161	350.353	1.058.514
1.3.2 Equity Securities		15	13.455	13.470
1.3.3 Other Financial Assets		70.611	86.927	157.538
1.4 Financial Assets Measured at Amortised Cost	(4)	618.506	-	618.506
1.4.1 Government Securities		618.506	-	618.506
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(5)	1.510	-	1.510
1.5.1 Derivative Financial Assets Measured at Fair Value through Profit/Loss		1.510	-	1.510
1.5.2 Derivative Financial Assets Measured at Fair Value through Other Comprehensive Income		-	-	-
1.6 Non Performing Financial Assets		-	-	-
1.7 Expected Credit Losses (-)		17.367	289	17.656
II. LOANS (Net)	(6)	15.976.372	10.208.617	26.184.989
2.1 Loans		15.008.011	10.165.668	25.173.679
2.1.1 Loans Measured at Amortised Cost		15.008.011	10.165.668	25.173.679
2.1.2 Loans Measured at Fair Value through Profit/Loss		-	-	-
2.1.3 Loans Measured at Fair Value through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(7)	375.304	4.250	379.554
2.2.1 Financial Lease Receivables		418.495	4.305	422.800
2.2.2 Operational Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		43.191	55	43.246
2.3 Factoring Receivables		-	-	-
2.3.1 Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2 Factoring Receivables Measured at Fair Value through Profit/Loss		-	-	-
2.3.3 Factoring Receivables Measured at Fair Value through Other Comprehensive Income		-	-	-
2.4 Non Performing Receivables		1.788.647	99.900	1.888.547
2.5 Expected Credit Losses (-)	(6)	1.195.590	61.201	1.256.791
2.5.1 12-Month ECL (Stage 1)		49.603	18.252	67.855
2.5.2 Lifetime ECL Significant Increase in Credit Risk (Stage 2)		259.933	35.518	295.451
2.5.3 Lifetime ECL Impaired Credits (Stage 3)		886.054	7.431	893.485
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	648.970	718	649.688
3.1 Asset Held for Resale		648.970	718	649.688
3.2 Assets of Discontinued Operations		-	-	-
IV. OWNERSHIP INVESTMENTS (Net)	(9)	33.837	5.907	39.744
4.1 Associates (Net)		4.897	-	4.897
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-
4.1.2 Unconsolidated Associates		4.897	-	4.897
4.2 Subsidiaries (Net)		8.940	5.907	14.847
4.2.1 Unconsolidated Financial Investments in Subsidiaries		5.400	5.907	11.307
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		3.540	-	3.540
4.3 Joint Ventures (Net)		20.000	-	20.000
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2 Unconsolidated Joint-Ventures		20.000	-	20.000
V. TANGIBLE ASSETS (Net)	(10)	655.230	219	655.449
VI. INTANGIBLE ASSETS (Net)	(11)	31.419	-	31.419
6.1 Goodwill		-	-	-
6.2 Others		31.419	-	31.419
VII. INVESTMENT PROPERTY (Net)	(12)	-	-	-
VIII. CURRENT TAX ASSET		3.492	-	3.492
IX. DEFERRED TAX ASSET	(13)	170.099	-	170.099
X. OTHER ASSETS	(15)	362.551	41.664	404.215
TOTAL ASSETS		21.706.317	20.517.335	42.223.652

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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)

ASSETS	Notes (Section Five-I)	Audited		
		TL	PRIOR PERIOD December 31, 2017	
			FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	422.105	5.334.890	5.756.995
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	990.788	3.363	994.151
2.1 Trading Financial Assets		990.788	3.363	994.151
2.1.1 Public Sector Debt Securities		916	-	916
2.1.2 Equity Securities		-	-	-
2.1.3 Derivative Financial Assets Held for Trading	(5)	225	-	225
2.1.4 Other Marketable Securities		989.647	3.363	993.010
2.2 Financial Assets at Fair Value Through Profit and Loss		-	-	-
2.2.1 Public Sector Debt Securities		-	-	-
2.2.2 Equity Securities		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other Marketable Securities		-	-	-
III. BANKS	(1)	706.186	805.221	1.511.407
IV. MONEY MARKET PLACEMENTS		-	-	-
V. FINANCIAL ASSETS-AVAILABLE FOR SALE (Net)	(3)	937.211	412.022	1.349.233
5.1 Equity Securities		15	8.713	8.728
5.2 Public Sector Debt Securities		935.188	341.887	1.277.075
5.3 Other Marketable Securities		2.008	61.422	63.430
VI. LOANS AND RECEIVABLES	(6)	18.334.954	6.121.428	24.456.382
6.1 Loans and Receivables		17.821.846	6.121.363	23.943.209
6.1.1 Loans to Risk Group of The Bank		11.897	106.867	118.764
6.1.2 Public Sector Debt Securities		-	-	-
6.1.3 Other		17.809.949	6.014.496	23.824.445
6.2 Non-performing loans	(6)	1.211.785	825	1.212.610
6.3 Specific Provisions (-)	(6)	698.677	760	699.437
VII. INVESTMENTS HELD TO MATURITY (Net)	(4)	532.803	-	532.803
VIII. INVESTMENTS IN ASSOCIATES (Net)	(9)	4.719	-	4.719
8.1 Accounted for under Equity Method		-	-	-
8.2 Unconsolidated Associates		4.719	-	4.719
8.2.1 Financial Associates		4.719	-	4.719
8.2.2 Non-Financial Associates		-	-	-
IX. SUBSIDIARIES (Net)	(9)	5.400	-	5.400
9.1 Unconsolidated Financial Subsidiaries		5.400	-	5.400
9.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
X. JOINT VENTURES (Net)	(9)	20.000	-	20.000
10.1 Accounted for under Equity Method		-	-	-
10.2 Unconsolidated		20.000	-	20.000
10.2.1 Financial Joint Ventures		20.000	-	20.000
10.2.2 Non-Financial Joint Ventures		-	-	-
XI. LEASE RECEIVABLES (Net)	(7)	737.081	-	737.081
11.1 Finance Lease Receivables		807.540	-	807.540
11.2 Operational Lease Receivables		-	-	-
11.3 Other		-	-	-
11.4 Unearned Income (-)		70.459	-	70.459
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(14)	-	-	-
12.1 Fair Value Hedge		-	-	-
12.2 Cash Flow Hedge		-	-	-
12.3 Hedge of Net Investment Risks in Foreign Operations		-	-	-
XIII. TANGIBLE ASSETS (Net)	(10)	589.430	236	589.666
XIV. INTANGIBLE ASSETS (Net)	(11)	28.397	78	28.475
14.1 Goodwill		-	-	-
14.2 Other		28.397	78	28.475
XV. INVESTMENT PROPERTY (Net)	(12)	-	-	-
XVI. TAX ASSET	(13)	55.029	-	55.029
16.1 Current Tax Asset		2.080	-	2.080
16.2 Deferred Tax Asset		52.949	-	52.949
XVII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	83.737	493	84.230
17.1 Assets Held for Sale		83.737	493	84.230
17.2 Assets of Discontinued Operations		-	-	-
XVIII. OTHER ASSETS	(15)	81.075	22.431	103.506
TOTAL ASSETS		23.528.915	12.700.162	36.229.077

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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, 2018S

(Thousand of Turkish Lira (TL) unless otherwise stated)

LIABILITIES	Notes (Section Five-II)	Audited		
		TL	FC	Total
I. FUNDS COLLECTED	(1)	11.779.608	16.843.865	28.623.473
II. FUNDS BORROWED	(2)	1.834.328	5.017.765	6.852.093
III. BORROWINGS FROM MONEY MARKETS		771.957	-	771.957
IV. SECURITIES ISSUED (Net)		-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(3)	1.545	-	1.545
6.1 Derivative Financial Liabilities at Fair Value through Profit or Loss		1,545	-	1,545
6.2 Derivative Financial Liabilities at Fair Value through Other Comprehensive Income		-	-	-
VII. LEASE PAYABLES	(4)	-	-	-
7.1 Finance Lease Payables		-	-	-
7.2 Operational Lease Payables		-	-	-
7.3 Other		-	-	-
7.4 Deferred Finance Lease Expenses (-)		-	-	-
VIII. PROVISIONS	(6)	89.535	736	90.271
8.1 Restructuring Reserves		-	-	-
8.2 Reserve for Employee Benefits		73.321	-	73.321
8.3 Insurance Technical Reserves (Net)		-	-	-
8.4 Other Provisions		16.214	736	16.950
IX. CURRENT TAX LIABILITY	(7)	53.041	3.181	56.222
X. DEFERRED TAX LIABILITY		-	-	-
XI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	-	-	-
11.1 Assets Held for Sale		-	-	-
11.2 Assets of Discontinued Operations		-	-	-
XII. SUBORDINATED LOANS	(9)	-	1.204.297	1.204.297
12.1 Loans		-	1,204,297	1,204,297
12.2 Other Debt Instruments		-	-	-
XIII. OTHER LIABILITIES	(10)	1.288.023	74.320	1.362.343
XIV. SHAREHOLDERS' EQUITY	(11)	3.269.225	(7.774)	3.261.451
14.1 Paid-In Capital		900.000	-	900.000
14.2 Capital Reserves		845.976	-	845.976
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Other Capital Reserves		845.976	-	845.976
14.3 Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss		234.708	-	234.708
14.4 Accumulated Other Comprehensive Income or Expenses that will be Reclassified to Profit or Loss		33.270	(7.774)	25.496
14.5 Profit Reserves		1.300.967	-	1.300.967
14.5.1 Legal Reserves		134.082	-	134.082
14.5.2 Status Reserves		-	-	-
14.5.3 Extraordinary Reserves		1.166.885	-	1.166.885
14.5.4 Other Profit Reserves		-	-	-
14.6 Profit or Loss		(45.696)	-	(45.696)
14.6.1 Prior Years Profit/(Loss)		(179.664)	-	(179.664)
14.6.2 Current Year Profit/(Loss)		133.968	-	133.968
TOTAL LIABILITIES		19.087.262	23.136.390	42.223.652

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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		
		TL	PRIOR PERIOD December 31, 2017	
			FC	Total
I. FUNDS COLLECTED	(1)	13.247.715	12.062.125	25.309.840
1.1 Funds from Risk Group of The Bank		36.844	585.641	622.485
1.2 Other		13.210.871	11.476.484	24.687.355
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(3)	76	6.342	6.418
III. FUNDS BORROWED	(2)	798.755	4.613.214	5.411.969
IV. BORROWINGS FROM MONEY MARKETS		340.000	-	340.000
V. SECURITIES ISSUED (Net)		-	-	-
VI. MISCELLANEOUS PAYABLES		604.017	90.087	694.104
VII. OTHER LIABILITIES	(10)	-	-	-
VIII. LEASE PAYABLES	(4)	-	-	-
8.1 Finance Lease Payables		-	-	-
8.2 Operational Lease Payables		-	-	-
8.3 Other		-	-	-
8.4 Deferred Finance Lease Expenses (-)		-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(5)	-	-	-
9.1 Fair Value Hedge		-	-	-
9.2 Cash Flow Hedge		-	-	-
9.3 Net Foreign Investment Hedge		-	-	-
X. PROVISIONS	(6)	233.722	31.098	264.820
10.1 General Provisions		119.052	23.368	142.420
10.2 Restructuring Reserves		-	-	-
10.3 Reserve for Employee Benefits		89.107	-	89.107
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		25.563	7.730	33.293
XI. TAX LIABILITY	(7)	90.347	2.910	93.257
11.1 Current Tax Liability		90.347	2.910	93.257
11.2 Deferred Tax Liability		-	-	-
XII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	-	-	-
12.1 Assets Held for Sale		-	-	-
12.2 Assets of Discontinued Operations		-	-	-
XIII. SUBORDINATED LOANS	(9)	-	1.627.163	1.627.163
XIV. SHAREHOLDERS' EQUITY	(11)	2.481.652	(146)	2.481.506
14.1 Paid-In Capital		900.000	-	900.000
14.2 Capital Reserves		225.576	(146)	225.430
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Marketable Securities Valuation Reserve		(18.740)	(146)	(18.886)
14.2.4 Revaluation Reserve on Tangible Assets		238.121	-	238.121
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
14.3 Profit Reserves		1.113.454	-	1.113.454
14.3.1 Legal Reserves		122.227	-	122.227
14.3.2 Status Reserves		-	-	-
14.3.3 Extraordinary Reserves		991.227	-	991.227
14.3.4 Other Profit Reserves		-	-	-
14.4 Profit or Loss		242.622	-	242.622
14.4.1 Prior Years Profit/(Loss)		5.529	-	5.529
14.4.2 Current Year Profit/(Loss)		237.093	-	237.093
TOTAL LIABILITIES		17.796.284	18.432.793	36.229.077

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET

AS OF DECEMBER 31, 2018

(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF OFF-BALANCE SHEET	Notes (Section Five-III)	Audited CURRENT PERIOD December 31, 2018		
		TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		6.476.432	5.967.594	12.444.026
I. GUARANTEES AND SURETIES	(1)	4.655.835	5.389.862	10.045.697
1.1. Letters of Guarantees		4.625.551	3.949.014	8.574.565
1.1.1. Guarantees Subject to State Tender Law		569.981	58.456	628.437
1.1.2. Guarantees Given for Foreign Trade Operations		399	966.333	966.732
1.1.3. Other Letters of Guarantee		4.055.171	2.924.225	6.979.396
1.2. Bank Loans		-	39.338	39.338
1.2.1. Import Letter of Acceptances		-	39.338	39.338
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letter of Credits		7.980	1.221.635	1.229.615
1.3.1. Documentary Letter of Credits		-	-	-
1.3.2. Other Letter of Credits		7.980	1.221.635	1,229.615
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		-	170.661	170.661
1.7. Other Collaterals		22.304	9.214	31.518
II. COMMITMENTS	(1)	1.553.305	315.080	1.868.385
2.1. Irrevocable Commitments		1.553.305	315.080	1.868.385
2.1.1. Asset Purchase and Sale Commitments		161.878	315.080	476.958
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.3. Loan Granting Commitments		215.439	-	215.439
2.1.4. Securities Underwriting Commitments		-	-	-
2.1.5. Commitments for Reserve Deposit Requirements		-	-	-
2.1.6. Payment Commitment for Cheques		537.673	-	537.673
2.1.7. Tax And Fund Liabilities from Export Commitments		6.906	-	6.906
2.1.8. Commitments for Credit Card Expenditure Limits		630.690	-	630.690
2.1.9. Commitments for Promotions Related with Credit Cards and Banking Activities		332	-	332
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		387	-	387
2.2. Revocable Commitments		-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-
2.2.2. Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	267.292	262.652	529.944
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		267.292	262.652	529.944
3.2.1. Forward Foreign Currency Buy/Sell Transactions		27.630	25.097	52.727
3.2.1.1. Forward Foreign Currency Transactions-Buy		27.630	-	27.630
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	25.097	25.097
3.2.2. Other Forward Buy/Sell Transactions		239.662	237.555	477.217
3.3. Other		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		68.732.410	13.762.534	82.494.944
IV. ITEMS HELD IN CUSTODY		2.380.394	2.083.413	4.463.807
4.1. Assets Under Management		393.768	-	393.768
4.2. Investment Securities Held in Custody		72	4.118	4.190
4.3. Cheques Received for Collection		1.448.653	225.232	1.673.885
4.4. Commercial Notes Received for Collection		494.993	50.417	545.410
4.5. Other Assets Received for Collection		103	-	103
4.6. Assets Received for Public Offering		-	-	-
4.7. Other Items Under Custody		9.316	356.885	366.201
4.8. Custodians		33.489	1.446.761	1.480.250
V. PLEDGED ITEMS		66.352.016	11.679.121	78.031.137
5.1. Marketable Securities		10.540.645	3.388.191	13.928.836
5.2. Guarantee Notes		1.099.082	155.984	1.255.066
5.3. Commodity		2.097.532	926.359	3.023.891
5.4. Warranty		-	-	-
5.5. Properties		49.073.908	5.963.148	55.037.056
5.6. Other Pledged Items		3.307.628	1.240.217	4.547.845
5.7. Pledged Items-Depository		233.221	5.222	238.443
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		75.208.842	19.730.128	94.938.970

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET

AS OF DECEMBER 31, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF OFF-BALANCE SHEET		Notes (Section Five-III)	Audited PRIOR PERIOD December 31, 2017		
			TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)		6.252.472	5.192.237	11.444.709
I.	GUARANTEES AND SURETIES	(1)	4.136.465	3.996.159	8.132.624
1.1.	Letters of Guarantees		4.123.494	2.900.850	7.024.344
1.1.1.	Guarantees Subject to State Tender Law		445.010	43.982	488.992
1.1.2.	Guarantees Given for Foreign Trade Operations		1.860	677.380	679.240
1.1.3.	Other Letters of Guarantee		3.676.624	2.179.488	5.856.112
1.2.	Bank Loans		-	21.824	21.824
1.2.1.	Import Letter of Acceptances		-	21.824	21.824
1.2.2.	Other Bank Acceptances		-	-	-
1.3.	Letter of Credits		1.517	1.029.291	1.030.808
1.3.1.	Documentary Letter of Credits		-	-	-
1.3.2.	Other Letter of Credits		1.517	1.029.291	1.030.808
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
1.7.	Other Collaterals		11.454	3.612	15.066
II.	COMMITMENTS	(1)	1.999.439	232.913	2.232.352
2.1.	Irrevocable Commitments		1.999.439	232.913	2.232.352
2.1.1.	Asset Purchase and Sale Commitments		148.149	232.913	381.062
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.3.	Loan Granting Commitments		348.871	-	348.871
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
2.1.7.	Tax And Fund Liabilities from Export Commitments		4.069	-	4.069
2.1.8.	Commitments for Credit Card Expenditure Limits		528.560	-	528.560
2.1.9.	Commitments for Promotions Related with Credit Cards and Banking Activities		363	-	363
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
2.2.	Revocable Commitments		-	-	-
2.2.1.	Revocable Loan Granting Commitments		-	-	-
2.2.2.	Other Revocable Commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	116.568	963.165	1.079.733
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
3.2.1	Forward Foreign Currency Buy/Sell Transactions		21.884	21.693	43.577
3.2.1.1	Forward Foreign Currency Transactions-Buy		5.259	16.516	21.775
3.2.1.2	Forward Foreign Currency Transactions-Sell		16.625	5.177	21.802
3.2.2.	Other Forward Buy/Sell Transactions		94.684	941.472	1.036.156
3.3.	Other		-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		59.076.439	9.015.013	68.091.452
IV.	ITEMS HELD IN CUSTODY		2.064.347	1.266.279	3.330.626
4.1.	Assets Under Management		-	-	-
4.2.	Investment Securities Held in Custody		72	-	72
4.3.	Cheques Received for Collection		1.590.693	149.772	1.740.465
4.4.	Commercial Notes Received for Collection		442.531	45.071	487.602
4.5.	Other Assets Received for Collection		103	-	103
4.6.	Assets Received for Public Offering		-	-	-
4.7.	Other Items Under Custody		999	224.453	225.452
4.8.	Custodians		29.949	846.983	876.932
V.	PLEDGED ITEMS		57.012.092	7.748.734	64.760.826
5.1.	Marketable Securities		7.877.664	3.081.345	10.959.009
5.2.	Guarantee Notes		1.476.104	157.116	1.633.220
5.3.	Commodity		2.147.323	665.792	2.813.115
5.4.	Warranty		-	-	-
5.5.	Properties		43.274.769	2.996.857	46.271.626
5.6.	Other Pledged Items		2.072.592	843.336	2.915.928
5.7.	Pledged Items-Depository		163.640	4.288	167.928
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			65.328.911	14.207.250	79.536.161

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

AS OF DECEMBER 31, 2018

(Thousand of Turkish Lira (TL) unless otherwise stated)

		Audited
		CURRENT PERIOD
	Notes	January 1-
	(Section Five-IV)	December 31, 2018
STATEMENT OF PROFIT OR LOSS		
I. PROFIT SHARE INCOME	(1)	3.019.738
1.1 Profit Share on Loans		2.651.251
1.2 Income Received from Reserve Deposits		58.557
1.3 Income Received from Banks		1.940
1.4 Income Received from Money Market Placements		-
1.5 Income Received from Marketable Securities Portfolio		235.414
1.5.1 Financial Assets at Fair Value Through Profit and Loss		834
1.5.2 Financial Assets at Fair Value through Other Comprehensive Income		146.963
1.5.3 Financial Assets Measured at Amortised Cost		87.617
1.6 Finance Lease Income		70.404
1.7 Other Profit Share Income		2.172
II. PROFIT SHARE EXPENSE	(2)	2.000.179
2.1 Expense on Profit Sharing Accounts		1.337.809
2.2 Profit Share Expense on Funds Borrowed		552.653
2.3 Profit Share Expense on Money Market Borrowings		103.864
2.4 Profit Share Expense on Securities Issued		-
2.5 Other Profit Share Expense		5.853
III. NET PROFIT SHARE INCOME (I - II)		1.019.559
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		198.153
4.1 Fees and Commissions Received		293.170
4.1.1 Non-Cash Loans		114.573
4.1.2 Other	(3)	178.597
4.2 Fees and Commissions Paid		95.017
4.2.1 Non-Cash Loans		420
4.2.2 Other	(3)	94.597
V. PERSONNEL EXPENSES (-)	(8)	535.985
VI. DIVIDEND INCOME	(4)	177
VII. TRADING INCOME/LOSS(net)	(5)	358.815
7.1 Capital Market Transaction Income/(Loss)		49.441
7.2 Profit/(Loss) from Derivative Financial Instruments		(26.231)
7.3 Foreign Exchange Income/(Loss)		335.605
VIII. OTHER OPERATING INCOME	(6)	360.618
IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		1.401.337
X. EXPECTED CREDIT LOSS (-)	(7)	607.836
XI. OTHER OPERATING EXPENSES (-)	(8)	625.006
XII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		168.495
XIII. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER		-
XIV. PROFIT/(LOSS) ON EQUITY METHOD		-
XV. PROFIT/(LOSS) ON NET MONETARY POSITION		-
XVI. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(9)	168.495
XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(10)	34.527
17.1 Provision for Current Taxes		3.071
17.2 Deferred Tax Expense Effect (+)		171.354
17.3 Deferred Tax Income Effect (-)		139.898
XVIII. NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(11)	133.968
XIX. INCOME FROM DISCONTINUED OPERATIONS	(11)	-
19.1 Income from Assets Held For Sale		-
19.2 Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-
19.3 Income from Other Discontinued Operations		-
XX. LOSS FROM DISCONTINUED OPERATIONS (-)		-
20.1 Loss from Assets Held for Sale		-
20.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-
20.3 Loss from Other Discontinued Operations		-
XXI. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 Provision for Current Taxes		-
22.2 Deferred Tax Expense Effect (+)		-
22.3 Deferred Tax Income Effect (-)		-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIV. NET PROFIT/LOSS (XVII+XXII)	(12)	133.968
Earnings Per Share		0,149

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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)

	Notes (Section Five-IV)	Audited PRIOR PERIOD January 1- December 31, 2017
INCOME AND EXPENSE ITEMS		
I. PROFIT SHARE INCOME	(1)	2.658.587
1.1 Profit Share on Loans		2.360.098
1.2 Income Received from Reserve Deposits		32.547
1.3 Income Received from Banks		1.362
1.4 Income Received from Money Market Placements		-
1.5 Income Received from Marketable Securities Portfolio		197.103
1.5.1 Held-For-Trading Financial Assets		1.464
1.5.2 Financial Assets at Fair Value Through Profit and Loss		-
1.5.3 Available-For-Sale Financial Assets		133.027
1.5.4 Investments Held to Maturity		62.612
1.6 Finance Lease Income		65.749
1.7 Other Profit Share Income		1.728
II. PROFIT SHARE EXPENSE	(2)	1.390.788
2.1 Expense on Profit Sharing Accounts		1.006.362
2.2 Profit Share Expense on Funds Borrowed		358.493
2.3 Profit Share Expense on Money Market Borrowings		14.170
2.4 Profit Share Expense on Securities Issued		-
2.5 Other Profit Share Expense		11.763
III. NET PROFIT SHARE INCOME (I – II)		1.267.799
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		148.457
4.1 Fees and Commissions Received		216.704
4.1.1 Non-Cash Loans		102.563
4.1.2 Other	(3)	114.141
4.2 Fees and Commissions Paid		68.247
4.2.1 Non-Cash Loans		180
4.2.2 Other	(3)	68.067
V. DIVIDEND INCOME	(4)	-
VI. TRADING INCOME/LOSS(net)	(5)	45.363
6.1 Capital Market Transaction Income/(Loss)		53.031
6.2 Profit/(Loss) from Derivative Financial Instruments		(21.019)
6.3 Foreign Exchange Income/(Loss)		13.351
VII. OTHER OPERATING INCOME	(6)	122.146
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.583.765
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(7)	460.758
X. OTHER OPERATING EXPENSES (-)	(8)	834.207
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		288.800
XII. EXCESS AMOUNT RECORDED AS GAIN AFTER MERGER		-
XIII. PROFIT/(LOSS) ON EQUITY METHOD		-
XIV. PROFIT/(LOSS) ON NET MONETARY POSITION		-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(9)	288.800
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(10)	51.707
16.1 Provision for Current Taxes		76.256
16.2 Provision for Deferred Taxes		(24.549)
XVII. NET INCOME/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(11)	237.093
XVIII. INCOME FROM DISCONTINUED OPERATIONS	(11)	-
18.1 Income from Assets Held For Sale		-
18.2 Income from Sale Of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-
18.3 Income from Other Discontinued Operations		-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-
19.1 Loss from Assets Held for Sale		-
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-
19.3 Loss from Other Discontinued Operations		-
XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
21.1 Provision for Current Taxes		-
21.2 Provision for Deferred Taxes		-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(12)	237.093
Earnings Per Share (Full TL)		0,263

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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ALBARAKA TÜRK KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF DECEMBER 31, 2018

(Thousand of Turkish Lira (TL) unless otherwise stated)

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited
		CURRENT PERIOD
		January 1- December 31, 2018
I.	CURRENT PERIOD PROFIT/LOSS	133.968
II.	OTHER COMPREHENSIVE INCOME	35.205
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	11.512
2.1.1	Revaluation Surplus on Tangible Assets	26.779
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(2.892)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	(7.655)
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(4.720)
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	23.693
2.2.1	Translation Differences	36.000
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value through Other Comprehensive Income	(15.778)
2.2.3	Gains/losses from Cash Flow Hedges	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	3.471
III.	TOTAL COMPREHENSIVE INCOME (I+II)	169.173

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

ALBARAKA TÜRK KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF DECEMBER 31, 2017

(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

Audited

PRIOR PERIOD

January 1-

December 31, 2017

I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	(13.244)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	31.993
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	6.936
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)
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(1.699)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	15.058
XI. PROFIT/LOSS	237.093
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
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	252.151

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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ALBARAKA TÜRK KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2018

(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Audited)	Note (Section Five-V)	Other Comprehensive Income/ Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/ Expense Items to be Recycled to Profit or Loss			Current Period's Net Profit/Loss	Total Shareholders' Equity
		1	2	3	4	5	6		
CURRENT PERIOD (January 1 - December 31, 2018)									
I. Balances at Beginning of Period	(V)	900.000	-	-	20.689	(18.886)	-	1.113.454	2.481.506
II. Correction made as per TAS 8		-	-	-	-	-	-	(152.480) ^(*)	(152.480)
2.1. Effect of Corrections		-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	(152.480)	(152.480)
III. Adjusted Balances at Beginning of Period (I+II)		900.000	-	-	20.689	(18.886)	-	1.113.454	2.329.026
IV. Total Comprehensive Income		-	-	-	36.000	(12.307)	-	-	169.173
V. Capital Increase in Cash		-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-
X. Others Changes		-	-	-	-	-	-	(37.293)	775.720
XI. Profit Distribution		-	-	-	-	-	-	187.513	32.532
11.1. Dividends		-	-	-	-	-	-	(45.000)	(45.000)
11.2. Transfers to Reserves		-	-	-	-	-	-	187.513	-
11.3. Others		-	-	-	-	-	-	237.093	(237.093)
Balances at end of the period (III+IV...+X+XI)		900.000	-	-	56.689	(31.193)	-	1.300.967	3.261.451

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

(*) Includes deferred tax asset for general provisions arising from equity and banks shares amount to TL 64.991 recognized under shareholders' equity for TFRS 9 adjustment.

(**) The bank has recognized perpetual additional tier1 capital amount to USD 205.000.000 issued through "Bireket One Ltd" under "other capital reserves as per "TAS 32: "Financial Instruments: Presentation" standard.

1. Tangible and Intangible Assets Revaluation Reserve,
2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans,
3. Others (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)
4. Exchange Differences on Translation,
5. Accumulated gains/(losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income.
6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss).

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 (Audited)	Effect of Inflation 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
CHANGES IN SHAREHOLDERS' EQUITY (Audited)																	
PRIOR PERIOD January 1- December 31, 2017																	
I. Beginning balance	(V)	900.000	-	-	-	101.765	-	844.392	8.790	217.609	3.951	(8.556)	211.642	-	-	-	2.279.593
Changes In Period																	
II. Increase/Decrease Related to Merger																	
III. Marketable Securities Valuation Differences												(10.330)					(10.330)
IV. Hedging Funds (Effective Portion)																	
4.1 Cash-Flow Hedge																	
4.2 Hedge Of Net Investment in Foreign Operations																	
V. Tangible Assets Revaluation Differences													25.594				25.594
VI. Intangible Assets Revaluation Differences																	
VII. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Operations																	
VIII. Foreign Exchange Differences									6.936								6.936
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						9.582		(9.582)	(16.322)		1.578		885				(13.859)
XVII. Period Net Income/(Loss)										237.093							237.093
XVIII. Profit Distribution										(217.609)							(43.521)
18.1 Dividends Distributed											(43.521)						
18.2 Transfers To Reserves						10.880		156.417	6.791		(174.088)						
18.3 Other								156.417	6.791	(217.609)	217.609						
Closing Balance (I+II+III+...+XVI+XVII+XVIII)		900.000				122.227		991.227	6.195	237.093	5.529	(18.886)	238.121				2.481.506

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

(*) 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 Commercial Code article 612.

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, 2018

(Thousand of Turkish Lira (TL) unless otherwise stated)

	Audited
	CURRENT PERIOD
	January 1-
	December 31, 2018
	Notes
	(Section Five-VI)
STATEMENT OF CASH FLOWS	
A. CASH FLOWS FROM BANKING OPERATIONS	
1.1 Operating Profit Before Changes In Operating Assets And Liabilities	627.473
1.1.1 Profit Share Income Received	2.729.673
1.1.2 Profit Share Expense Paid	(1.294.030)
1.1.3 Dividend Received	-
1.1.4 Fees and Commissions Received	178.597
1.1.5 Other Income	199.466
1.1.6 Collections from Previously Written Off Loans	(V-I-5,h2) 470.048
1.1.7 Payments to Personnel and Service Suppliers	(754.081)
1.1.8 Taxes Paid	(81.513)
1.1.9 Others	(V-VI-3) (820.687)
1.2 Changes In Operating Assets And Liabilities	2.102.436
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(80.279)
1.2.2 Net (Increase) Decrease in Due From Banks and Other Financial Institutions	(3.745.587)
1.2.3 Net (Increase) Decrease in Loans	416.434
1.2.4 Net (Increase) Decrease in Other Assets	1.895.807
1.2.5 Net Increase (Decrease) in Bank Deposits	(49.134)
1.2.6 Net Increase (Decrease) in Other Deposits	3.504.846
1.2.7 Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	-
1.2.8 Net Increase (Decrease) in Funds Borrowed	-
1.2.9 Net Increase (Decrease) in Matured Payables	-
1.2.10 Net Increase (Decrease) in Other Liabilities	(V-VI-3) 160.349
I. Net Cash Flow From Banking Operations	2.729.909
B. CASH FLOWS FROM INVESTING ACTIVITIES	
II. Net cash flow from investing activities	320.979
2.1 Cash Paid For Acquisition of Investments, Associates and Subsidiaries	(9.447)
2.2 Cash Obtained From Disposal of Investments, Associates and Subsidiaries	-
2.3 Purchases of Property and Equipment	(59.162)
2.4 Disposals of Property and Equipment	73.252
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(717.604)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income	1.079.573
2.7 Purchase of Financial Assets Measured at Amortised Cost	(V-I-4) (187.962)
2.8 Sale of Financial Assets Measured at Amortised Cost	(V-I-4) 142.329
2.9 Other	-
C. CASH FLOWS FROM FINANCING ACTIVITIES	
III. Net Cash Flow From Financing Activities	877.554
3.1 Cash Obtained from Funds Borrowed and Securities Issued	18.562.916
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(18.416.082)
3.3 Issued Capital Instruments	-
3.4 Dividends Paid	(45.000)
3.5 Payments for Finance Leases	-
3.6 Other	775.720
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(V-VI-3) 290.406
V. Net (Decrease) Increase in Cash and Cash Equivalents	4.218.848
VI. Cash and Cash Equivalents at the Beginning of the Period	(V-VI-a) 2.889.723
VII. Cash and Cash Equivalents at the End of the Period	(V-VI-b) 7.108.571

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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)

		Audited
		PRIOR PERIOD
		January 1-
		December 31, 2017
		Notes
		(Section Five-VI)
STATEMENT OF CASH FLOWS		
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit Before Changes In Operating Assets And Liabilities	1.121.264
1.1.1	Profit Share Income Received	2.512.374
1.1.2	Profit Share Expense Paid	(1.340.914)
1.1.3	Dividend Received	-
1.1.4	Fees and Commissions Received	114.141
1.1.5	Other Income	96.696
1.1.6	Collections from Previously Written Off Loans	(V-I-5,h2) 260.414
1.1.7	Payments to Personnel and Service Suppliers	(443.362)
1.1.8	Taxes Paid	(70.091)
1.1.9	Others	(V-VI-3) (7.994)
1.2	Changes In Operating Assets And Liabilities	(1.881.790)
1.2.1	Net (Increase) Decrease in Available For Sale Financial Assets	(874.860)
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)
1.2.4	Net (Increase) Decrease in Loans	(2.582.313)
1.2.5	Net (Increase) Decrease in Other Assets	(46.465)
1.2.6	Net Increase (Decrease) in Funds Collected From Banks	(322.394)
1.2.7	Net Increase (Decrease) in Other Funds Collected	1.818.459
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
I.	Net Cash Flow From Banking Operations	(760.526)
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net cash flow from investing activities	(26.527)
2.1	Cash Paid for Acquisition of Jointly Controlled Operations, Associates and Subsidiaries	-
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries	-
2.3	Fixed Assets Purchases	(37.554)
2.4	Fixed Assets Sales	55.411
2.5	Cash Paid for Purchase of Financial Assets Available for Sale	(842.254)
2.6	Cash Obtained from Sale of Financial Assets Available for Sale	623.144
2.7	Cash Paid for Purchase of Investment Securities	(V-I-4) (244.500)
2.8	Cash Obtained from Sale of Investment Securities	(V-I-4) 419.226
2.9	Other	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Flow From Financing Activities	102.644
3.1	Cash Obtained from Funds Borrowed and Securities Issued	7.257.049
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(7.110.884)
3.3	Issued Capital Instruments	-
3.4	Dividends Paid	(43.521)
3.5	Payments for Finance Leases	-
3.6	Other	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(V-VI-3) 109.649
V.	Net (Decrease) Increase in Cash and Cash Equivalents	(574.760)
VI.	Cash and Cash Equivalents at the Beginning of the Period	(V-VI-a) 3.464.483
VII.	Cash and Cash Equivalents at the End of the Period	(V-VI-b) 2.889.723

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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, 2018

(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF PROFIT APPROPRIATION

	Audited CURRENT PERIOD December 31, 2018
I. Distribution of current year income	
1.1. Current year income	168.495
1.2. Taxes and duties payable (-)	34.527
1.2.1. Corporate tax (Income tax)	3.071
1.2.2. Income withholding tax	-
1.2.3. Other taxes and legal liabilities (*)	31.456
A. Net income for the year (1.1-1.2)	133.968
1.3. Prior year losses (-)	-
1.4. First legal reserves (-)	-
1.5. Other statutory reserves (-)	-
B. Distributable net period income [(A-(1.3+1.4+1.5)) (**)] (***)	133.968
1.6. First dividend to shareholders (-)	-
1.6.1. To owners of ordinary shares	-
1.6.2. To owners of preferred shares	-
1.6.3. To owners of preferred shares (Preemptive rights)	-
1.6.4. To Profit sharing bonds	-
1.6.5. To owners of the profit /loss sharing certificates	-
1.7. Dividend to personnel (-)	-
1.8. Dividend to board of directors (-)	-
1.9. Second dividend to shareholders (-)	-
1.9.1. To owners of ordinary shares	-
1.9.2. To owners of preferred shares	-
1.9.3. To owners of preferred shares (Preemptive rights)	-
1.9.4. To profit sharing bonds	-
1.9.5. To owners of the profit /loss sharing Certificates	-
1.10. Second legal reserve (-)	-
1.11. Status reserves (-)	-
1.12. Extraordinary reserves	-
1.13. Other reserves	-
1.14. Special funds	-
II. Distribution from reserves	
2.1. Distributed reserves	-
2.2. Second legal reserves (-)	-
2.3. Share to shareholders (-)	-
2.3.1. To owners of ordinary shares	-
2.3.2. To owners of preferred shares	-
2.3.3. To owners of preferred shares (Preemptive rights)	-
2.3.4. To profit sharing bonds	-
2.3.5. To owners of the profit /loss sharing certificates	-
2.4. Share to personnel (-)	-
2.5. Share to board of directors (-)	-
III. Earnings per share	
3.1. To owners of ordinary shares (***) (Full TL)	0,149
3.2. To owners of ordinary shares (%)	14,9
3.3. To owners of preferred shares	-
3.4. To owners of preferred shares (%)	-
IV. Dividend per share	
4.1. To owners of ordinary shares (Full TL)	-
4.2. To owners of ordinary shares (%)	-
4.3. To owners of preferred shares	-
4.4. 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.

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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

	Audited PRIOR PERIOD December 31, 2017
I. Distribution of current year income	
1.1. Current year income	288.800
1.2. Taxes and duties payable (-)	51.707
1.2.1. Corporate tax (Income tax)	76.256
1.2.2. Income withholding tax	-
1.2.3. Other taxes and legal liabilities ^(*)	(24.549)
A. Net income for the year (1.1-1.2)	237.093
1.3. Prior year losses (-)	-
1.4. First legal reserves (-)	11.855
1.5. Other statutory reserves (-)	4.580
B. Distributable net period income [(A)-(1.3+1.4+1.5)]	220.658
1.6. First dividend to shareholders (-)	45.000
1.6.1. To owners of ordinary shares	45.000
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	175.658
1.13. Other reserves	-
1.14. Special funds	-
II. Distribution from reserves	
2.1. Distributed reserves	-
2.2. Second legal reserves (-)	-
2.3. Share to shareholders (-)	-
2.3.1. To owners of ordinary shares	-
2.3.2. To owners of preferred shares	-
2.3.3. To owners of preferred shares (Preemptive rights)	-
2.3.4. To profit sharing bonds	-
2.3.5. To owners of the profit /loss sharing certificates	-
2.4. Share to personnel (-)	-
2.5. Share to board of directors (-)	-
III. Earnings per share	
3.1. To owners of ordinary shares ^(**) (Full TL)	0,245
3.2. To owners of ordinary shares (%)	24,52
3.3. To owners of preferred shares	-
3.4. To owners of preferred shares (%)	-
IV. Dividend per share	
4.1. To owners of ordinary shares (Full TL)	0,050
4.2. To owners of ordinary shares (%)	5,00
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.

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

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

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, 2018

(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 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.

In accordance with the transition rules of TFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for the year 2018 and 2017 periods are separately presented in the footnotes. The accounting policies for the year 2017, impacts of transition to TFRS 9 and its adoption are disclosed in Section three notes XXIII.

The Bank has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying consolidated financial statements starting from January 1, 2018 for the first times based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from January 1, 2018.

TFRS 15 - Revenue from Customer Contracts and other enacted TAS/TFRS amendments do not have significant impact on Bank's accounting policies, financial position and performance.

The Bank's adoption process continues regarding TFRS 16 Leases ("TFRS 16") which will be in effect starting from January 1, 2019.

Forms of financial statements for the periods beginning from January 1, 2018 are introduced in Communiqué on amendments in Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks published in official gazette dated September 20, 2017 dated 30186. After January 1, 2018, The Bank has prepared its financial statements in accordance with the formats in the related Communiqué. 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, 2018

(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.

If the loans recognized in the foreign currency accounts are switched to non performing, they are continued to be recognized in the foreign currency accounts and evaluated with the current exchange rates.

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 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.

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank continues to apply hedge accounting in accordance with TAS 39 in this context.

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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IV. Explanations on profit share income and expenses:

Profit share income

Profit share income is accounted in accordance with the internal rate of return method, which is equal to the net present value of the future cash flows of the financial asset determined in TFRS 9 and reflected to the 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.

The Bank has begun to calculate accrual for non-performing loans as of January 1, 2018. Net book value of non-performing receivables (Gross Book Value - Expected Loss Provision) is accounted at the gross book value of accruals with effective profit share rate.

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 and TFRS, 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 "Other Liabilities" 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:

Financial assets are recognized or derecognized according to TFRS 9 section three : "Recognition and Derecognition". Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value through Profit or Loss", transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of the Bank, if the Bank is a legal party to these instruments.

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Assessment of business model:

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a classification approach on the basis of a financial instrument but an evaluation by combining financial assets.

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The Bank's business models are divided into three categories. These categories are defined below:

A business model whose objective is to hold assets in order to collect contractual cash flows:

A business model whose objective is to hold assets in order to collect contractual cash flows over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the cash flow test that includes profit share payments arising only from principal and principal amount at specific dates.

A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value changes of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the cash flows test that includes profit share payments arising only from principal and principal amount at specific dates.

Other business models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Contractual cash flows that contains solely payments of principal and profit share:

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets at the fair value through profit or loss:

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and profit share at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Financial assets at fair value through other comprehensive income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and profit share at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the value corresponding to the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated Other Comprehensive Income or Expense to be Reclassified through Profit or Loss" under shareholders' equity. The accumulated fair value differences that are reflected in shareholders' equity are reflected in the income statement when the stated securities are collected or disposed.

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Equity securities, which are classified as financial assets at fair value through other comprehensive income are accounted for at fair value when they are traded in an organized market and/or the fair value can be reliably measured and these financial assets are not subject to expected losses recognition.

Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows within the scope of business model where those cash flows represent solely payments of principal and profit share on certain dates are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in income statement.

Loans:

Loans are non derivative financial assets that have fixed or determinable payments terms and are not quoted in an active market. Stated loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Profit Share Rate (internal rate of return) Method".

The Bank's all loans are recorded under the "Measured at Amortized Cost" account.

Granted cash loans are accounted by using the relevant accounts in accordance with the principles set out in the "Uniform Chart of Accounts to be Applied by the Participation Banks" and published in the Official Gazette dated September 20, 2017 and numbered 30186.

VII. Explanations on expected credit losses:

The Bank allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income. As of January 1, 2018, the Bank recognizes provisions for impairment in accordance with 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 is changed by applying the expected credit loss model under TFRS 9.

The provisions written back are credited to "provision expenses", and if such write backs are arising from previous year they are accounted under "other operating income". The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and finance lease receivables) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

Provisions for these financial assets are calculated using two different approaches: 12-month expected loss and expected lifetime loss. These financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

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Parameters used when calculating expected credit losses:

Probability of Default (PD):

PD refers to the likelihood that a loan will default within a specified time horizon. Based on TFRS 9, the Bank uses two different PDs in order to calculate expected credit losses:

- 12-Months PD: As the estimated probability of default occurring within the next 12 months following the reporting date.
- Lifetime PD: As the estimated probability of default occurring over the remaining life of the financial instrument.

Loss Given Default (LGD):

If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

Exposure at Default (EAD):

For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion rate corresponds to the factor which adjust the potential increase of the exposure between the current date and the default date.

12 Month Expected Credit Losses (Stage 1)

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition and their maturities does not exceed 30 days. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan. The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant Increase in Credit Risk (Stage 2)

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

The Bank classifies financial assets as Level 2 by considering the following criteria:

- Loans that pass 30 days but not exceed 90 days
- The data obtained from the early warning system and the evaluation that the bank will make in this case
- The Bank management's conclusion that there is significant increase in credit risk. At this point, the Bank compares probability of default of the loan in its origination with current status.
- Loans for which the repayment amount is fully collateralized and the collateral falls below the net realizable value.

Default (Stage 3/Specific Provision):

If the following conditions exist in accordance with the Bank's internal procedures, the related financial asset is evaluated as default:

- Loans past 90 days from the last installment date (In this case, default status starts on the 91st day.)
- Loans classified as "performing loans" after restructuring and 30 days overdue in one year observation period (In this case, default status starts on the 31st day)
- Loans classified as "performing loans" after restructuring and restructuring at least one more time in one year observation period.

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 financial assets measured at fair value through other comprehensive income and subordinated loan accounts.

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IX. Explanations on sale and repurchase agreements and lending of securities:

Securities subject to repurchase agreement are classified as "Financial Assets Measured at Fair Value through Profit/Loss", "Financial Assets Measured at Fair Value through Other Comprehensive Income" and "Financial Assets Measured at Amortised Cost" 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.

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 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, 2018, 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 Capital Markets Board 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 as 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, 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 for reasons other than misconduct or due to resignation. 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, 2018, there is an actuarial loss amounts to TL 21.548 before deferred tax calculation (December 31, 2017: TL 18.657 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 not any further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

iii) Short term benefits to employees:

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

XVI. Explanations on taxation:

Current tax:

The Bank is subject to tax laws and legislation effective in Turkey.

While the corporate tax rate was at the rate of 20% since January 1, 2006, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

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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 Bank using current rate 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.

A 75% portion of the capital gains derived from the sale of equity investments and a 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

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.

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.

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XVII. Additional explanations on borrowings:

The Bank accounts its debt instruments in accordance with TFRS 9 "Financial Instruments". In the following periods, all financial liabilities are carried at amortized cost by using the internal rate of return method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings.

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 Bereket One Ltd. and Albaraka Sukuk Ltd.

The Bank has subordinated loans borrowed through sukuk issuance, which has convertible nature to the shares.

Additional tier 1 capital borrowings:

Perpetual sukuk transaction in foreign currency is issued and included in the additional capital account by the Bank's structured entity "Bereket One Ltd". Stated transaction evaluated as non-monetary item and accounted over historical cost under equities in the "other capital reserves" accordance with TAS 32.

XVIII. Explanations on issued share certificates:

None.

XIX. Explanations on acceptances and availed drafts:

Acceptances and availed drafts are realized simultaneously with the payment dates of the customers and they are presented as commitments in the off-balance sheet accounts.

XX. Explanations on government grants:

As of the balance sheet date, there are no government grants received by the Bank.

XXI. Explanations on segment reporting:

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

Segment reporting is disclosed in Section Four, Note XI.

XXII. Explanations on investments in associates, subsidiaries and joint ventures:

Non-financial subsidiaries and associates (in Turkish Lira) are accounted at cost in the unconsolidated financial statements and if any, provisions for impairment losses are deducted in accordance with TAS 27.

XXIII. Explanations on other matters:

Disclosures of TFRS 9 financial instruments:

TFRS 9 "Financial Instruments", which is effective as at January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

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Classification and measurement of financial assets:

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and profit share.

Assessment whether contractual cash flows are solely payments of principal and profit share:

In assessing whether the contractual cash flows are payments of principal and profit share, the bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows. The Bank fulfills the on-balance sheet classification and measurement criteria by applying the stated procedures for all financial assets.

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("Fair Value through Profit/Loss"), amortized cost or fair value through other comprehensive income ("Fair Value through Other Comprehensive Income"). The classification and measurement of financial liabilities remain largely unchanged under TAS 39.

a) Classification and measurement of financial assets

	Before TFRS 9		In scope of TFRS 9	
	Measurement Bases	Book value December 31, 2017	Measurement Bases	Book value January 1, 2018
Financial assets				
Cash Balances and Central Bank	Loans and receivables	5.756.995	Measured at amortized cost	5.756.995
Banks	Loans and receivables	1.511.407	Measured at amortized cost	1.515.666
Marketable Securities	Financial assets held for trading	993.926	Fair value through profit and loss	993.926
	Available for sale financial assets	1.349.233	Fair value through other comprehensive income	1.349.692
	Held to maturity financial assets	532.803	Measured at amortized cost	532.803
Derivative Financial Assets	Derivative financial assets held for trading	225	Fair value through profit and loss	225
Loans (Net)	Loans and receivables	24.456.382	Measured at amortized cost	24.245.161
Other	Loans and receivables	24.749	Measured at amortized cost	24.356

b) Reconciliation of statement of financial position balances to TFRS 9

	Book value before TFRS 9 December 31, 2017	Reclassifications	Remeasurements	Book value after TFRS 9 January 1, 2018
Financial assets				
Measured at amortized cost				
Balance before classification (held-to-maturity)	532.803	(532.803)	-	-
Book value after classification	-	-	-	532.803
Fair value through Profit/Loss				
Balance before classification (available-for-sale)	993.926	(993.926)	-	-
Book value after classification	-	-	-	993.926
Fair Value Through Other Comprehensive Income				
Book value before classification (available-for-sale)	1.349.233	(1.349.233)	-	-
Book value after classification	-	-	459	1.349.692

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Additional explanations on classifications made in accordance with TFRS 9:

The Bank reclassified its financial instruments under the new categories in accordance with TFRS 9 without any change in the basis of the financial instruments.

Financial assets classified as "financial assets at fair value through profit or loss" in the prior period are classified as "financial assets at fair value through profit or loss" starting from January 1, 2018.

The sukuk investments classified as available for sale in the prior period are classified as financial assets measured at fair value through other comprehensive income starting from January 1, 2018. Equity type instruments classified as available for sale in the prior period are reclassified as financial assets measured at fair value through other comprehensive income irrevocably and if the related instruments are disposed, the changes in fair values will not be booked under statement of profit or loss.

Financial assets classified as "held-to-maturity investment" in the prior period are classified as "financial assets at amortized cost" starting from January 1, 2018.

All loans continued to be measured at amortized cost.

Reconciliation of the opening balances of the provisions for expected credit losses to TFRS 9

	Book value before TFRS 9 December 31, 2017	Remeasurements	Book value after TFRS 9 January 1, 2018
Loans			
Stage 1	110.290	(49.909)	60.381
Stage 2	14.242	255.305	269.547
Stage 3	699.437	5.825	705.262
Financial Assets (*)	6.180	(4.325)	1.855
Non-Cash Loans (**)	-	-	-
Stage 1 and 2	11.708	(7.716)	3.992
Stage 3	29.905	(27.350)	2.555
Total	871.762	171.830	1.043.592

(*) Includes banks, central banks, financial assets measured at fair value through other comprehensive income, financial assets measured at amortised cost and financial assets classified under other assets.

(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "10.1. General Provision" and expected credit loss for stage 3 non-cash loans is classified "10.5. Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "8.4 Other Provisions" column in the liabilities.

Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of January 1, 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on September 20, 2017, for general provisions arising from equity and bank shares (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of January 1, 2018. Within this scope, deferred tax assets amounting to TL 64.991 have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Prior Years Profit/Loss" in shareholders' equity.

In addition, within the scope of TFRS 9 opening adjustments, for special and general provisions of cash (for equity and bank shares) and non-cash loans the bank reduced its equity by TL 217.472 and increased the related balance sheet accounts by the specified amount. On the other hand, opening balance of general and special provisions of cash loans (participation accounts shares) have been reduced by TL 45.642 and the amount of "provision for participation accounts" has been increased by this amount.

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Explanations on TFRS 16 Leases Standard

"TFRS 16 Leases" standard was published in the official gazette dated 16 April 2018 and numbered 29826 for the period beginning after 31 December 2018. In this standard, the difference between the operating lease and the finance lease has been eliminated, and the lease transactions will be presented by the lessor as the financial liability for the asset (the right to use) and the lease payment.

The Bank has started to work on compliance with the TFRS 16 Leases Standard effective from 1 January 2019 which is still in progress as of 31 December 2018. The Bank does not expect a significant impact in its financials with the adaptation of TFRS 16 at 1 January 2019.

The Bank will apply this standard on January 1, 2019, which is the mandatory date of implementation. The Bank plans to use simplified transition implementation and not to change comparable figures for the year before the first application.

Explanations on prior period accounting policies not valid for the current period

"TFRS 9: Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of January 1, 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

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 is determined and accounted at the time of purchase by the Bank management taking into consideration the purpose of the investment.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss has two sub-categories: "Trading financial assets" and "Financial assets at fair value through profit and loss".

Trading financial assets are 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.

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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.

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.

XXIV. Additional paragraph for convenience translation:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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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, 2018, the Bank's total capital has been calculated as TL 4.713.984 and capital adequacy standard ratio is 14,66%. As of December 31, 2017, Bank's total capital amounted to TL 4.108.617 and capital adequacy ratio was 17,06%. The Bank's capital adequacy standard ratio is above the minimum ratio required by the legislation.

a. Information on capital:

	Current Period	Amounts related to treatment before January 1, 2014 ⁽⁷⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	1.121.303	
Gains recognized in equity as per TAS	378.834	
Profit	133.968	
Current Period Profit	133.968	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	2.534.105	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	48.374	
Improvement costs for operating leasing	23.998	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	29.613	29.613
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	101.985	
Total Common Equity Tier 1 Capital	2.432.120	

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	Current Period	Amounts related to treatment before January 1, 2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	775.720	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	775.720	-
Deductions from Additional Tier I Capital	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	775.720	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.207.840	-
TIER II CAPITAL	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	1.193.054	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	315.773	-
Tier II Capital Before Deductions	1.508.827	-
Deductions From Tier II Capital	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	1.491	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	1.491	-
Total Tier II Capital	1.507.336	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.715.176	-
Deductions from Total Capital	-	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA	1.192	-

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	Current Period	Amounts related to treatment before January 1, 2014 ⁽¹⁾
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
Total Capital (Total Core Capital and Supplementary Capital)	4.713.984	
Total risk weighted amounts	32.150.785	
Capital Adequacy Ratios	-	
Core Capital Adequacy Ratio (%)	7,56	
Tier 1 Capital Adequacy Ratio (%)	9,98	
Capital Adequacy Ratio (%)	14,66	
BUFFERS	-	
The total additional capital requirement ratio (a + b + c)	1,88	
a) Capital conservation buffer requirement (%)	1,88	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	-	
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 (%)	3,06	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	203.784	
Limits related to provisions considered in Tier II calculation	-	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	315.773	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	315.773	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to & 0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
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	-	

⁽¹⁾ 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 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
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	-	
Common Equity Tier 1 Capital Before Deductions	2.528.447	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	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	-	
Total Deductions From Common Equity Tier 1 Capital	92.354	
Total Common Equity Tier 1 Capital	2.436.093	

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	Prior Period	Amounts related to treatment before January 1, 2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		-
Preferred Stock not Included in Common Equity and the Related Share Premiums		-
Debt instruments and premiums approved by BRSA		-
Debt instruments and premiums approved by BRSA(Temporary Article 4)		-
Additional Tier I Capital before Deductions		-
Deductions from Additional Tier I Capital		-
Direct and indirect investments of the Bank in its own Additional Tier I Capital		-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.		-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital		-
Other items to be defined by the BRSA		-
Transition from the Core Capital to Continue to deduce Components		-
Goodwill and other 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 (-)		-
Total Deductions From Additional Tier I Capital		-
Total Additional Tier I Capital		-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	2.430.800	
TIER II CAPITAL		
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	
Tier II Capital Before Deductions	1.682.110	
Deductions From Tier II Capital		-
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 (-)		-
Total Deductions from Tier II Capital	3.361	
Total Tier II Capital	1.678.749	
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.109.549	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law		-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years		-
Other items to be defined by the BRSA		932

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	Prior Period	Amounts related to treatment before January 1, 2014 ⁽¹⁾
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
Total Capital (Total Core Capital and Supplementary Capital)	4.108.617	
Total risk weighted amounts	24.089.261	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	10,11	
Tier 1 Capital Adequacy Ratio (%)	10,09	
Capital Adequacy Ratio (%)	17,06	
BUFFERS		
The total additional capital requirement ratio (a + b + c)	1,25	
c) Capital conservation buffer requirement (%)	1,25	
d) 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	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	70.535	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	71.830	
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	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

⁽¹⁾ Amounts in this column represents the amounts of items that are subject to transition provisions.

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b. Details on subordinated liabilities:

Issuer	Albaraka Sukuk Ltd.	Bereket One Ltd.
Unique Identifier (CUSIP, ISIN etc.)	XS1301525207	XS17 72390628
Governing Law(s) of the Instrument	English Law	English Law
Special Consideration in the Calculation of Equity		
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Sukuk Wakala	Sukuk Mudaraba
Amount recognized in regulatory capital (as of most recent reporting date)	TL 1.191.563	TL 775.720 ⁽¹⁾
Par Value of Instrument	TL 1.193.054	TL 775.720
Accounting Classification	Subordinated Loan	Equity
Original date of Issuance	November 30, 2015	February 20, 2018
Perpetual or dated	Dated	Undated
Maturity date	November 30, 2025	Undated
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 250.000.000	Last Payment Date: None First refund option date: February 20, 2023 Total Repayment Amount of Profit Share: USD 102.500.000 Repayment Period: 6 months Principal Payment: USD 205.000.000
Subsequent call dates	-	-
Profit Share/Dividends		
Fixed or floating profit share/dividend	Fixed	Fixed
Profit share rate and any related index	10,50%	10%
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	Optional
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or Non-convertible		
If convertible, conversion trigger	As per BRSA regulations and Communiqués it is convertible	As per BRSA regulations and Communiqués it is convertible
If convertible, fully or partially	As per BRSA approval it is convertible fully or partially	As per BRSA approval it is convertible fully or partially
If convertible, conversion rate	As per BRSA approval, it is convertible and the rate may be determined.	As per BRSA approval, it is convertible and the rate may be determined.
If convertible, mandatory or optional conversion	Subject to BRSA's approval.	Subject to BRSA's approval.
If convertible, specify instrument type convertible into	Share certificate	Share certificate
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature		
If write-down, write-down trigger(s)	-	Non-sustainability-The ratio of Core Capital to below 5,125%
If write-down, full or partial	-	At least to ensure that the core capital ratio exceeds 5,125%
If write down, permanent or temporary	-	Permanent and Temporary
If temporary write-down, description of write-up mechanism	-	In case of the ratio of core capital exceeds 5,125%
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners	After participation fund owners, other borrowers and the debt instruments included in the Tier II capital calculation
In compliance with article number 7 and 8 of "Own fund regulation"	No	No
Details of incompliances with article number 7 and 8 of "Own fund regulation"	No	No

⁽¹⁾ Respresented as historical cost

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c. Information on reconciliation of total capital and equity

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from Stage 1 and Stage 2 expected credit losses, debt instruments, and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, Stage 1 and Stage 2 expected credit losses 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.

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 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 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.

As of 1 January 2018, the Bank recognizes provisions for impairment in accordance with 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. Related classifications are mentioned in the third section under the heading of Accounting Policies, in VII. No. "Explanations on expected credit loss provisions".

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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⁽¹⁾
Receivables from central governments or central banks	4.968.121	4.878.684
Receivables from regional or local governments	15	23
Receivables from administrative units and non-commercial enterprises	128.684	157.280
Receivables from multilateral development banks	-	35
Receivables from international organizations	-	-
Receivables from banks and brokerage houses	5.735.462	3.261.398
Receivables from corporates	16.275.346	15.163.705
Retail receivables	5.150.663	5.485.009
Receivables secured by mortgages on property	2.767.437	2.831.871
Past due receivables	599.504	405.406
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	3.623.279	2.649.439
Equity share investments	53.214	47.074
TOTAL⁽¹⁾	39.301.725	34.879.924

⁽¹⁾ Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2018.

(2) The credit risk undertaken for forwards, options and similar agreements is managed together with the risks arising from market movements.

(3) The risks of forwards, options and similar agreements are followed regularly and the Bank utilizes risk mitigation methods if needed.

(4) Indemnified non-cash loans are subject to the same risk weight as overdue loans. Rescheduled or restructured loans are followed in accordance with the principles of credit risk management and 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.

(5) 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.

(6) Share of cash receivables of the Bank from its top 100 and top 200 cash loan customers in total cash loans is 51% (December 31, 2017: 40%) and 60% (December 31, 2017: 49%) respectively.

Share of non-cash receivables of the Bank from its top 100 and top 200 non-cash loan customers in total non-cash loans is 49% (December 31, 2017: 47%) and 60% (December 31, 2017: 58%) 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 44% (December 31, 2017: 37%) and 53% (December 31, 2017: 45%) respectively.

(7) The Bank's expected credit loss amount for its credit risk (Stage 1 and 2) is TL 380.962 (December 31, 2017: TL 142.420).

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(8) Profile on significant risks in significant regions:

	Risk Categories (*)											
	1	2	3	4	5	6	7	8	9	10	11	Total
Current Period												
Domestic	4.968.121	15	128.684	-	4.354.284	15.497.343	5.124.553	2.679.305	584.938	3.604.539	15	36.941.797
EU Countries	-	-	-	-	369.830	127.934	1.851	1.858	935	18.740	9.812	530.960
OECD Countries (**)	-	-	-	-	12.479	-	14	38	-	-	-	12.531
Off-shore banking regions	-	-	-	-	20.631	86.504	14.182	3.215	11.743	-	-	136.275
USA, Canada	-	-	-	-	419.403	98.620	666	-	-	-	-	518.689
Other countries	-	-	-	-	558.835	464.945	9.397	83.021	1.888	-	3.643	1.121.729
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	39.744
Unallocated assets/liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-
Total	4.968.121	15	128.684	-	5.735.462	16.275.346	5.150.663	2.767.437	599.504	3.623.279	53.214	39.301.725
Prior Period												
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	-	30.119
Unallocated assets/liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-
Total	5.218.032	32	199.448	-	1.771.717	12.970.989	5.524.653	3.283.907	305.597	2.076.495	-	31.350.870

(*) 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
- 11- Equity share investments

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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	11		TL	FC
1 Agriculture	-	-	-	-	-	180.479	64.598	54.813	10.579	-	-	177.323	133.146	310.469
1.1 Farming and stockbreeding	-	-	-	-	-	69.532	35.652	21.025	10.373	-	-	49.628	86.954	136.582
1.2 Forestry	-	-	-	-	-	109.974	27.993	33.470	206	-	-	126.410	45.233	171.643
1.3 Fishery	-	-	-	-	-	973	953	318	-	-	-	1.285	959	2.244
2 Manufacturing	-	-	968	-	-	7.186.156	2.012.139	1.139.364	156.966	-	-	4.930.047	5.565.546	10.495.593
2.1 Mining	-	-	-	-	-	243.517	19.407	21.004	2.396	-	-	135.999	150.325	286.324
2.2 Production	-	-	40	-	-	6.115.988	1.960.888	1.044.885	151.912	-	-	4.574.529	4.699.184	9.273.713
2.3 Electricity, gas, water	-	-	928	-	-	826.651	31.844	73.475	2.658	-	-	219.519	716.037	935.556
3 Construction	-	-	112.819	-	-	5.087.855	564.165	826.281	180.290	-	-	3.893.076	2.878.334	6.771.410
4 Services	3.289.521	-	13.524	-	5.726.108	3.301.593	915.151	516.195	217.139	-	44.674	4.045.056	9.978.849	14.023.905
4.1 Wholesale and retail trade	-	-	1.262	-	407	1.350.357	667.054	222.192	146.233	-	-	1.745.888	641.617	2.387.505
4.2 Hotel, food and beverage services	-	-	-	-	-	145.260	58.228	64.932	11.706	-	-	45.488	234.638	280.126
4.3 Transportation and telecommunication	-	-	-	-	-	195.664	101.041	22.853	49.761	-	-	141.709	227.610	369.319
4.4 Financial institutions	3.289.521	-	4	-	5.725.701	1.222.696	13.347	176.535	6	-	44.674	1.648.463	8.824.021	10.472.484
4.5 Real estate and renting services	-	-	-	-	-	142.311	8.829	2.733	1.282	-	-	140.266	14.889	155.155
4.6 Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education services	-	-	5.530	-	-	3.466	5.657	6.732	3.009	-	-	24.149	245	24.394
4.8 Health and social services	-	-	6.728	-	-	241.839	60.995	20.218	5.142	-	-	299.093	35.829	334.922
5 Other	1.678.600	15	1.373	-	9.354	519.263	1.594.610	230.784	34.530	3.623.279	8.540	5.365.080	2.335.268	7.700.348
6 Total	4.968.121	15	128.684	-	5.735.462	16.275.346	5.150.663	2.767.437	599.504	3.623.279	53.214	18.410.582	20.891.143	39.301.725

- 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
- 11- Equity share investments

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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	-	338.497	-	-	1.338.523
2 Receivables from regional or local governments	-	-	-	-	-
3 Receivables from administrative units and non-commercial enterprises	66	7	49	9.418	107.569
4 Receivables from multilateral development banks	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-
6 Receivables from banks and brokerage houses	19.070	79.961	9.064	54.685	-
7 Receivables from corporates	684.182	1.054.603	1.603.233	2.277.274	7.392.423
8 Retail receivables	127.047	325.634	583.478	771.124	2.426.749
9 Receivables secured by mortgages on property	41.417	162.222	187.175	370.021	1.555.150
10 Past due receivables	-	-	-	-	-
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	-	-	-	-	-
16 Equity share investments	-	-	-	-	-
17 TOTAL	871.782	1.960.924	2.382.999	3.482.522	12.820.414

(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	5.803.549	-	2.349.614	419.228	6.478.075	5.150.663	18.809.762	290.834	-	54.803
2 Amount after credit risk mitigation	6.669.760	-	2.505.270	409.639	6.724.858	4.407.276	18.294.513	290.409	-	54.803

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(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:

As of 31 December 2018, the Bank has allocated expected lifetime loss provision for loans classified as Stage 2 based on the risk assessments made under TFRS 9. For the loans which are determined as impaired by being classified in the third stage, the expected lifetime loss provision has been allocated for such loans as well.

As of December 31, 2018, the credit risks of the loans which has not increased at first recognition or thereafter, are classified as stage 1 and 12 months expected credit loss has been allocated for such loans.

Sectors /Counterparties	Loans		Provisions
	Impaired Value (TFRS 9)		
	Significant increase in credit risk (Stage 2)	Default (Stage 3)	Provisions for Credit Losses (TFRS 9)
1 Agriculture	20.450	17.752	12.934
1.1 Farming and stockbreeding	11.796	14.250	10.927
1.2 Forestry	8.648	3.500	2.005
1.3 Fishery	6	2	2
2 Manufacturing	3.256.822	1.056.219	574.549
2.1 Mining	19.592	13.951	5.111
2.2 Production	2.962.189	1.032.678	547.105
2.3 Electricity, gas, water	275.041	9.590	22.333
3 Construction	1.267.148	438.226	401.261
4 Services	553.370	315.668	177.298
4.1 Wholesale and retail trade	353.115	188.812	75.177
4.2 Hotel, food and beverage services	93.679	17.813	50.559
4.3 Transportation and telecommunication	48.110	46.107	12.784
4.4 Financial institutions	8.107	14.728	8.881
4.5 Real estate and renting services	4.475	29.737	20.499
4.6 Self-employment services	13.910	4.109	3.215
4.7 Education services	212	7.435	606
4.8 Health and social services	31.762	6.927	5.577
5 Other	220.514	60.682	22.894
6 Total	5.318.304	1.888.547	1.188.936

(11) Information related to value adjustments and credit provisions:

Current Period

Risk Weight	Opening Balance	Provision made during the period	Reversal of Provisions	Other Adjustments (*)	Closing Balance
1. Stage 3 Provisions	705.262	422.299	(374.452)**	140.376	893.485
2. Stage 1 and 2 Provisions	329.928	160.195	(128.324)	1.507	363.306

(*) Determined according to currency differences.

** Includes credit provisions amount to TL 242.105 assigned from non performing portfolio to asset management companies

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Prior Period

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	22.142.489	2.218.679	24.361.168
Iraq	354.952	-	354.952
Georgia	103.395	-	103.395
United States of America	99.043	-	99.043
Malta	88.934	-	88.934
Marshall Islands	77.518	-	77.518
England	29.772	-	29.772
Tunisia	26.049	-	26.049
Other	83.197	-	83.197

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, 2018 - Balance sheet evaluation rate	5,279	6,038
As of December 28, 2018	5,249	6,010
As of December 27, 2018	5,274	5,303
As of December 26, 2018	5,258	5,986
As of December 25, 2018	5,275	5,992
As of December 24, 2018	5,275	6,025

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 5,293 for 1 USD (December 2017: TL 3,832), TL 6,023 for 1 EUR (December 2017: TL 4,535).

The Bank is mainly exposed to EUR and USD currency risks.

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Information on currency risk of the Bank:

Current Period	EUR	USD	Other FC ^(*)	Total
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	1.579.132	2.795.083	1.034.446	5.408.661
Banks	379.437	3.497.692	517.233	4.394.362
Financial assets at fair value through profit and loss ^(**)	-	6.728	13	6.741
Money market placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	90.874	359.861	-	450.735
Loans and financial lease receivables ^(***)	4.988.178	9.104.055	277	14.092.510
Subsidiaries, associates and joint ventures	5.907	-	-	5.907
Financial Assets Measured at Amortised Cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	219	219
Intangible assets	-	-	-	-
Other assets ^(****)	5.707	34.499	3.750	43.956
Total assets	7.049.235	15.797.918	1.555.938	24.403.091
Liabilities				
Current account and funds collected from banks via participation accounts	1.113.702	234.161	5.674	1.353.537
Other current and profit sharing accounts	4.278.619	9.715.932	1.495.777	15.490.328
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.544.848	4.677.214	-	6.222.062
Marketable securities issued	-	-	-	-
Miscellaneous payables	7.277	59.771	7.272	74.320
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	95	424	3.398	3.917
Total liabilities	6.944.541	14.687.502	1.512.121	23.144.164
Net balance sheet position	104.694	1.110.416	43.817	1.258.927
Net off balance sheet position	(76.683)	187.681	(22.448)	88.550
Derivative financial instruments assets ^(*****)	19.925	304.028	9.188	333.141
Derivative financial instruments liabilities ^(*****)	96.608	116.347	31.636	244.591
Non-cash loans ^(*****)	1.741.130	3.579.066	69.666	5.389.862
Prior Period				
Total assets	5.230.416	12.195.299	1.196.246	18.621.961
Total liabilities	4.975.376	12.526.132	908.063	18.409.571
Net balance sheet position	255.040	(330.833)	288.183	212.390
Net off balance sheet position	(225.109)	361.039	(245.184)	(109.254)
Derivative financial instruments assets	26.065	511.411	5.936	543.412
Derivative financial instruments liabilities	251.174	150.372	251.120	652.666
Non-cash loans ^(*****)	1.323.750	2.648.158	24.251	3.996.159

(*) TL 1.010.111 (December 31, 2017: TL 973.313) 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 408.766 (December 31, 2017: TL 116.046) of the balance in Banks in other FC column represent precious metals accounts with banks, TL 1.421.400 (December 31, 2017: TL 849.627) of the balance in Other current and profit sharing accounts in other FC column represent precious metals deposits accounts.

(**) Derivative financial instruments are included.

(***) The balance includes foreign currency indexed loans and financial lease receivables of TL 3.883.893 (December 31, 2017: TL 5.921.147).

(****) Foreign currency indexed receivables from commission and fees of non-cash loans amounting to TL 1.863 (December 31, 2017: TL 652) is included in other assets.

(*****) In the current period, derivative financial instruments assets include foreign currency purchase commitment in the amount of TL 95.585 (December 31, 2017: TL 107.178) and derivative financial instruments liabilities include foreign currency sale commitment in the amount of TL 219.495 (December 31, 2017: TL 125.735).

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

Other issues related to currency risk:

Since the bank has issued perpetual additional Tier 1 capital amount to USD 205.000.000 (historical cost: TL 775.720) and recognized under the equity as "Other Capital Reserves", related amount is not included in the above table.

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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 Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka 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 in the direction of the Fund Transfer Pricing ("FTP") committee. 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 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.

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Liquidity Coverage Ratio:

Current Period	Rate of "Percentage to be taken into account" not Implemented Total Value ^(*)		Rate of "Percentage to be taken into account" Implemented Total Value ^(*)		
	TL+FC	FC	TL+FC	FC	
HIGH QUALITY LIQUID ASSETS (HQLA)					
1	HIGH QUALITY LIQUID ASSETS		5.970.290	4.591.891	
CASH OUTFLOWS					
2	Retail and Small Business Funds Collected	17.431.572	9.462.443	1.569.097	946.244
3	Stable Funds Collected	3.481.210	-	174.061	-
4	Less stable Funds Collected	13.950.362	9.462.443	1.395.036	946.244
5	Unsecured Funding other than Retail and Small Business Customers Deposits	8.379.233	5.840.812	5.042.445	3.321.592
6	Operational Funds Collected	507.248	498.580	126.812	124.645
7	Non-Operational Funds Collected	3.098.561	2.103.145	1.723.776	1.266.782
8	Other Unsecured Funding	4.773.424	3.239.087	3.191.857	1.930.165
9	Secured funding	-	-	-	-
10	Other Cash Outflows	1.976.996	1.458.469	1.976.996	1.458.469
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.976.996	1.458.469	1.976.996	1.458.469
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	10.802.744	5.093.308	933.539	532.482
16	TOTAL CASH OUTFLOWS			9.522.077	6.258.787
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	6.408.350	4.162.020	5.408.353	3.850.492
19	Other contractual cash inflows	2.057.731	1.907.038	2.057.731	1.907.038
20	TOTAL CASH INFLOWS	8.466.081	6.069.058	7.466.084	5.757.530
			Upper limit applied amounts		
21	TOTAL HQLA		5.970.290	4.591.891	
22	TOTAL NET CASH OUTFLOWS		2.380.519	1.564.697	
23	Liquidity Coverage Ratio (%)		250,80	293,47	

(*) 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 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	246,14	195,23
Date	October 31, 2018	November 4, 2018
Highest	395,02	304,40
Date	December 31, 2018	December 31, 2018
Average	250,80	293,47

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Prior period	Rate of "Percentage to be taken into account" not Implemented Total Value ^(*)		Rate of "Percentage to be taken into account" not Implemented Total Value ^(*)		
	TL+FC	FC	TL+FC	FC	
HIGH QUALITY LIQUID ASSETS (HQLA)					
1			5.243.029	4.555.563	
CASH OUTFLOWS					
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
16	TOTAL CASH OUTFLOWS			7.492.722	4.804.317
CASH INFLOWS					
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
20	TOTAL CASH INFLOWS	4.268.021	1.884.450	3.461.807	1.744.615
			Upper limit applied amounts		
21	TOTAL HQLA			5.243.029	4.555.563
22	TOTAL NET CASH OUTFLOWS			4.030.915	3.059.702
23	Liquidity Coverage Ratio (%)			130,07	148,89

(*) 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 dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months for 2017 are as follows:

Liquidity Coverage Ratio (%)	Prior 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

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Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in 30 days maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, banks receivables, funds collected, funds borrowed. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank's high quality liquid assets are composed of 11,91% cash, 78,50% deposits in central banks and 9,59% securities considered as high quality liquid assets.

The Bank's main funding sources are funds collected, funds borrowed, borrowings from money market and subordinated loans. Funding source composition as at report date is 76,43% funds collected, 23,57% funds borrowed, borrowings from money market and subordinated loans.

Cash flows of derivatives that will take place within 30 days are taken into account in calculation of liquidity coverage ratio. Cash outflows of derivatives that arise from margin obligations, are reflected to the results in accordance with the methodology articulated in the related legislation.

The Bank manages all the transactions with its foreign branches and subsidiaries consolidated in the framework of central bank, markets and related legislation of the country in which the institutions are located. Liquidity risk of the bank, its foreign branches and subsidiaries that are to be consolidated are managed within the regulatory limits and in accordance with group strategies. The liquidity positions of consolidated subsidiaries are continuously monitored by the Bank.

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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 ^(****) (****)	Total
Assets								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	2.863.767	3.054.614	-	-	-	-	-	5.918.381
Banks	4.323.667	791.686	101.694	-	-	-	-	5.217.047
Financial Assets at Fair Value Through Profit and Loss ⁽¹⁾	417.279	739	1.077	5.677	833	693.152	-	1.118.757
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	19.944	1.265	300.197	117.023	726.806	64.287	-	1.229.522
Loans ^(**)	-	2.029.993	2.169.664	8.000.787	11.940.286	1.412.503	631.756	26.184.989
Financial Assets Measured at Amortised Cost	-	-	194.330	6.648	417.528	-	-	618.506
Other Assets	-	-	-	28	-	-	1.936.422	1.936.450
Total Assets	7.624.657	5.878.297	2.766.962	8.130.163	13.085.453	2.169.942	2.568.178	42.223.652
Liabilities								
Current account and funds collected from banks via participation accounts	448.390	566.621	362.302	-	-	-	-	1.377.313
Other current and profit sharing accounts	8.280.243	14.917.427	2.879.708	1.134.354	34.428	-	-	27.246.160
Funds provided from other financial institutions and subordinated loans	-	1.349.249	1.220.460	4.145.686	147.941	1.193.054	-	8.056.390
Money Market Borrowings	-	771.957	-	-	-	-	-	771.957
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	303.004	72.900	18.271	-	-	968.168	1.362.343
Other liabilities	775.720	217	-	-	-	-	2.633.552	3.409.489
Total Liabilities	9.504.353	17.908.475	4.535.370	5.298.311	182.369	1.193.054	3.601.720	42.223.652
Net Liquidity Gap	(1.879.696)	(12.030.178)	(1.768.408)	2.831.852	12.903.084	976.888	(1.033.542)	-
Net Off-balance sheet Position	-	(1.874)	557	1.743	-	-	-	426
Financial Derivative Assets	-	243.502	5.132	16.551	-	-	-	265.185
Financial Derivative Liabilities	-	245.376	4.575	14.808	-	-	-	264.759
Non-cash Loans	5.839.023	306.875	476.050	2.328.330	1.052.607	42.812	-	10.045.697
Prior period								
Total Assets	3.282.866	5.951.460	1.973.733	5.709.235	14.867.195	2.911.547	1.533.041	36.229.077
Total Liabilities	7.153.232	17.392.314	2.412.272	2.750.708	1.696.444	1.610.280	3.213.827	36.229.077
Net Liquidity Gap	(3.870.366)	(11.440.854)	(438.539)	2.958.527	13.170.751	1.301.267	(1.680.786)	-
Net Off-balance sheet Position	-	(1.387)	(5.992)	-	-	-	-	(7.379)
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

⁽¹⁾ Derivative financial instruments are included.

^(**) Leasing receivables are included under loans. Unallocated amount represents the net non-performing loans, stage one and stage two expected credit losses and advances granted for leasing receivables.

^(****) 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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VII. Explanations on leverage ratio:

As of December 31, 2018, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 6,19% (December 31, 2017: 5,00%). Leverage ratio is required to remain minimum 3% as per "Communiqué on Measurement and Evaluation for Leverage Ratios of Banks". The reason for the difference in leverage ratio between current and previous period is the average increase ratio of core capital is more than the average increase ratio of total risk amount.

	Current Period ^(*)	Prior Period ^(*)
Balance sheet assets		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	42.145.699	36.009.484
2 (Assets deducted from Core capital)	(52.400)	(49.583)
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	42.093.299	35.959.901
Derivative financial assets and credit derivatives		
4 Cost of replenishment for derivative financial assets and credit derivatives	6.944	18.858
5 Potential credit risk amount of derivative financial assets and credit derivatives	12.645	19.061
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	19.589	37.919
Financing transactions secured by marketable security or commodity		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	254.130	1.469.254
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)	254.130	1.469.254
Off-balance sheet transactions		
10 Gross notional amount of off-balance sheet transactions	11.972.692	9.818.003
11 (Correction amount due to multiplication with credit conversion rates)	-	-
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	11.972.692	9.818.003
Capital and total risk		
13 Core Capital	3.362.216	2.361.558
14 Total risk amount(sum of lines 3, 6, 9 and 12)	54.339.710	47.285.077
Leverage ratio		
15 Leverage ratio (%)	6,19	5,00

(*) The arithmetic average for 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 financial investments measured at amortised cost are determined based on market prices. As of December 31, 2018 and December 31, 2017, fair value hierarchy of financial investments measured at amortized cost is determined as level 1.

The fair value of loans are determined by calculating the discounted cash flows using the current market profit share rates.

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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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial Assets				
Money market placements	-	-	-	-
Banks	5.217.047	1.511.407	5.217.047	1.511.407
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	1.117.247	994.151	1.117.247	994.151
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1.229.522	1.349.233	1.229.522	1.349.233
Financial Assets Measured at Amortised Cost	618.506	532.803	596.204	549.136
Loans and financial lease receivables	26.184.989	25.193.463	24.292.355	24.381.770
Financial Liabilities				
Funds collected from banks via current accounts and profit sharing accounts	1.377.313	1.426.241	1.377.313	1.426.241
Other current and profit sharing accounts	27.246.160	23.883.599	27.246.160	23.883.599
Funds provided from other financial institutions	8.056.390	7.039.132	7.326.575	6.705.248
Marketable securities issued	771.957	340.000	771.957	340.000
Miscellaneous payables	1.362.343	694.104	1.362.343	694.104

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
Financial assets				
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	953.569	-	163.678	1.117.247
Government Securities	834	-	-	834
Equity securities	-	-	-	-
Other Financial Assets	952.735	-	163.678	1.116.413
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1.225.614	-	-	1.225.614
Equity securities ^(**)	9.562	-	-	9.562
Government Securities	1.058.514	-	-	1.058.514
Other Financial Assets	157.538	-	-	157.538
Derivative Financial Assets	-	1.510	-	1.510
Financial liabilities				
Derivative financial liabilities	-	1.545	-	1,545

^(*) In the current period, there is no classification between level I and level II.

^(**) Equity securities amounting to TL 3.908 under financial assets measured at fair value through other comprehensive income are not quoted in an active market and hence, they are accounted at cost in the financial statement and not represented above table.

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Prior period ^(*)	Level I	Level II	Level III	Total
Financial assets				
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
Financial liabilities				
Derivative financial liabilities held for trading	-	6.418	-	6.418

^(*) In the prior period, there is no classification between level I and level II.

^(**) Equity securities amounting to TL 2.811 under financial assets measured at fair value through other comprehensive income are not quoted in an active market and hence, they are accounted at cost in the financial statement and not represented above table.

Apart from financial assets and financial liabilities, as of December 31, 2018 and 2017, the Bank carries the real estates at fair value under tangible assets. Level III inputs are 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.

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.

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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.

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).

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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".

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.

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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.

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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)	26.042.440	19.809.092	2.083.395
2 Standardised approach (SA)	26.042.440	19.809.092	2.083.395
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	5.806	2.271	464
5 Standardised approach for counterparty credit risk (SA-CCR)	5.806	2.271	464
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	3.800.396	2.279.589	304.032
17 Standardised approach (SA)	3.800.396	2.279.589	304.032
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	2.302.143	1.998.309	184.171
20 Basic Indicator Approach	2.302.143	1.998.309	184.171
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	32.150.785	24.089.261	2.572.062

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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)			Not subject to capital requirements or deducted from capital
	Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk ^(*)		
Assets						
Cash and cash equivalents	11.135.428	11.135.428	-	-	-	-
Financial assets at fair value through profit and loss	1.117.247	-	334	-	1.117.247	-
Financial Assets at Fair Value through Other Comprehensive Income	1.229.522	1.229.522	-	-	-	-
Financial Assets Measured at Amortised Cost	618.506	618.506	-	-	-	-
Derivative Financial Assets	1.510	-	1.510	-	1.510	-
Non Performing Financial Assets	-	-	-	-	-	-
Expected Credit Losses (-)	17.656	-	-	-	-	17.656
LOANS (Net)	26.184.989	26.547.103	-	-	-	(362.114)
Loans	25.173.679	25.172.487	-	-	-	1.192
Financial Lease Receivables	379.554	379.554	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Non Performing Receivables	1.888.547	1.888.547	-	-	-	-
Expected Credit Losses (-)	1.256.791	893.485	-	-	-	363.306
Assets Held for Sale and Assets of Discontinued Operations (Net)	649.688	649.688	-	-	-	-
Ownership Investments	39.744	39.744	-	-	-	-
Tangible Assets (Net)	655.449	631.451	-	-	-	23.998
Intangible Assets (Net)	31.419	1.806	-	-	-	29.613
Investment Property (Net)	-	-	-	-	-	-
Current Tax Asset	3.492	3.492	-	-	-	-
Deferred Tax Asset	170.099	170.099	-	-	-	-
Other Assets	404.215	404.215	-	-	-	-
Total assets	42.223.652	41.431.054	1.844	-	1.118.757	(326.159)
Liabilities						
Funds collected	28.623.473	-	-	-	-	28.623.473
Funds borrowed	6.852.093	-	-	-	-	6.852.093
Borrowings from money markets	771.957	-	-	-	-	771.957
Securities issued	-	-	-	-	-	-
Financial Liabilities At Fair Value Through Profit and Loss	-	-	-	-	-	-
Derivative Financial Liabilities	1.545	-	-	-	-	1.545
Lease Payables	-	-	-	-	-	-
Provisions	90.271	5.346	-	-	-	84.925
Current Tax Liability	56.222	-	-	-	-	56.222
Deferred Tax Liability	-	-	-	-	-	-
Liabilities For Assets Held For Sale and Assets of Discontinued (Net)	-	-	-	-	-	-
Subordinated Loans	1.204.297	-	-	-	-	1.204.297
Other Liabilities	1.362.343	-	-	-	-	1.362.343
Shareholders' equity	3.261.451	-	-	-	-	3.261.451
Total liabilities	42.223.652	5.346	-	-	-	42.218.306

^(*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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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 ^(*)	Not subject to capital requirements or deducted from capital
Assets						
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	-	-	-	-
Total assets	36.229.077	35.183.288	225	-	990.565	54.999
Liabilities						
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
Total liabilities	36.229.077	-	340.000	-	6.418	35.882.659

(*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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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 ^(*)
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	42.223.652	41.431.054	-	1.844	1.118.757
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	5.346	-	-	-
3	Total net amount within the scope of legal consolidation	42.223.652	41.425.708	-	1.844	1.118.757
4	Off balance sheet amounts	12.444.026	6.450.554	-	5.038	-
5	Repo and similar transactions (**)	-	-	-	-	-
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	-	(8.574.537)	-	-	-
10	Risk amounts	54.667.678	39.301.725	-	6.882	1.118.757

(*) 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 ^(*)
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 (**)	-	-	-	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	-	-	-	-	-
10	Risk amounts	47.673.786	40.343.943	-	389.587	996.983

(*) 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.

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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 (II). Explanations on Credit Risk and (X.a.I) 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	1.888.547	25.600.281	1.303.839	26.184.989
2 Debt securities	-	1.864.856	37.264	1.827.592
3 Off-balance sheet exposures	61.827	11.852.255	3.037	11.911.045
4 Total	1.950.374	39.317.392	1.344.140	39.923.626

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	1.212.610	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
4 Total	1.261.895	36.967.225	812.810	37.416.310

c.1.3. Changes in stock of default loans and debt securities:

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	1.261.895	1.195.969
2 Loans and debt securities that have defaulted since the last reporting period	1.388.090	686.675
3 Receivables back to non-defaulted status	-	2.165
4 Amounts written off	242.105	314.339
5 Other changes	457.506	304.245
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1.950.374	1.261.895

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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 but also the first and the second stage credits. Restructuring for the first and the second stage credits are made to improve 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 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 represented below. The Bank has assigned its non performing loans amount to TL 242.105 to asset management companies.

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 Day	31-90 Day	Total
Current Period	722.924	5.318.304	6.041.228
Prior Period	1.087.281	976.464	2.063.745

Receivables that provisions are set in terms of geographical region:

Current Period	Non-performing Loans ^(*)	Specific Provision ^(*)
Domestic	1.835.608	865.090
Off-shore Banking Countries	29.535	8.409
Other Countries	23.404	19.986
General Total	1.888.547	893.485

^(*) Represents amounts for cash loans.

Prior Period	Non-performing Loans ^(*)	Specific Provision ^(*)
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

^(*) Represents amounts for cash loans.

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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.

- Financial Collaterals (Government Securities, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)
- 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 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
Current Period							
1 Loans	19.193.921	6.991.068	4.889.638	910.075	292.353	-	-
2 Debt securities	1.827.592	-	-	-	-	-	-
3 Total	21.021.513	6.991.068	4.889.638	910.075	292.353	-	-
4 Of which defaulted	808.212	186.850	133.016	2.415	785	-	-

	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
Prior Period							
1 Loans	16.412.347	8.781.116	4.211.764	978.202	242.969	-	-
2 Debt securities	1.877.349	-	-	-	-	-	-
3 Total	18.289.696	8.781.116	4.211.764	978.202	242.969	-	-
4 Of which defaulted	408.285	104.888	64.068	2.176	687	-	-

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.

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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
1 Receivables from central governments or central banks	4.967.514	1.631	5.664.004	159.633	175.329	3,01%
2 Receivables from regional or local governments	15	-	7.095	616	8	0,10%
3 Receivables from administrative units and non-commercial enterprises	114.858	31.888	114.858	13.826	126.626	98,40%
4 Receivables from multilateral development banks	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	5.412.220	390.497	5.412.728	327.655	2.735.128	47,65%
7 Receivables from corporates	11.941.478	6.751.114	11.743.363	4.257.180	15.774.563	98,59%
8 Retail receivables	3.786.448	3.590.042	3.284.338	1.277.059	3.362.413	73,71%
9 Receivables secured by mortgages on property	406.959	60.506	404.054	28.435	155.542	35,96%
10 Receivables secured by mortgages on commercial property	1.947.063	602056	1.947.063	384.769	1.201.354	51,52%
11 Past due receivables	599.504	-	598.556	-	668.571	111,70%
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	3.621.898	6.906	3.621.898	1.381	1.789.692	49,39%
17 Equity share investments	53.214	-	53.214	-	53.214	100,00%
18 Total	32.851.171	11.434.640	32.851.171	6.450.554	26.042.440	66,26%

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	5.217.509	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	-	-	-	-	-	-
18 Total	26.190.215	9.964.436	26.190.215	5.160.655	19.809.092	63,19%

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c.3.3 Exposures by asset classes and risk weights:

	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	5.236.615	-	33	-	586.844	-	145	-	-	-	-	5.823.637
2 Receivables from regional or local governments	-	-	-	-	7.711	-	-	-	-	-	-	7.711
3 Receivables from administrative units and non-commercial enterprises	2.048	-	12	-	-	-	126.624	-	-	-	-	128.684
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	13.202	-	1.517.656	-	3.550.935	-	658.590	-	-	-	-	5.740.383
7 Receivables from corporates	149.904	-	94.688	-	158.682	-	15.597.269	-	-	-	-	16.000.543
8 Retail receivables	97.031	-	57.090	-	-	4.407.276	-	-	-	-	-	4.561.397
9 Receivables secured by mortgages on property	1.951	-	4.524	409.639	10.225	-	6.150	-	-	-	-	432.489
10 Receivables secured by mortgages on commercial property	-	-	-	-	2.260.956	-	70.876	-	-	-	-	2.331.832
11 Past due receivables	276	-	200	-	149.505	-	158.166	290.409	-	-	-	598.556
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	1.168.733	-	831.067	-	-	-	1.623.479	-	-	-	-	3.623.279
17 Equity share investments	-	-	-	-	-	-	53.214	-	-	-	-	53.214
18 Total	6.669.760	-	2.505.270	409.639	6.724.858	4.407.276	18.294.513	290.409	-	-	-	39.301.725

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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%	Others
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	-	-	-	-	-	-	-	-	-	-	-
18 Total	6.784.019	-	2.036.995	845.958	3.087.541	4.589.966	13.780.447	225.944	-	-	31.350.870

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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 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 ^(*)	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1 Standardised Approach - CCR (for derivatives)	1.844	5.038		-	6.882	4.624
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					-	-
6 Total						4.624

(*) Effective Expected Positive Exposure

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Prior Period	Replacement cost	Potential Future exposure	EEPE ^(*)	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	-
6 Total						2.215

(*) 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
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	6.882	1.182	5.587	56
4 Total subject to the CVA capital obligation	6.882	1.182	5.587	56

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ç.4. CCR exposures by risk class and risk weights:

Current Period

Risk Classes	Risk Weighted								Total credit exposure ⁽¹⁾
	0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from central governments or central banks	-	-	-	2.376	-	-	-	-	2.376
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	-	-	210	1.803	-	707	-	-	2.720
Receivables from corporates	-	-	-	-	-	1.786	-	-	1.786
Retail receivables	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	210	4.179	-	2.493	-	-	6.882

⁽¹⁾ Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

Prior Period

Risk Classes	Risk Weighted								Total credit exposure ⁽¹⁾
	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	-	-	-	-	-	-	-	-	-
Total	384.000	-	2.093	3.396	-	98	-	-	389.587

⁽¹⁾ Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

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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	-	-	-	18.740	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
	-	-	-	-	-	-
Total	-	-	-	18.740	-	-

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	-	-	-	-	-	384.000
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
	-	-	-	-	-	-
Total	-	-	-	-	-	384.000

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, 2017: 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, 2017: None).

d. Information to be announced to public on Securitization:

There is not any information to be announced to public on securitization (December 31, 2017: None).

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.

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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, measure, prioritize, and 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
Outright products		
1 Profit rate risk (general and specific)	2.767	1.196
2 Equity risk (general and specific)	2.217.880	1.978.822
3 Foreign exchange risk	1.567.329	299.110
4 Commodity risk	12.420	461
Options		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	3.800.396	2.279.589

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, 2018, 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	1.082.972	1.228.110	1.372.346	1.227.809	15	184.171
Amount subject to Operational Risk (Total*12,5)						2.302.143

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.

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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	(299.876)	(6,36)
TL	(-) 400bp	296.525	6,29
USD Dollar	(+) 200bp	42.376	0,90
USD Dollar	(-) 200bp	(57.016)	(1,21)
EUR	(+) 200bp	(51.054)	(1,08)
EUR	(-) 200bp	(1.540)	(0,03)
Total (For Negative Shocks)	-	237.969	5,06
Total (For Positive Shocks)	-	(308.554)	(6,56)

XI. Explanations on business segments:

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

Current Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Operating Income (Net)	(633.008)	1.537.654	658.577	374.099	1.937.322
Operating Expenses	(246.487)	(717.252)	(146.740)	(658.348)	(1.768.827)
Operating Income/Expenses	(879.495)	820.402	511.837	(284.249)	168.495
Profit/(Loss) Before Tax	(879.495)	820.402	511.837	(284.249)	168.495
Tax Expense	-	-	-	(34.527)	(34.527)
Current Year Profit/(Loss)	(879.495)	820.402	511.837	(318.776)	133.968
Total Assets	2.647.172	24.265.102	12.449.011	2.862.367	42.223.652
Total Liabilities	18.778.877	11.484.813	8.726.896	3.233.066	42.223.652

Prior Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Operating Income (Net)	(372.432)	1.541.234	267.416	147.547	1.583.765
Operating Expenses	(207.335)	(562.726)	(35.630)	(489.274)	(1.294.965)
Operating Income/Expenses	(579.767)	978.508	231.786	(341.727)	288.800
Profit/(Loss) Before Tax	(579.767)	978.508	231.786	(341.727)	288.800
Tax Expense	-	-	-	(51.707)	(51.707)
Current Year Profit/(Loss)	(579.767)	978.508	231.786	(393.434)	237.093
Total Assets	3.279.486	22.459.621	8.917.186	1.572.784	36.229.077
Total Liabilities	16.715.105	9.624.709	7.315.945	2.573.318	36.229.077

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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	
	TL	FC
Cash/Foreign currency	143.580	679.886
CBRT	284.244	3.807.930
Other ^(*)	81.896	920.845
Total	509.720	5.408.661

^(*) Includes precious metals amounting to TL 171.675 and cash in transit amounting to TL 831.066 as of December 31, 2018.

	Prior Period	
	TL	FC
Cash/Foreign currency	138.354	227.082
CBRT	193.426	4.307.563
Other ^(*)	90.325	800.245
Total	422.105	5.334.890

^(*) Includes precious metals amounting to TL 27.429 and cash in transit amounting to TL 863.141 as of December 31, 2017.

b. Information related to CBRT:

	Current Period	
	TL	FC
Unrestricted demand deposit	275.660	761.900
Unrestricted time deposit	-	-
Restricted time deposit ^(*)	8.584	3.046.030
Total	284.244	3.807.930

^(*) As of December 31, 2018, the reserve requirement held in standard gold is TL 838.436.

	Prior Period	
	TL	FC
Unrestricted demand deposit	192.354	580.192
Unrestricted time deposit	-	-
Restricted time deposit ^(*)	1.072	3.727.371
Total	193.426	4.307.563

^(*) As of December 31, 2017, the reserve requirement held in standard gold is TL 945.884.

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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, 2018, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1,5% to 8% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 20% 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.

c.1. Information on banks:

	Current Period	
	TL	FC
Banks		
Domestic ^(*)	822.685	3.436.825
Abroad	-	957.537
Foreign head offices and branches	-	-
Total	822.685	4.394.362

^(*) Includes blockaged amount TL 800.457 booked under TL accounts arising from POS transactions.

	Prior Period	
	TL	FC
Banks		
Domestic ^(*)	706.186	259.348
Abroad	-	545.873
Foreign head offices and branches	-	-
Total	706.186	805.221

^(*) Includes blockaged amount TL 622.752 booked under TL accounts arising from POS transactions.

c.2. Information on foreign bank accounts:

	Current period	
	Unrestricted amount	Restricted amount
European Union Countries	242.415	-
USA and Canada	416.030	-
OECD Countries ^(*)	12.479	-
Off-shore banking regions	15.367	-
Other ^(**)	257.787	13.459
Total	944.078	13.459

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

^(**) Represents the balance amounts to TL 207.770 in Iraq Banks belonging to Bank's foreign branch "Erbil".

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	Prior period	
	Unrestricted amount	Restricted amount
European Union Countries	215.353	-
USA and Canada	121.241	-
OECD Countries ^(*)	9.056	-
Off-shore banking regions	19.572	-
Other ^(**)	170.196	10.455
Total	535.418	10.455

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

(**) Represents the balance amounts to TL 149.742 in Iraq Banks belonging to Bank's foreign branch "Erbil".

2. Financial assets measured at fair value through profit or loss:

	Current Period	
	TL	FC
Investment fund participation certificates (net) ^(*)	1.108.940	-
Other	1.566	6.741
Total	1.110.506	6.741

(*) Includes participation certificates of "Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Metropol Gayrimenkul Yatırım Fonu" and Venture Capital Investment Fund "Albaraka Portföy Yönetimi A.Ş. Değer Girişim Sermayesi Yatırım Fonu".

	Prior Period	
	TL	FC
Real estate investment fund participation certificates (net) ^(*)	989.411	-
Other	1.377	3.363
Total	990.788	3.363

(*) Includes participation certificates of "Albaraka Portföy Yönetimi A.Ş. One Tower Gayrimenkul Yatırım Fonu", "Albaraka Portföy Yönetimi A.Ş. Dükkan Gayrimenkul Yatırım Fonu" and "Albaraka Portföy Yönetimi A.Ş. Batışehir Gayrimenkul Yatırım Fonu".

a. Information on financial assets measured at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked:

As of December 31, 2018, the nominal amount subject to repurchase agreements is TL 686.051 (December 31, 2017: None).

As of December 31, 2018, there is not any amount blocked/guaranteed (December 31, 2017: None).

3. Information on financial assets measured at fair value through other comprehensive income:

a. Information on financial assets measured at fair value through other comprehensive income subject to repurchase transactions, given as a guarantee or blocked:

As of December 31, 2018, there is not any amount subject to repurchase agreements.

As of December 31, 2018, guaranteed/blocked nominal amount is TL 425.917.

b. Information on financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked (Prior Period):

As of December 31, 2017, there is not any amount subject to repurchase agreements.

As of December 31, 2017, guaranteed/blocked nominal amount is TL 1.252.731.

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c. Information on financial assets measured at fair value through other comprehensive income:

c1. Information on financial assets measured at fair value through other comprehensive income:

	Current Period
Debt securities	1.246.349
Quoted on a stock exchange	1.246.349
Unquoted	-
Investment Funds	6.761
Quoted on a stock exchange	-
Unquoted	6.761
Share certificates	13.470
Quoted on a stock exchange	9.562
Unquoted	3.908
Impairment provision (-)	37.058
Total	1.229.522

c2. Information on financial assets available for sale:

	Prior Period
Debt securities	1.348.779
Quoted on a stock exchange	1.348.779
Unquoted	-
Share certificates	8.728
Quoted on a stock exchange	-
Unquoted	8.728
Impairment provision (-)	8.274
Total	1.349.233

4. Information on financial assets measured at amortised cost:

a.1) Information on subject to repurchase transactions, given as a guarantee or blocked:

As of December 31, 2018, there is not any amount subject to repurchase agreements.

As of December 31, 2018, there is not any amount blocked/guaranteed.

a.2) Information on held-to-maturity investments (Prior Period):

As of December 31, 2017, there is not any amount subject to repurchase agreements.

As of December 31, 2017, guaranteed/blocked nominal amount is TL 503.500.

b.1) Information on related to government securities measured at amortised cost:

	Current Period
Government Bonds	-
Treasury Bills	-
Other Government Securities ⁽¹⁾	618.506
Total	618.506

⁽¹⁾ Consists of sukuk certificates issued by Ministry of Treasury and Finance of Turkey.

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b.2) Information on related to government securities held to maturity:

	Prior Period
Government Bonds	-
Treasury Bills	-
Other Government Securities ^(*)	532.803
Total	532.803

^(*) Consists of sukuk certificates issued by Ministry of Treasury and Finance of Turkey.

c.1) Information related to financial assets measured at amortised cost:

	Current Period
Debt Securities	618.506
Quoted on a stock exchange	618.506
Unquoted	-
Impairment provision (-)	-
Total	618.506

c.2) Information on held-to-maturity investments:

	Prior Period
Debt Securities	532.803
Quoted on a stock exchange	532.803
Unquoted	-
Impairment provision (-)	-
Total	532.803

ç.1) Movements of the financial investments measured at amortised cost:

	Current Period
Balance at beginning of period	532.803
Foreign currency differences on monetary assets	-
Purchases during period	187.962
Disposals through sales and redemptions	(142.329)
Impairment provision (-)	-
Reclassifications	-
Income accruals	40.070
Closing balance	618.506

ç.2) Movement of held-to-maturity investments:

	Prior Period
Balance at beginning of period	668.582
Foreign currency differences on monetary assets	-
Purchases during period	244.500
Disposals through sales and redemptions	(419.226)
Impairment provision (-)	-
Income accruals	38.947
Closing balance	532.803

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5. Information on derivative financial assets

a.1) Table of positive differences related to derivative financial assets:

	Current Period	
	TL	FC
Forward Transactions	1.510	-
Swap Transactions	-	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	1.510	-

a.2) Table of positive differences related to derivative financial assets held for trading:

	Prior Period	
	TL	FC
Forward Transactions	95	-
Swap Transactions	130	-
Futures Transactions	-	-
Options	-	-
Other	-	-
Total	225	-

6. Information on loans:

a. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period	
	Cash	Non-cash
Direct loans granted to shareholders	208.645	7.601
Corporate shareholders	208.367	7.251
Real person shareholders	278	350
Indirect loans granted to shareholders	173.457	32.410
Loans granted to employees	14.998	2
Total	397.100	40.013

	Prior Period	
	Cash	Non-cash
Direct loans granted to shareholders	133.994	7.593
Corporate shareholders	133.664	7.243
Real person shareholders	330	350
Indirect loans granted to shareholders	118.658	22.039
Loans granted to employees	12.548	2
Total	265.200	29.634

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b. Information on standard loans and loans under close monitoring including restructured or rescheduled Loans:

Current Period

Cash Loans	Loans Under Close Monitoring			
	Standard Loans	Not Under the Scope of Restructuring or Rescheduling	Restructured	
Amendments to the Terms of Contracts			Refinancing	
Loans	19.961.950	4.586.686	84.914	540.129
Export loans	1.011.290	81.016	-	-
Import loans	1.708.418	132.927	155	-
Business loans	9.526.688	3.794.661	79.045	413.192
Consumer loans	2.326.204	177.374	4.703	-
Credit cards	313.127	16.801	-	-
Loans given to financial sector	63.275	-	-	-
Other ^(*)	5.012.948	383.907	1.011	126.937
Other receivables	-	-	-	-
Total	19.961.950	4.586.686	84.914	540.129

(*) Details of other loans are provided below:

Commercial loans with installments	1.301.900
Other investment credits	472.512
Loans given to abroad	1.143.043
Profit and loss sharing investments ^(**)	2.145.198
Loans for purchase of marketable securities for customer	370.076
Other	92.074
Total	5.524.803

(**) As of December 31, 2018, 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.

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Prior Period	Standard Loans and Other Receivables			Loans and other receivables under close monitoring		
	Loans and Other Receivables (Total)	Restructured		Loans and Other Receivables (Total)	Restructured	
Cash loans		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	23.029.443	469.344	33.672	913.766	252.361	16.649
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 ^(*)	4.734.650	38.237	5.814	166.784	110.519	869
Other receivables	-	-	-	-	-	-
Total	23.029.443	469.344	33.672	913.766	252.361	16.649

(*) 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 ^(**)	1.052.340
Loans for purchase of marketable securities for customer	375.627
Other	7.285
Total	4.901.434

(**) 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 prior period the Bank recognized TL 233.165 income in the accompanying financial statements in relation to such loans and presented in the profit share on loans in the income statement.

Current Period	Standard Loans	Loans under close monitoring
12 Month Expected Credit Losses (Stage I)	67.855	-
Significant Increase in Credit Risk (Stage II)	-	295.451

Current Period	Number of Contract Revisions for Extension of Payment Plan	
	Standard loans	Loans under close monitoring
1 or 2 times	-	42.407
3, 4 or 5 times	-	-
Over 5 times	-	-

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Prior Period	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	-	-

Current Period

Extension Periods	Standard loans	Loans under close monitoring
	6 months	-
6 - 12 months	-	552
1 - 2 years	-	11.898
2 - 5 years	-	6.160
5 years and over	-	3.773

Prior Period

Extension Periods	Standard loans and other receivables	Loans and other receivables under close monitoring
	6 months	167.629
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

Current Period	Standard Loans	Loans Under Follow-Up	
		Non-restructured	Restructured
Short term loans	4.236.707	771.606	-
Medium and long-term loans ^(*)	15.725.243	3.815.080	625.043
Total	19.961.950	4.586.686	625.043

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

Prior Period	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring Cash Loans	
	Loans and Other Receivables	Restructured or Rescheduled ^(**)	Loans and Other Receivables	Restructured or Rescheduled
Short term loans and other receivables	3.914.147	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	-	-	-	-
Total	22.526.427	503.016	644.756	269.010

^(*) 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.

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ç. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TL	11.980	2.486.782	2.498.762
Housing loans	2.298	2.318.529	2.320.827
Vehicle loans	2.088	77.325	79.413
Consumer loans	7.594	90.928	98.522
Other	-	-	-
Consumer loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	-	99	99
Housing loans	-	99	99
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	90.527	-	90.527
With installment	29.971	-	29.971
Without installment	60.556	-	60.556
Retail credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	6.589	2.831	9.420
Housing loans	11	170	181
Vehicle loans	6	737	743
Consumer loans	6.572	1.924	8.496
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TL	5.578	-	5.578
With installment	2.347	-	2.347
Without installment	3.231	-	3.231
Personnel credit cards-FC	-	-	-
With installment	-	-	-
Without-installment	-	-	-
Overdraft account-TL (Real Person)	-	-	-
Overdraft account-FC (Real Person)	-	-	-
Total	114.674	2.489.712	2.604.386

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Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TL	48.674	3.123.746	3.172.420
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	-	-	-
Consumer loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	476	101	577
Housing loans	476	101	577
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	75.643	-	75.643
With installment	26.885	-	26.885
Without installment	48.758	-	48.758
Retail credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	5.422	1.938	7.360
Housing loans	-	210	210
Vehicle loans	35	1.444	1.479
Consumer loans	5.387	284	5.671
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TL	5.188	-	5.188
With installment	2.285	-	2.285
Without installment	2.903	-	2.903
Personnel credit cards-FC	-	-	-
With installment	-	-	-
Without-installment	-	-	-
Overdraft account-TL (Real Person)	-	-	-
Overdraft account-FC (Real Person)	-	-	-
Total	135.403	3.125.785	3.261.188

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

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TL	24.569	723.152	747.721
Business loans	3.123	215.884	219.007
Vehicle loans	14.958	195.023	209.981
Consumer loans	6.488	312.245	318.733
Other	-	-	-
Commercial installment loans-FC indexed	260	372.637	372.897
Business loans	-	196.574	196.574
Vehicle loans	133	59.305	59.438
Consumer loans	127	116.758	116.885
Other	-	-	-
Commercial installment Loans-FC	1.531	179.751	181.282
Business loans	-	138.162	138.162
Vehicle loans	1.531	4.178	5.709
Consumer loans	-	37.411	37.411
Other	-	-	-
Corporate credit cards-TL	233.823	-	233.823
With installment	54.103	-	54.103
Without installment	179.720	-	179.720
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (Legal Entity)	-	-	-
Overdraft account-FC (Legal Entity)	-	-	-
Total	260.183	1.275.540	1.535.723

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TL	50.341	1.164.053	1.214.394
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	-	-	-
Commercial installment loans-FC indexed	6.122	500.595	506.717
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	-	-	-
Commercial installment Loans-FC	-	220.407	220.407
Business loans	-	122.679	122.679
Vehicle loans	-	-	-
Consumer loans	-	97.728	97.728
Other	-	-	-
Corporate credit cards-TL	175.247	-	175.247
With installment	44.961	-	44.961
Without installment	130.286	-	130.286
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (Legal Entity)	-	-	-
Overdraft account-FC (Legal Entity)	-	-	-
Total	231.710	1.885.055	2.116.765

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e. Allocation of loans by customers:

	Current Period
Public	-
Private	25.173.679
Total	25.173.679

	Prior Period
Public	-
Private	23.943.209
Total	23.943.209

f. Breakdown of domestic and foreign loans:

	Current Period
Domestic loans	24.030.636
Foreign loans	1.143.043
Total	25.173.679

	Prior Period
Domestic loans	23.181.623
Foreign loans	761.586
Total	23.943.209

g. Loans granted to subsidiaries and associates:

	Current Period	
	TL	FC
Direct Loans Granted to Subsidiaries and Associates	1	-
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	1	-

	Prior Period	
	TL	FC
Loans granted to subsidiaries and associates	-	-
Total	-	-

ğ.1) Specific provisions for loans or provisions for default loans (stage 3):

	Current Period
Loans with limited collectability	107.883
Loans with doubtful collectability	82.362
Uncollectible loans	703.240
Total	893.485

Specific provisions in the amount of TL 893.485 comprise TL 464.428 of participation account share of loans provided from participation accounts.

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ğ.2) Specific provisions for loans:

	Prior Period
Loans and receivables with limited collectability	7.198
Loans and receivables with doubtful collectability	94.536
Uncollectible loans and receivables	582.484
Total	684.218

In addition to specific provision for loans amounting TL 684.218, provision amounting to TL 15.219 have been provided for fees and commissions and other receivables with doubtful collectability which sums up to total TL 699.437. Specific provision for loans amounting to TL 356.615 represents participation account share of specific provisions of loans provided from participation accounts.

h. Information on non-performing loans (net):

h.1.i) Information on non-performing and restructured loans:

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period			
Gross amount before specific provisions	1.233	7.597	24.632
Restructured loans	1.233	7.597	24.632

h.1.ii) Non-performing loans and receivables which are restructured or rescheduled:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
(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	-	-	-

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h.2. Movements of total non-performing loans:

	Group III	Group IV	Group V
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
Closing balance of prior period	68.903	268.963	874.744
Additions in the current period (+)	1.015.020	164.492	208.578
Transfers from other categories of non-performing loans (+)	-	551.598	439.614
Transfers to other categories of non-performing loans (-)	551.598	439.614	-
Transfers to standard loans (-)	113.506	160.552	195.990
Collections in the current period (-)	-	-	-
Write offs (-)	72.326	43.650	126.129
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other ^(*)	72.326	43.650	126.129
Closing balance of the current period	346.493	341.237	1.200.817
Provisions (-)	107.883	82.362	703.240
Net balance at the balance sheet	238.610	258.875	497.577

^(*) The Bank has assigned TL 242.105 from its non performing loan portfolio to asset management companies.

Non-performing loans and receivables in the amount of TL 1.888.547 comprise TL 1.005.830 of participation account share of loans provided from participation accounts.

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior Period			
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
Closing balance of the current period	68.266	265.743	863.382
Specific provisions (-)	7.198	94.536	582.484
Net balance at the balance sheet	61.068	171.207	280.898

^(*) 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 comprise TL 646.203 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. For these fees, commissions and other receivables, the same amount has been allocated as specific provision.

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h.3. Non-performing loans and other receivables in foreign currencies:

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Current period:			
Period end balance	9.868	89.051	96.284
Provision (-)	4.714	2.080	47.628
Net balance	5.154	86.971	48.656

	Group III Loans and receivables with limited collectibility	Group IV Loans and receivables with doubtful collectibility	Group V Uncollectible loans and other receivables
Prior period:			
Period end balance	10.392	23.678	52.562
Specific provision (-)	1.005	11.038	24.859
Net balance	9.387	12.640	27.703

h.4. Gross and net amounts of non-performing loans according to user groups:

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Current period (net)	238.610	258.875	497.577
Loans to individuals and corporates (gross)	346.493	341.237	1.200.817
Provision (-)	107.883	82.362	703.240
Loans to individuals and corporates (net)	238.610	258.875	497.577
Banks (gross)	-	-	-
Provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Provision (-)	-	-	-
Other loans (net)	-	-	-
Prior period (net)^(*)	61.068	171.207	280.898
Loans to individuals and corporates (gross)	68.266	265.743	863.382
Specific provision (-)	7.198	94.536	582.484
Loans to individuals and corporates (net)	61.068	171.207	280.898
Banks (gross)	-	-	-
Specific provision (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-

^(*) 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.

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h.5. Information on accruals, valuation differences and related provisions calculated for non-performing loans for Banks which are providing expected credit loss according to TFRS 9:

	Group III Loans with limited collectibility	Group IV Loans with doubtful collectibility	Group V Uncollectible loans
Current Period (Net)	38.694	30.522	68.964
Profit Share Accruals and Valuation Differences	55.013	38.336	187.489
Provision (-)	16.319	7.814	118.525

i. Liquidation policy for uncollectible loans:

Loans 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.

As of 31 December 2018, TL 242.105 has been assigned to the asset management companies.(31 December 2017: TL 309.387 has been assigned to the asset management companies, TL 4.952 has been written off due to the decision taken by the Bank management).

7. Information on lease receivables (net):

a. Presentation of remaining maturities of funds lent under finance lease method:

	Current Period	
	Gross	Net
Less than a year	98.287	92.097
1 to 4 years	212.039	184.566
More than 4 years	112.474	102.891
Total	422.800	379.554
	Prior Period	
	Gross	Net
Less than a year	302.955	255.990
1 to 4 years	491.302	469.172
More than 4 years	13.283	11.919
Total	807.540	737.081

b. Information on net investments through finance lease:

	Current Period
Financial lease receivables (Gross)	422.800
Unearned financial lease receivable (-)	43.246
Net receivable from financial leases	379.554
	Prior Period
Financial lease receivables (Gross)	807.540
Unearned financial lease receivable (-)	70.459
Net receivable from financial leases	737.081

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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:

Current Period	Loans Under Close Monitoring			
	Standard Loans	Not Under the Scope of Restructuring or Rescheduling	Loans with Revised Contract Terms	Restructured
Financial lease receivables (Net)	272.979	105.226	1.349	-

Prior Period	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring			
	Loans and Other Receivables (Total)	Restructured	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

8. 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
Opening Balance	84.230
Additions	875.842
Disposals	(40.610)
Transfers ^(*)	(58.968)
Impairment Provision(-)/Reversal of Impairment Provision	(210.806)
Net closing balance	649.688

^(*) The balance has been transferred from assets held for sale tangible assets to assets to be sold.

	Prior Period
Opening Balance	92.317
Additions	100.284
Disposals	(26.758)
Transfers ^(*)	(78.680)
Impairment Provision(-)/Reversal of Impairment Provision	(2.933)
Net closing balance	84.230

^(*) The balance has been transferred from assets held for sale tangible assets to assets to be sold.

As of December 31, 2018, TL 646.597 (December 31, 2017: TL 81.252) of the assets held for sale is comprised of real estates, TL 3.091 (December 31, 2017: TL 2.978) is comprised of other tangible assets. The Bank has not any discontinued operations and assets of discontinued operations.

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9. Ownership investments:

a. Associates:

a.1. 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, 2017.

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period profit/loss	Prior years profit/loss	Fair value
467.788	434.126	11.548	-	-	135.818	(22.810)	-

a.2. Information on consolidated associates:

As of balance sheet date, the Bank does not have any consolidated associates.

b. Information on subsidiaries (net):

b1. Information on unconsolidated non financial subsidiaries:

As per BOD decision dated December 22, 2017 "Albaraka Kültür Sanat ve Yayıncılık A.Ş." has been established. As of December 31, 2018, the company's capital is TL 3.540 and the Bank has 100% ownership on it. Since it is a non-financial subsidiary, it has not been consolidated.

b2. Information on consolidated subsidiaries:

i. The balances of Bereket Varlık Kiralama A.Ş. presented in the table below have been obtained from audited financial statements as of December 31, 2018.

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 profit/loss	Prior years profit/ loss	Fair value
3.458.063	397	3	-	-	(24)	21	-

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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 audited financial statements as of December 31, 2018.

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 profit/loss	Prior years profit/loss	Fair value
18.779	17.300	8	153	1.901	7.686	4.384	-

iii. As of December 2018, the unaudited financial statements of the Bank's subsidiary "Insha GMBH" based in Berlin (Germany) established under "Europe Digital Banking Project" is as follows;

Name	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Risk share percentage of other shareholders (%)
Insha GMBH	Berlin/Germany	100,00	-

Total assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period profit/loss	Prior years profit/loss	Fair value
€ 1.094.669	€ 976.380	-	-	-	€ (5.620)	-	-

iv. Movement and sectoral information on consolidated subsidiaries:

	Current Period	Prior Period
Amount at the beginning of the period	5.400	5.400
Movements inside the term	5.907	-
Purchases/new incorporations/capital increases	5.907	-
Bonus shares	-	-
Profit received from current year share	-	-
Sales	-	-
Revaluation increases	-	-
Impairments	-	-
Amount at the end of the period	11.307	5.400
Capital commitments	-	-
Share of the capital at the end of the period (%)	100	100

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	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	-	-
Other Financial Subsidiaries	11.307	5.400

c. 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, 2018 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	112.077	1.560.444	1.569.055	97.768	83.270

Investment in joint venture in the unconsolidated financial statements is carried at cost.

10. Information on tangible assets:

Current period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
Cost						
Opening balance: January 1, 2018	420.829	-	808	245.563	145.274	812.474
Additions	2.717	-	115	33.902	518	37.252
Revaluation differences	26.779	-	-	-	-	26.779
Disposals	(4.408)	-	(190)	(11.520)	(15.725)	(31.843)
Impairment losses(-)/Reversal of impairment losses	-	-	-	-	(1.679)	(1.679)
Transfers	-	-	-	-	58.968	58.968
Ending balance: December 31, 2018	445.917	-	733	267.945	187.356	901.951
Accumulated depreciation(-)						
Opening balance: January 1, 2018	46.238	-	653	172.717	3.200	222.808
Depreciation expense	9.876	-	65	28.158	-	38.099
Reversal of depreciation of the disposed assets	(492)	-	(179)	(13.661)	(73)	(14.405)
Transfers	-	-	-	-	-	-
Ending balance: December 31, 2018	55.622	-	539	187.214	3.127	246.502
Total cost at the end of the year	445.917	-	733	267.945	187.356	901.951
Total accumulated depreciation at the end of the year	(55.622)	-	(539)	(187.214)	(3.127)	(246.502)
Closing net book value	390.295	-	194	80.731	184.229	655.449

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Prior period	Immovables	Leased tangible assets	Vehicles	Other Assets Held for sale	Total	
Cost						
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
Ending balance: December 31, 2017	420.829	-	808	245.563	145.274	812.474
Accumulated depreciation(-)						
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	-	-	-	-	-	-
Ending balance: December 31, 2017	46.238	-	653	172.717	3.200	222.808
Total cost at the end of the year	420.829	-	808	245.563	145.274	812.474
Total accumulated depreciation at the end of the year	(46.238)	-	(653)	(172.717)	(3.200)	(222.808)
Closing net book value	374.591	-	155	72.846	142.074	589.666

As of December 31, 2018, the immovables of the Bank have been revalued by an independent valuer and revaluation fund of TL 251.889 (December 31, 2017: TL 238.121) net of deferred tax and depreciation has been reflected in the financial statements. The carrying value of the aforesaid immovables would have been TL 114.460 (December 31, 2017: TL 115.278) if revaluation method had not been adopted.

11. Information on intangible assets:

a) Opening and ending book values and accumulated depreciation balances:

	Current Period
Gross book value	149.969
Accumulated depreciation (-)	118.550
Total (net)	31.419

	Prior Period
Gross book value	124.736
Accumulated depreciation (-)	96.261
Total (net)	28.475

b) Intangible assets movement between the beginning and end of the period:

	Current Period
Opening balance	28.475
Additions	21.910
Disposals (-) (net)	305
Depreciation expense (-)	18.661
Closing net book value	31.419

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	Prior Period
Opening balance	35.462
Additions	16.257
Disposals (-) (net)	-
Depreciation expense (-)	23.244
Closing net book value	28.475

12. Information on investment property:

None (December 31, 2017: None).

13. Information related to deferred tax asset:

As of December 31, 2018, the Bank calculated net deferred tax asset of TL 170.099 (December 31, 2017: TL 52.949) by netting off deferred tax asset of TL 201.978 (December 31, 2017: TL 86.158) and deferred tax liability of TL 31.879 (December 31, 2017: TL 33.209) 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
Rediscount on profit share and prepaid fees and commission income and unearned revenues	38.067
Provisions for retirement premium and vacation pay liabilities	14.971
Difference between carrying value and tax base of tangible assets (amortisation differences)	7.035
Impairment of fixed assets	47.404
Provisions for cases on trial	953
Revaluation difference of financial assets measured at fair value through other comprehensive income	8.524
Provisions	68.717
Other	16.307
Deferred tax asset	201.978
Revaluation difference of property	17.718
Rediscount on profit share	10.645
Other	3.516
Deferred tax liability	31.879
Deferred tax asset (net)	170.099

	Prior Period
Rediscount on profit share and prepaid fees and commission income and unearned revenues	40.816
Provisions for retirement premium and vacation pay liabilities	17.844
Difference between carrying value and tax base of tangible assets	4.920
Revaluation difference of available for sale	5.052
Derivative financial instruments	14.271
Provision for impairment	2.300
Other	955
Deferred tax asset	86.158
Revaluation difference of property	14.445
Marketable securities valuation differences for trading	-
Rediscount on profit share	15.487
Other	3.277
Deferred tax liability	33.209
Deferred tax asset (net)	52.949

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14. Information on derivative financial assets for hedging purposes:

None (December 31, 2017: None).

15. Information on other assets:

As of the balance sheet date, the Bank's other assets balance is TL 404.215 (December 31, 2017: TL 103.506) and does not exceed 10% of balance sheet total excluding off balance sheet commitments.

II. Explanations and notes related to liabilities:

1. Information on funds collected:

a. Information on maturity structure of funds collected:

Current Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	1.134.274	-	-	-	-	-	-	-	1.134.274
II. Real Persons Participation Accounts Non-Trade TL	-	2.428.892	3.925.701	138.487	-	29.371	439.698	10.667	6.972.816
III. Current Account other-TL	1.675.382	-	-	-	-	-	-	-	1.675.382
Public Sector	44.119	-	-	-	-	-	-	-	44.119
Commercial Institutions	1.547.656	-	-	-	-	-	-	-	1.547.656
Other Institutions	56.880	-	-	-	-	-	-	-	56.880
Commercial and Other Institutions	3.513	-	-	-	-	-	-	-	3.513
Banks and Participation Banks	23.214	-	-	-	-	-	-	-	23.214
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2	-	-	-	-	-	-	-	2
Foreign Banks	23.211	-	-	-	-	-	-	-	23.211
Participation Banks	1	-	-	-	-	-	-	-	1
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	324.687	1.373.472	186.881	-	7.553	104.511	32	1.997.136
Public Sector	-	68	1.190	-	-	-	-	-	1.258
Commercial Institutions	-	304.892	1.224.378	133.657	-	6.309	97.729	32	1.766.997
Other Institutions	-	19.707	147.337	53.224	-	1.244	4.931	-	226.443
Commercial and Other Institutions	-	20	5	-	-	-	1.851	-	1.876
Banks and Participation Banks	-	-	562	-	-	-	-	-	562
V. Real Persons Current Accounts Non- Trade FC	2.253.033	-	-	-	-	-	-	-	2.253.033
VI. Real Persons Participation Accounts Non-Trade FC	-	2.200.909	3.871.958	301.876	-	26.181	638.977	387	7.040.288
VII. Other Current Accounts FC	3.200.185	-	-	-	-	-	-	-	3.200.185
Residents in Turkey-Corporate	2.386.238	-	-	-	-	-	-	-	2.386.238
Residents Abroad-Corporate	388.771	-	-	-	-	-	-	-	388.771
Banks and Participation Banks	425.176	-	-	-	-	-	-	-	425.176
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	420.247	-	-	-	-	-	-	-	420.247
Participation Banks	4.929	-	-	-	-	-	-	-	4.929
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other- FC	-	465.979	2.232.544	207.092	-	12.236	11.108	-	2.928.959
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	255.551	1.400.746	62.073	-	12.236	11.068	-	1.741.674
Other institutions	-	2.986	29.705	3.613	-	-	-	-	36.304
Commercial and Other Institutions	-	10.986	208.223	3.371	-	-	40	-	222.620
Banks and Participation Banks	-	196.456	593.870	138.035	-	-	-	-	928.361
IX. Precious Metals Deposits	465.759	184.260	706.317	31.486	-	8.140	25.303	135	1.421.400
X. Participation Accounts Special Fund Pools TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation Accounts Special Fund Pools – FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	8.728.633	5.604.727	12.109.992	865.822	-	83.481	1.219.597	11.221	28.623.473

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Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	1.210.837	-	-	-	-	-	-	-	1.210.837
II. Real Persons Participation Accounts Non-Trade TL	-	2.687.839	4.459.640	136.450	-	34.112	409.812	6.974	7.734.827
III. Current Account other-TL	1.984.912	-	-	-	-	-	-	-	1.984.912
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	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	370.428	1.811.322	42.977	-	7.375	54.191	26	2.286.319
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
V. Real Persons Current Accounts Non- Trade FC	1.561.961	-	-	-	-	-	-	-	1.561.961
VI. Real Persons Participation Accounts Non-Trade FC	-	1.625.686	2.818.937	226.199	-	22.495	570.529	30	5.263.876
VII. Other Current Accounts FC	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	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other- FC	-	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
IX. Precious Metals Deposits	265.241	141.931	410.938	15.588	-	1.091	14.804	34	849.627
X. Participation Accounts Special Fund Pools TL	-	-	-	30.820	-	-	-	-	30.820
Residents in Turkey	-	-	-	30.820	-	-	-	-	30.820
Residents abroad	-	-	-	-	-	-	-	-	-
XI. Participation Accounts Special Fund Pools -FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-	-	-
Total (+II+.....+IX+X+XI)	7.153.232	5.652.308	10.755.130	562.687	-	118.349	1.061.070	7.064	25.309.840

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b. Information on participation fund under the guarantee of insurance:

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 Current Period	Exceeding the guarantee of Insurance Current Period
Real persons' current and participation accounts not subject to trading transactions		
Turkish Lira accounts	4.415.669	3.691.420
Foreign currency accounts	2.621.145	7.874.166
Foreign branches' deposits subject to foreign authorities insurance	-	-
Off-shore deposits under foreign authorities' insurance	-	-
	Under the guarantee of Insurance Prior Period	Exceeding the guarantee of Insurance Prior Period
Real persons' current and participation accounts not subject to trading transactions		
Turkish Lira accounts	4.723.871	4.251.791
Foreign currency accounts	2.023.522	5.546.939
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
Foreign Branches' Profit Sharing Accounts and Other Accounts	28.459
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	12.634
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	-

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	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	13.179
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
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 borrowings:

a.1. Information on types of borrowings:

	Current Period	
	TL	FC
Syndication Loans	-	1.665.370
Wakala Loans	-	1.210.541
Loans Obtained from Issued Lease Certificates (Sukuk)	1.613.630	1.848.913
Other	220.698	292.941
Total	1.834.328	5.017.765

	Prior Period	
	TL	FC
Syndication Loans	-	1.192.422
Wakala Loans	-	1.802.060
Loans Obtained from Issued Lease Certificates (Sukuk)	457.682	1.323.679
Other	341.073	295.053
Total	798.755	4.613.214

a.2. Information on banks and other financial institutions:

	Current Period	
	TL	FC
Loans from CBRT	-	-
Loans from domestic banks and institutions	1.668.199	2.141.854
Loans from foreign banks, institutions and funds	166.129	2.875.911
Total	1.834.328	5.017.765

	Prior Period	
	TL	FC
Loans from CBRT	-	-
Loans from domestic banks and institutions	484.497	1.618.733
Loans from foreign banks, institutions and funds	314.258	2.994.481
Total	798.755	4.613.214

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a.3. Maturity analysis of funds borrowed:

	Current Period	
	TL	FC
Short-Term	1.563.656	1.354.438
Medium and Long-Term	270.672	3.663.327
Total	1.834.328	5.017.765

	Prior Period	
	TL	FC
Short-Term	641.459	1.803.899
Medium and Long-Term	157.296	2.809.315
Total	798.755	4.613.214

b. Additional disclosures on concentration areas of Bank's liabilities:

The Bank does not have concentration on customer or sector group providing funds (December 31, 2017: None).

3. a. Information on derivative financial liabilities:

	Current Period	
	TL	FC
Forward transactions	205	-
Swap transactions	1.340	-
Futures transactions	-	-
Options	-	-
Other	-	-
Total	1.545	-

3. b. Information on derivative financial liabilities held for trading:

	Prior Period	
	TL	FC
Forward transactions	76	-
Swap transactions	-	6.342
Futures transactions	-	-
Options	-	-
Other	-	-
Total	76	6.342

4. Lease payables:

a. Information on financial lease transactions:

a.1. Information on financial lease agreements:

The Bank has not any obligation from finance lease operations as of balance sheet date (31 December 2017: None).

a.2. Explanations on the changes in agreements and new obligations originating from these changes:

None. (31 December 2017: None).

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a.3. Explanations on the obligations originating from financial leases:

None. (31 December 2017: 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
Less than a year	68.789
1 to 4 years	210.906
Over 4 years	89.377
Total	369.072

	Prior Period
Less than a year	53.352
1 to 4 years	145.089
Over 4 years	120.905
Total	319.346

5. Information on hedging derivative financial liabilities:

None (December 31, 2017: None).

6. Information on provisions:

a. Information on provisions for employee rights:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 62.147 (December 31, 2017: TL 50.623), vacation pay liability amounting to TL 11.174 (December 31, 2017: TL 8.484) totaling to TL 73.321 (December 31, 2017: TL 59.107). Provisions for performance premium has not been allocated in the current period (December 31, 2017: TL 30.000). 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
Discount rate (%)	16,00
Estimated increase rate of salary ceiling (%)	12,30

	Prior Period
Discount rate (%)	11,70
Estimated increase rate of salary ceiling (%)	8,50

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Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period
Prior period ending balance	50.623
Change in the period	14.844
Actuarial (gain)/loss	2.892
Paid during the period	(6.212)
Balance at the end of the period	62.147

	Prior Period
Prior period ending balance	35.925
Change in the period	10.733
Actuarial (gain)/loss	8.928
Paid during the period	(4.963)
Balance at the end of the period	50.623

b.1) Other provisions:

	Current Period
Non-cash loans first and second stage expected loss provisions	6.192
Provisions allocated from profit shares to be distributed to profit sharing accounts	-
Third stage expected loss provisions for unindemnified letter of guarantees	3.037
Third stage expected loss provisions for cheques commitments	2.309
Provisions for promotions related with credit cards and promotion of banking services	212
Provisions for cases on trial	4.440
Accrual for purchase and sale commitments	148
Other	612
Total	16.950

b.2) Other provisions:

	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing accounts	-
Provision for unindemnified letter of guarantees	19.478
Payment commitments for cheques	10.427
Provision for promotions related with credit cards and promotion of banking services	205
Provisions for cases on trial	2.264
Accrual for purchase and sale commitments	232
Other	687
Total	33.293

c. Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables:

As of December 31, 2018, provision for foreign exchange losses on foreign currency indexed loans and lease receivables amounting to TL 3.802 (December 31, 2017: TL 14.130) has been offset against the loans and financial lease receivables included in the assets of the balance sheet.

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d. Information on general provisions:

Prior Period

General provision for	142.420
I. Group loans and receivables (Total)	116.470
Participation Accounts' Share	63.406
Bank's Share	53.064
Others	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group I	8.069
Participation Accounts' Share	3.327
Bank's Share	4.742
Others	-
II. Group loans and receivables (Total)	14.242
Participation Accounts' Share	7.184
Bank's Share	7.058
Others	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group II	5.223
Participation Accounts' Share	2.409
Bank's Share	2.814
Others	-
Non-cash loans	11.708
Others	-

7. Information on taxes payable:

a. Explanations on current tax liability:

a.1. Explanations on tax provisions:

As of December 31, 2018, the Bank has remaining tax liability after offsetting prepaid corporate tax amount to TL 3.071 (December 31, 2017: TL 45.998).

a.2. Information on taxes payable:

	Current Period
Corporate taxes payable	3.071
Banking insurance transaction tax	17.376
Taxation on securities income	12.024
Value added tax payable	1.530
Taxation on real estate income	1.233
Foreign exchange transaction tax	-
Income tax deducted from wages	9.385
Other	1.190
Total	45.809

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	Prior Period
Corporate taxes payable	45.998
Banking insurance transaction tax	15.942
Taxation on securities income	12.769
Value added tax payable	1.058
Taxation on real estate income	887
Foreign exchange transaction tax	-
Income tax deducted from wages	7.339
Other	776
Total	84.769

a.3. Information on premiums:

	Current Period
Social security premiums-employee	4.531
Social security premiums-employer	4.918
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	321
Unemployment insurance-employer	643
Other	-
Total	10.413

	Prior Period
Social security premiums-employee	3.704
Social security premiums-employer	3.999
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
Unemployment insurance-employer	523
Other	-
Total	8.488

8. Liabilities for assets held for sale and discontinued operations:

None (December 31, 2017: None).

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9. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans:

	Current Period	
	TL	FC
Debt instruments to be included in calculation of additional Tier I Capital	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in calculation of Tier II Capital	-	1.204.297
Subordinated loans	-	1.204.297
Subordinated debt instruments	-	-
Total	-	1.204.297

	Prior Period	
	TL	FC
Loans from Domestic Banks	-	-
Loans from other Institutions	-	-
Loans from Foreign Banks	-	-
Loans from other Foreign Institutions	-	1.627.163
Total	-	1.627.163

The Bank has 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 financial assets measured at fair value through other comprehensive income and subordinated loans.

The Bank has realized perpetual additional Tier 1 Capital amount to USD 205.000.000 on February 20, 2018.

10. 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, 2017: None).

11. Information on shareholders' equity:

a. Presentation of paid-in capital:

	Current Period
Common stock	900.000
Preferred stock	-
	Prior Period
Common stock	900.000
Preferred stock	-

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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 until the end of the last fiscal year and following interim period.

e. Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators:

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

f. Information on privileges given to stocks representing the capital:

There is no privilege given to stocks representing the capital.

g. Information on marketable securities valuation reserve:

	Current Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-
Valuation difference ^(*)	(23.419)	(7.774)
Foreign exchange difference	-	-
Total	(23.419)	(7.774)

^(*) The amount represents the net balance after deferred tax calculation.

	Prior Period	
	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-
Valuation difference ^(*)	(18.740)	(146)
Foreign exchange difference	-	-
Total	(18.740)	(146)

^(*) The amount represents the net balance after deferred tax calculation.

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ğ) Information on other capital reserves:

The Bank has evaluated its perpetual sukuk transaction as non monetary item as per TAS 32 which is issued by "Bereket One Ltd" quoted at Ireland Stock Exchange amount to USD 205.000.000 (historical cost is TL 775.720) and compatible with Basel III criteria. In addition to this evaluation, considering BRSA's approval to add it to additional Tier 1 capital dated February 20, 2018, the Bank recognized it in shareholders' equity under "other capital reserves" on historical cost. The settlement date of the sukuk transaction is February 20, 2023 and its yearly cost is 10% with every six month payment. The Bank has the option to cancel the expense amounts. If the Bank uses this option, it is not obligatory to pay the amount it has not paid in the following periods.

The total of TL 68.192 expense and tax related to such borrowing has been accounted under other capital reserves. Profit share payment amounting to TL 60.051 and tax effect of this payment amounting to TL 13.212, in total TL 46.839, accounted under prior period profit (loss).

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
Commitments for credit card limits	630.690
Payment commitments for cheques	537.673
Asset purchase and sale commitments	476.958
Loan granting commitments	215.439
Tax and funds liabilities arising from export commitments	6.906
Commitments for promotions related with credit cards and banking activities	332
Other irrevocable commitments	387
Total	1.868.385

	Prior Period
Commitments for credit card limits	528.560
Payment commitments for cheques	528.094
Asset purchase and sale commitments	381.062
Loan granting commitments	348.871
Tax and funds liabilities arising from export commitments	4.069
Commitments for promotions related with credit cards and banking activities	363
Other irrevocable commitments	441.333
Total	2.232.352

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
Letters of guarantees	8.574.565
Bank loans	39.338
Letters of credit	1.229.615
Other guaranties and sureties	202.179
Total	10.045.697

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	Prior Period
Letters of guarantees	7.024.344
Bank loans	21.824
Letters of credit	1.030.808
Other guaranties and sureties	55.648
Total	8.132.624

b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies:

	Current Period
Letters of guarantees	8.574.565
Long standing letters of guarantees	5.149.800
Temporary letters of guarantees	191.708
Advance letters of guarantees	369.112
Letters of guarantees given to customs	252.510
Letters of guarantees given for obtaining cash loans	2.611.435
Sureties and similar transactions	202.179
Total	8.776.744

	Prior Period
Letters of guarantees	7.024.344
Long standing letters of guarantees	4.441.424
Temporary letters of guarantees	229.023
Advance letters of guarantees	229.973
Letters of guarantees given to customs	238.333
Letters of guarantees given for obtaining cash loans	1.885.591
Sureties and similar transactions	55.648
Total	7.079.992

c. Within the Non-cash Loans

c.1. Total amount of non-cash loans:

	Current Period
Non-cash loans given against cash loans	2.611.435
With original maturity of 1 year or less	917.931
With original maturity of more than 1 year	1.693.504
Other non-cash loans	7.434.262
Total	10.045.697

	Prior Period
Non-cash loans given against cash loans	1.885.591
With original maturity of 1 year or less	346.696
With original maturity of more than 1 year	1.538.895
Other non-cash loans	6.247.033
Total	8.132.624

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c.2. Sectoral risk concentration of non-cash loans:

	Current period			
	TL	(%)	FC	(%)
Agricultural	48.322	1,04	33.389	0,62
Farming and stockbreeding	20.888	0,45	27.688	0,51
Forestry	25.422	0,55	906	0,02
Fishery	2.012	0,04	4.795	0,09
Manufacturing	1.025.981	22,03	2.944.516	54,63
Mining	20.663	0,44	25.039	0,46
Production	650.808	13,98	2.435.225	45,19
Electricity, gas and water	354.510	7,61	484.252	8,98
Construction	1.375.102	29,54	641.315	11,90
Services	2.124.928	45,64	1.682.374	31,21
Wholesale and retail trade	981.935	21,09	763.206	14,16
Hotel, food and beverage services	43.723	0,94	133.179	2,47
Transportation and telecommunication	89.681	1,93	216.910	4,02
Financial Institutions	387.797	8,33	344.956	6,40
Real estate and renting services	406.294	8,73	143.681	2,67
Self-employment services	89.441	1,92	48.699	0,90
Education services	26.275	0,56	489	0,01
Health and social services	99.782	2,14	31.254	0,58
Other	81.502	1,75	88.268	1,64
Total	4.655.835	100,00	5.389.862	100,00

	Prior period			
	TL	(%)	FC	(%)
Agricultural	48.093	1,16	25.832	0,65
Farming and stockbreeding	29.916	0,72	19.865	0,50
Forestry	16.977	0,41	5.967	0,15
Fishery	1.200	0,03	-	-
Manufacturing	1.002.554	24,24	2.224.375	55,66
Mining	19.474	0,47	17.856	0,45
Production	506.728	12,25	1.798.977	45,01
Electricity, gas and water	476.352	11,52	407.542	10,20
Construction	1.370.455	33,13	499.958	12,51
Services	1.615.178	39,05	1.182.673	29,60
Wholesale and retail trade	766.658	18,54	594.046	14,86
Hotel, food and beverage services	28.618	0,69	67.206	1,68
Transportation and telecommunication	77.651	1,88	108.913	2,73
Financial Institutions	48.832	1,18	232.100	5,81
Real estate and renting services	395.337	9,56	91.794	2,30
Self-employment services	126.499	3,06	51.682	1,29
Education services	35.345	0,85	346	0,01
Health and social services	136.238	3,29	36.586	0,92
Other	100.185	2,42	63.321	1,58
Total	4.136.465	100,00	3.996.159	100,00

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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
Non-cash loans	4.255.685	4.354.920	350.505	1.016.629
Letters of guarantee	4.225.529	2.929.525	350.377	1.001.176
Bank loans	-	39.338	-	-
Letters of credit	7.852	1.215.649	128	5.986
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	22.304	170.408	-	9.467

Prior Period	I st Group		II nd Group	
	TL	FC	TL	FC
Non-cash loans	4.040.156	3.883.488	63.239	95.041
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	-	-

2. Explanations on derivative transactions:

Derivative transactions according to purpose

	December 31, 2018
Trading Derivatives	
Foreign Currency Related Derivative Transactions (I)	529.944
Currency Forwards-Purchases, sales	52.727
Currency Swaps-Purchases, sales	477.217
Currency Futures	-
Currency Options-Purchases, sales	-
Profit share Rate Related Derivative Transactions (II)	-
Profit share rates forwards-Purchase, sales	-
Profit share rates swaps-Purchases, sales	-
Profit share rates options-Purchases, sales	-
Profit share rates futures-Purchases, sales	-
Other Trading Derivatives (III)	-
A. Total Trading Derivatives (I + II + III)	529.944
Hedging Derivatives	-
Fair value hedges	-
Cash flow hedges	-
Foreign currency investment hedges	-
B. Total Hedging Derivatives	-
Total Derivatives Transactions (A+B)	529.944

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Derivative transactions according to purpose

December 31, 2017

Trading Derivatives	
Foreign Currency Related Derivative Transactions (I)	1.079.733
Currency Forwards-Purchases, sales	43.577
Currency Swaps-Purchases, sales	1.036.156
Currency Futures	-
Currency Options-Purchases, sales	-
Profit share Rate Related Derivative Transactions (II)	-
Profit share rates forwards-Purchase, sales	-
Profit share rates swaps-Purchases, sales	-
Profit share rates options-Purchases, sales	-
Profit share rates futures-Purchases, sales	-
Other Trading Derivatives (III)	-
A. Total Trading Derivatives (I + II + III)	1.079.733
Hedging Derivatives	-
Fair value hedges	-
Cash flow hedges	-
Foreign currency investment hedges	-
B. Total Hedging Derivatives	-
Total Derivatives Transactions (A+B)	1.079.733

3. Explanations on contingent assets and liabilities:

The Bank has made a provision amounting to TL 4.440 (December 31, 2017: TL 2.264), as presented under "Other Provisions" note in Section Five Note II.7.b.1, for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows. Although there are other ongoing lawsuits against the Bank, the Bank considers the probability of a negative result in ongoing litigations resulting in cash outflows as remote.

4. Explanations on services rendered on behalf of third parties:

The Bank has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

IV. Explanations and notes related to the statement of profit or loss:

1. Information on profit share income:

a. Information on profit share income received from loans:

	Current Period	
	TL	FC
Profit share received from loans^(*)		
Short Term Loans	489.130	75.802
Medium and Long Term Loans	1.519.924	467.971
Profit Share on Non-Performing Loans	97.880	544
Premiums Received from Resource Utilization Support Fund	-	-
Total	2.106.934	544.317

(*) Includes fees and commission income on cash loans.

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	Prior Period	
	TL	FC
Profit share received from loans^(*)		
Short Term Loans	417.701	24.609
Medium and Long Term Loans	1.577.475	313.058
Profit Share on Non-Performing Loans	27.255	-
Premiums Received from Resource Utilization Support Fund	-	-
Total	2.022.431	337.667

(*) Includes fees and commission income on cash loans.

b. Information on profit share income received from banks:

	Current Period	
	TL	FC
CBRT	18.673	39.884
Domestic Banks	83	1.857
Foreign Banks	-	-
Head Offices and Branches Abroad	-	-
Total	18.756	41.741

	Prior Period	
	TL	FC
CBRT	4.019	28.528
Domestic Banks	-	1.362
Foreign Banks	-	-
Head Offices and Branches Abroad	-	-
Total	4.019	29.890

c. Information on profit share income received from marketable securities:

	Current Period	
	TL	FC
Financial assets measured at fair value through profit/loss	384	450
Financial assets measured at fair value through other comprehensive income	119.416	27.547
Financial assets measured at amortised cost	87.617	-
Total	207.417	27.997

	Prior Period	
	TL	FC
From financial assets held for trading	1.115	349
From financial assets at fair value through profit or loss	-	-
From financial assets available-for-sale	106.299	26.728
From held-to-maturity investments	62.612	-
Total	170.026	27.077

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ç. Information on profit share income received from associates and subsidiaries:

	Current Period	
	TL	FC
Profit shares income received from associates and subsidiaries	16.414	3.571
Total	16.414	3.571

	Prior Period	
	TL	FC
Profit shares income received from associates and subsidiaries	1.154	3.388
Total	1.154	3.388

2. Explanations on profit share expenses:

a. Distribution of profit share expense on funds collected based on maturity of funds collected:

Current Period	Profit sharing accounts							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	Accumulated profit sharing account	
TL								
Funds collected from banks through current and profit sharing accounts	-	58	-	-	-	-	-	58
Real persons' non-trading profit sharing accounts	285.189	500.069	14.847	-	3.496	53.235	1.067	857.903
Public sector profit sharing accounts	16	101	-	-	-	-	-	117
Commercial sector profit sharing accounts	33.204	170.298	6.447	-	1.078	5.813	3	216.843
Other institutions profit sharing accounts	3.831	18.679	1.582	-	143	735	-	24.970
Total	322.240	689.205	22.876	-	4.717	59.783	1.070	1.099.891
FC								
Banks	9.260	13.456	2.252	-	14	-	-	24.982
Real persons' non-trading profit sharing accounts	42.374	85.540	6.476	-	614	17.991	1	152.996
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	5.029	36.210	693	-	481	244	-	42.657
Other institutions profit sharing accounts	1.650	6.210	158	-	-	1	-	8.019
Precious metals deposits	1.168	7.068	346	-	120	561	1	9.264
Total	59.481	148.484	9.925	-	1.229	18.797	2	237.918
Grand total	381.721	837.689	32.801	-	5.946	78.580	1.072	1.337.809

Prior Period	Profit sharing accounts							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	Accumulated profit sharing account	
TL								
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
Total	234.305	553.703	20.806	-	5.214	46.219	446	860.693
FC								
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
Total	37.649	83.867	7.175	-	1.682	15.296	-	145.669
Grand total	271.954	637.570	27.981	-	6.896	61.515	446	1.006.362

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b. Information on profit share expense paid to funds borrowed:

	Current Period	
	TL	FC
Banks	22.307	93.649
CBRT	-	-
Domestic banks	-	8.717
Foreign banks	22.307	84.932
Head offices and branches abroad	-	-
Other institutions	158.077	278.620
Total	180.384	372.269

	Prior Period	
	TL	FC
Banks	21.012	64.473
CBRT	-	-
Domestic banks	-	7.745
Foreign banks	21.012	56.728
Head offices and branches abroad	-	-
Other institutions	35.001	238.007
Total	56.013	302.480

c. Profit share expense paid to associates and subsidiaries:

	Current Period	
	TL	FC
Profit share paid to investments in associates and subsidiaries	155.649	122.813
Total	155.649	122.813

	Prior Period	
	TL	FC
Profit share paid to investments in associates and subsidiaries	34.497	80.234
Total	34.497	80.234

ç. Profit share expenses paid to marketable securities issued:

None (December 31, 2017: None).

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3. 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
Member firm-POS fees and commissions	52.460
Clearing room fees and commissions	39.837
Commissions on money orders	12.144
Appraisal fees	9.536
Insurance and brokerage commissions	12.878
Checks and bills commissions	3.218
Safe deposit box commissions	1.992
Advocacy service commissions	6.152
Service pack commissions	10.263
Other	30.117
Total	178.597

Other Fees and Commissions Received	Prior Period
Member firm-POS fees and commissions	34.916
Clearing room fees and commissions	22.048
Commissions on money orders	13.431
Appraisal fees	11.256
Insurance and brokerage commissions	11.173
Other	21.317
Total	114.141

Other Fees and Commissions Paid	Current Period
Funds borrowed fees and commissions	33.459
Credit cards fees and commissions	13.947
Member firm-POS fees and commissions	23.084
Fees and commissions for Swift, EFT and money orders	14.872
Other	9.235
Total	94.597

Other Fees and Commissions Paid	Prior Period
Funds borrowed fees and commissions	26.167
Credit cards fees and commissions	10.092
Member firm-POS fees and commissions	16.814
Fees and commissions for Swift, EFT and money orders	7.211
Other	7.783
Total	68.067

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4. Information on dividend income:

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	-	-
Other	177	-
Total	177	-

	Prior Period	
	TL	FC
Financial assets held for trading	-	-
Financial assets at fair value through profit or loss	-	-
Financial assets available for sale	-	-
Other	-	-
Total	-	-

5. Explanations on trading income/loss (net):

	Current Period
Income	12.703.076
Income from capital market transactions	53.843
Income from derivative financial instruments	40.751
Foreign exchange income	12.608.482
Loss (-)	12.344.261
Loss on capital market transactions	4.402
Loss on derivative financial instruments	66.982
Foreign exchange losses	12.272.877
Trading Income/Loss (net)	358.815

	Prior Period
Income	6.692.490
Income from capital market transactions	53.890
Income from derivative financial instruments	17.992
Foreign exchange income	6.620.608
Loss (-)	6.647.127
Loss on capital market transactions	859
Loss on derivative financial instruments	39.011
Foreign exchange losses	6.607.257
Trading Income/Loss (net)	45.363

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6. Explanations related to other operating income:

	Current Period
Reversal of prior year provisions	314.306
Income from sale of assets	28.365
Reversal of communication expenses provision	7.112
Reversal of vacation pay expenses provision	-
Cheque book charges	1.502
Other income	9.333
Total	360.618
	Prior Period
Reversal of prior year provisions	73.460
Income from sale of assets	37.845
Reversal of communication expenses provision	5.380
Reversal of vacation pay expenses provision	-
Cheque book charges	1.315
Other income	4.146
Total	122.146

7.1. Expected credit loss provisions in accordance with TFRS 9:

	Current Period
Expected Credit Loss	582.494
12 month expected credit loss (stage 1)	29.198
Significant increase in credit risk (stage 2)	130.997
Non-performing loans (stage 3)	422.299
Marketable Securities Impairment Expense	231
Financial Assets Measured at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	231
Impairment Provision for Associates, Subsidiaries and Joint Ventures	-
Associates	-
Subsidiaries	-
Joint ventures	-
Other (*)	25.111
Total	607.836

Expected credit losses amount to TL 582.494 includes TL 244.196 representing participation account share of expected credit losses of loans provided from participation accounts.

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(*) Details of the "other" amount is as follows:

	Current Period
Third stage expected loss provision for unindemnified non cash loans	8.699
Expected credit losses (stage 1) for banks	15.973
Expected credit losses (stage 1) for other financial assets	439
Total	25.111

7.2. Provisions for loan losses and other receivables of the Bank:

	Prior Period
Specific provisions for loans and other receivables	442.637
Loans and receivables in III. Group	7.989
Loans and receivables in IV. Group	84.021
Loans and receivables in V. Group	339.310
Doubtful commission, fee and other receivables	11.317
General provision expenses	15.416
Provision expenses for ongoing lawsuit	2.264
Impairment losses on marketable securities	441
Financial assets at fair value through profit and loss	441
Financial assets available for sale	-
Impairment losses on associates, subsidiaries, joint ventures and held to maturity investments	-
Associates	-
Subsidiaries	-
Joint ventures	-
Held to maturity investments	-
Other	-
Total	460.758

TL 442.637 of the total specific provisions provided for loan and other receivables amounting to TL 173.161 is the participation accounts portion of specific provision provided for loans and other receivables. TL 15.416 participation accounts portion of general loan loss provision provided for loans and other receivables of the total general loan loss provisions amounts to TL 2.896.

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8. Information on other operating expenses:

	Current Period
Personnel expenses ^(*)	535.985
Provision for retirement pay liability	8.632
Deficit provision for pension fund	-
Impairment expenses of tangible assets	-
Depreciation expenses of tangible assets	38.099
Impairment expenses of intangible assets	-
Impairment expense of goodwill	-
Amortization expenses of intangible assets	18.661
Impairment provision for investments accounted for under equity method	-
Impairment expenses of assets to be disposed	-
Depreciation expenses of assets to be disposed	-
Impairment expenses of assets held for sale and assets of discontinued operations	210.940
Other business expenses	218.096
<i>Operating lease expenses</i>	89.241
<i>Maintenance expenses</i>	15.216
<i>Advertisement expenses</i>	24.204
<i>Other expenses^(**)</i>	89.435
Loss on sale of assets	273
Other ^(***)	130.305
Total	1.160.991

(*) Personnel expenses which exist as a separate item in Statement of Profit or Loss, represented under other operating expenses

(**) Other expenses under "other business expenses" are provided as below:

	Current Period
Communication Expenses	17.487
Donations	10.071
Cleaning expenses	14.722
Heating, lighting and water expenses	10.179
Representation and Hosting expenses	7.865
Vehicle expenses	6.264
Lawsuit and court expenses	3.374
Movables Insurance Expenses	3.290
Stationery Expenses	2.733
Expense Share for Common Expenses	2.087
Group transportation costs	5.449
Other	5.914
Total	89.435

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(***) Details of "other" balance are provided as below:

	Current Period
Saving Deposit Insurance Fund	45.377
Taxes, Duties, Charges and Funds	37.954
Bonus Reserve Expenses	-
Expertise and Information Expenses	8.358
Audit and Consultancy Fees	21.255
Vacation Pay Provision Expense (net)	2.690
Amounts allocated from profits to be distributed to participation accounts (net)	-
Institution and Union participation share	6.742
Other	7.929
Total	130.305

	Prior Period
Personnel expenses	443.362
Provision for retirement pay liability	5.771
Deficit provision for pension fund	-
Impairment expenses of tangible assets	-
Depreciation expenses of tangible assets	37.597
Impairment expenses of intangible assets	-
Impairment expense of goodwill	-
Amortization expenses of intangible assets	23.244
Impairment provision for investments accounted for under equity method	-
Impairment expenses of assets to be disposed	255
Depreciation expenses of assets to be disposed	-
Impairment expenses of assets held for sale and assets of discontinued operations	2.988
Other business expenses	174.504
Operating lease expenses	69.411
Maintenance expenses	12.374
Advertisement expenses	23.229
Other expenses ^(*)	69.490
Loss on sale of assets	234
Other ^(**)	146.252
Total	834.207

(*) Other expenses under "other business expenses" are provided as below:

	Prior Period
Communication Expenses	13.621
Donations	5.718
Cleaning expenses	12.215
Heating, lighting and water expenses	7.497
Representation and Hosting expenses	6.303
Vehicle expenses	4.845
Lawsuit and court expenses	3.125
Security insurance expenses	2.290
Stationery expenses	2.611
Participating in common expenses	1.250
Group transportation costs	4.223
Other	5.792
Total	69.490

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(**) Details of "other" balance are provided as below:

	Prior Period
Saving Deposit Insurance Fund	39.372
Taxes, Duties, Charges and Funds	32.742
Premium Provision Expenses	30.000
Expertise and Information Expenses	10.757
Audit and Consultancy Fees	22.103
Vacation Pay Provision Expense (net)	1.149
Institution and Union participation share Expense	5.575
Other	4.554
Total	146.252

9. Explanations on income/loss from continued operations before taxes:

As the Bank does not have any discontinued operations, there is no explanation related to income/loss from discontinued operations before taxes. The Bank's income before tax decreased by 42% compared to prior period and is realized as TL 168.495 (December 31, 2017: TL 288.800). Income before tax comprises net profit share income in the amount of TL 1.019.559 (December 31, 2017: TL 1.267.799) and fees and commission income in the amount of TL 198.153 (December 31, 2017: TL 148.457). Total other operating expenses amount to TL 625.006 (December 31, 2017: TL 834.207).

10. Explanations on tax provision for continued and discontinued operations:

Tax provision of the Bank for continued operations:

	Current Period
Income before tax	168.495
Tax calculated with tax rate of 22%	37.069
Other additions and disallowable expenses	63.773
Deductions	(97.771)
Provision for current taxes	3.071
Provision for deferred taxes	31.456
Continuing operations tax provision	34.527

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

	Prior Period
Income before tax	288.800
Tax calculated with tax rate of 20%	57.760
Other additions and disallowable expenses	36.185
Deductions	(17.689)
Provision for current taxes	76.256
Provision for deferred taxes	(24.549)
Continuing operations tax provision	51.707

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

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11. 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 168.495 (December 31, 2017: TL 288.800) by deducting tax provision expense amounting to TL 34.527 (December 31, 2017: TL 51.707) from profit from continued operations amounting to TL 133.968 (December 31, 2017: TL 237.093).

12. 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.

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 financial assets measured at fair value through other comprehensive income 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 15.778 decrease has occurred after the revaluation of financial assets measured at fair value through other comprehensive income (December 31, 2017: TL 13.244 decrease).

c) Revaluation amounts related to tangible and intangible assets 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 36.000 as increase. (December 31, 2017: TL 6.936 increase).

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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
Cash	2.001.123
Cash in TL/foreign currency	365.436
Cash in transit	863.141
CBRT	772.546
Cash equivalents	888.600
Domestic banks	342.727
Foreign banks	545.873
Total cash and cash equivalents	2.889.723

	Prior Period
Cash	1.917.036
Cash in TL/foreign currency	271.404
Cash in transit	388.688
CBRT	1.256.944
Cash equivalents	1.547.447
Domestic banks	1.276.485
Foreign banks	270.962
Total cash and cash equivalents	3.464.483

(b) Cash and cash equivalents at the end of the period:

	Current Period
Cash	2.692.092
Cash in TL/foreign currency	823.466
Cash in transit	831.066
CBRT	1.037.560
Cash equivalents	4.416.479
Domestic banks	3.458.942
Foreign banks	957.537
Total cash and cash equivalents	7.108.571

	Prior Period
Cash	2.001.123
Cash in TL/foreign currency	365.436
Cash in transit	863.141
CBRT	772.546
Cash equivalents	888.600
Domestic banks	342.727
Foreign banks	545.873
Total cash and cash equivalents	2.889.723

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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 820.687 (December 31, 2017: TL 7.994) 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 160.349 (December 31, 2017: TL 427.342) 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 290.406 as of December 31, 2018 (December 31, 2017: TL 109.649).

VII. Explanations related to the risk group of the Bank:

1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period:

a. Current period:

Risk Group of the Bank ^(*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at the beginning of the period	-	-	118.658	22.039	106	-
Balance at the end of the period	1	5	173.457	32.410	19	-
Profit share and commission income received	-	-	7.288	66	-	-

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b. Prior period:

Risk Group of the Bank ^(*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of period	-	-	35.550	24.249	714	28
Balance at end of period	-	-	118.658	22.039	106	-
Profit share and commission income received	-	-	2.512	101	13	-

(*) Defined under Banking Law numbered 5411 in article 49 and "Communiqué Related to Credit Operations of Banks" in article 4 published on November 1, 2006.

c.1. Information on current and profit sharing accounts of the Bank's risk group:

Risk Group of the Bank ^(*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and profit sharing accounts						
Balance at the beginning of period	15.395	10.496	602.289	470.674	4.801	5.476
Balance at the end of period	21.495	15.395	604.631	602.289	7.106	4.801
Profit share expense	1.017	632	5.542	11.562	234	104

(*) As of December 31, 2018 wakala borrowings obtained from risk group of the Bank through investment purpose wakala contracts amount to USD 31.856.532 and EUR 122.404.261 (December 31, 2017: USD 190.095.236 and EUR 153.550.880). The profit share expense relating to such borrowings for the period between January 1, 2018 - December 31, 2018 is TL 19.416 (December 31, 2017: TL 14.951). The Bank has issued Sukuk in the amounts of USD 350.000.000 and TL 1.568.470 through "Bereket Varlık Kiralama A.Ş." which exists in the risk group of the Bank. The total expenses for the related issues are TL 277.503 as of December 31, 2018 (December 31, 2017: TL 114.252).

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, 2018, the Bank has paid TL 18.155 (December 31, 2017: TL 10.823) to top management.

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VIII. Explanations related to domestic, foreign and offshore 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			
	229	3.973			
			Country		
Foreign Representation Office	-	-	-		
				Total Assets (Thousand TL)	Statutory Share Capital
Foreign Branches	1	15	Iraq	512.775	26.053.802.493 Iraqi Dinar
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 10 domestic branches in 2018.

IX. Explanations related to subsequent events:

In February 2019, the Bank has paid second coupon payment of its perpetual Tier 1 sukuk, whose principal is USD 205.000.000 with an annual 10% coupon payment.

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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, 2018 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 4, 2019 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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Kasımpaşa 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

Kozyatağı Mah. Değirmen Sok. Nida Kule İş
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Kurtköy Branch

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Küçükbakkalköy Branch

Küçükbakkalköy Mah. Fevzipaşa Cad.
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Küçükköy Branch

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Laleli Branch

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Levent Sanayi Branch

Sultan Selim Mah. Sultan Selim Cad.
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Maltepe Branch

Bağlarbaşı Mah. Bağdat Cad.
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Masko/İstanbul Branch

İkitelli OSB Mah. Süleyman Demirel Bulvarı Esot
Sanayi Sitesi Esot İş Merkezi No: 6/1B
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Maslak Branch

Maslak Mah. Büyükdere Cad.
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Megacenter/İstanbul Branch

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Mercan/İstanbul Branch

Mercan Mah. Tacirhane Sok.
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Mertler Branch

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Metrokent/İstanbul Branch

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Osmanbey Branch

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Örnek Mahallesi/İstanbul Branch

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Pendik Branch

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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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Silivri Branch

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Sultanbeyli Branch

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Sultançiftliği Branch

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Sultanhamam Branch

Rüstempaşa Mah. Marpuççular Cad.
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Şehremini/İstanbul Branch

Şehremini Mah. Turgut Özal Millet Cad.
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Şirinevler Branch

Şirinevler Mah. Fetih Cad. No: 19/A
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Fax: +90 (216) 666 17 48

Taksim Branch

Kuloğlu Mah. İstiklal Cad.
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Fax: +90 (216) 666 89 22

Terazidere/İstanbul Branch

Terazidere Mah. Güneş Cad. No: 5-7
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Fax: +90 (216) 666 18 97

Topçular Branch

Topçular Mah. Rami Kışla Cad.
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Fax: +90 (216) 666 17 84

Topkapı/İstanbul Branch

Maltepe Mah. Gümüşsuyu Cad.
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Fax: +90 (216) 666 18 38

Trakya Corporate Branch

Göztepe Mah. Batışehir Cad. Batışehir Sit.
K1 Blok No: 2 İç Kapı No: 11-12 Bağcılar/İstanbul
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Fax: +90 (216) 666 18 36

Tuzla Sanayi/İstanbul Branch

Mescit Mah. Demokrasi Cad.
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Ümraniye Branch

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Ümraniye Çarşı Branch

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Üsküdar Branch

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Yavuzselim Branch

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Yenibosna Branch

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Yıldıztepe Bağcılar Branch

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Zeytinburnu Branch

Gökaltın Mah. 58 Bulvar Cad. No: 12/A
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Other City and District Branches

Adana Branch

Kuruköprü Mah. İnönü Cad.
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Adana Barkal Branch

Yeşiloba Mah. Turhan Cemal Berikel Bulvarı Adana
İş Merkezi Sit. A Blok No: 443L
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

Sefaözler Cad. No: 3/E 01060 Seyhan/Adana
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Adana Organize Sanayi Branch

Adana Hacı Sabancı Organize Sanayi Bölgesi OSB
Turgut Özal Bulvarı No: 17 Sarıçam/Adana
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Fax: +90 (216) 666 18 39

Adapazarı Branch

Tiğcılar Cad. Atatürk Bulvarı No: 39B Adapazarı/
Sakarya
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Fax: +90 (216) 666 17 20

Adıyaman Branch

Hocaömer Mah. Atatürk Cad. No: 6/A Merkez/
Adıyaman
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Afyonkarahisar Branch

Marulcu Mah. Kadınana Cad. No: 24/B Merkez/
Afyonkarahisar
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Aksaray Branch

Minarecik Mah. 44/Mehmet Altınsoy Cad. No:
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Fax: +90 (216) 666 17 91

Amasya Branch

Dere Mah. Mustafa Kemal Paşa Cad.
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Ankara Branch

Kızılay Mah. Atatürk Bulvarı No: 70B Çankaya/
Ankara
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Ankara Bakanlıklar Branch

Kavaklıdere Mah. Atatürk Bulvarı No: 165/A
Çankaya/Ankara
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Ankara Balgat Branch

Ehlibeyt Mah. Tekstilciler Cad. No: 1D
06520 Balgat, Çankaya/Ankara
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Ankara Başkent Corporate Branch

Mustafa Kemal Mah. 2123 Cad. No: 2D
Cepa Ofis Kat: 15 Çankaya/Ankara
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Ankara Cebeci Branch

Demirlibahçe Mah. Talatpaşa Bulvarı
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Ankara Çukurambar Branch

Kızılırmak Mah. Muhsin Yazıcıoğlu Cad.
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Ankara Etimesgut Branch

Kazım Karabekir Mah. İstasyon Cad.
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Ankara Etlik Branch

Yunus Emre Cad. No: 5
Etlik, Keçiören/Ankara
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Ankara İvedik Branch

İvedik OSB Mah. Melih Gökçek Bulvarı
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Ankara Keçiören Branch

Bağlarbaşı Mah. Kızılarpınarı Cad.
No: 104/A Keçiören/Ankara
Tel: +90 (312) 314 14 14
Fax: +90 (216) 666 18 28

Ankara Ostim Branch

Ostim OSB Mah. 100. Yıl Bulvarı No: 3
06370 Ostim, Yenimahalle/Ankara
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Ankara Pursaklar Branch

Merkez Mah. Yunus Emre Cad.
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Ankara Sincan Branch

Atatürk Mah. Ankara Cad. No: 23/2
06930 Sincan/Ankara
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Ankara Siteler Branch

Önder Mah. Karacakaya Cad. No: 73A
06160 Siteler, Altındağ/Ankara
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Ankara Şaşmaz Branch

Bahçekapı Mah. Sanayi Bulvarı
No: 16 C Etimesgut/Ankara
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Ankara Turan Güneş Branch

Yıldızevler Mah. Turan Güneş Bulvarı
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Fax: +90 (216) 666 17 90

Ankara Ulus Branch

Kale Mah. 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.
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Antalya Branch

Elmalı Mah. Hasan Subaşı Cad.
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Antalya Alanya Branch

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Antalya Çallı Branch

Fabrikalar Mah. Namık Kemal Bulvarı
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Antalya Konyaaltı Branch

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Antalya Manavgat Branch

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Aydın Branch

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Aydın Nazilli Branch

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Balıkesir Branch

Eskikuyumcular Mah. Atalar Cad.
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Aydınlar Mah. Cumhuriyet Cad.
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Bolu Branch

Büyük Cami Mah. İzzet Baysal Cad.
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Bornova Branch

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Burdur Bucak Branch

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Bursa Branch

Reyhan Mah. Haşim İşcan Cad.
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Bursa Yeni yol Branch

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Çankırı Branch

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Çorlu Branch

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Çorum Branch

Çepni Mah. İnönü Cad.
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Demetevler Branch

Yeşilevler Mah. 506 Cad. No: 1B
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Denizli Branch

Saraylar Mah. 2. Ticari Yol No: 43/1
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Denizli Sanayi Branch

İlbade Mah. Örnek Cad. No: 167A/1
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Diyarbakır Branch

Kooperatifler Mah. Akkoyunlu Bulvarı
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Diyarbakır Kayapınar Branch

Peyas Mah. Urfa Bulvarı Rema Sitesi
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Tel: +90 (412) 251 31 33
Fax: +90 (216) 666 18 16

Düzce Branch

Burhaniye Mah. Bolu Cad.
No: 3A Düzce/Düzce
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Fax: +90 (216) 666 17 61

Edirne Branch

Sabuni Mah. Çilingirler Cad.
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Fax: +90 (216) 666 89 08

Elazığ Branch

İcadiye Mah. Hürriyet Cad.
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Erzincan Branch

Atatürk Mah. Fevzipaşa Cad.
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Erzurum Branch

Kemerkaya Mah. Orhan Şerifsoy Cad.
Özlem İş Merkezi A-Blok No: 2
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Eskişehir Branch

Cumhuriye Mah. Sakarya – 1 Cad.
No: 7/C Tepebaşı/Eskişehir
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FSM Bulvarı Bursa Branch

Fethiye Mah. Fatih Sultan Mehmet Bulvarı
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Gaziantep Branch

Karagöz Mah. Suburcu Cad.
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Gaziantep Gatem Branch

Sanayi Mah. Erdoğan Ergönül Cad.
No: 41/1 Şehitkamil/Gaziantep
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Gaziantep Organize Sanayi Branch

Başpınar OSB Mah. OSB 2. Bölge Celal Doğan
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Gaziantep Şehitkamil Branch

İncilipınar Mah. Prof. Muammer Aksoy Bulvarı
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Giresun Branch

Hacı Miktat Mah. Fatih Cad.
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Gölcük Branch

Merkez Mah. Amiral Sağlam Cad.
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Hatay İskenderun Branch

Savaş Mah. Mareşal Çakmak Cad.
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Isparta Branch

Yayla Mah. 118 Cad. No: 11/B
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İzmir Branch

Akdeniz Mah. Fezvipaşa Bulvarı
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İzmir Çiğli Branch

Şirintepe Mah. Anadolu Cad.
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İzmir Gıda Çarşısı Branch

Halkapınar Mah. 1203/1 Sok.
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İzmir Işıkkent Branch

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Fax: +90 (216) 666 18 77

İzmir Karabağlar Branch

Aşık Veysel Mah. Yeşillik Cad.
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İzmir Kemalpaşa Branch

Sekiz Eylül Mah. İzmir Cad.
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Fax: +90 (216) 666 18 57

Kahramanmaraş Branch

Yenişehir Mah. Hacı Cumhuriyet Bulvarı
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Fax: +90 (216) 666 17 87

Karabük Branch

Bayır Mah. Kemal Güneş Cad.
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Fax: +90 (216) 666 18 05

Karaman Branch

Ahiosman Mah. İsmetpaşa Cad.
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Fax: +90 (216) 666 18 25

Kastamonu Branch

Cebraill Mah. Plevne Cad. No: 28/B
Merkez/Kastamonu
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Fax: +90 (216) 666 17 73

Kayseri Branch

Cumhuriyet Mah. Vatan Cad.
No: 26 38040 Melikgazi/Kayseri
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Fax: +90 (216) 666 17 07

Kayseri Org. Sanayi Branch

Kayseri OSB Mah. 12. Cad.
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Fax: +90 (216) 666 18 11

Kayseri Sanayi Branch

Osman Kavuncu Cad. No: 112/A
Kocasinan/Kayseri
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Fax: +90 (216) 666 17 45

Kayseri Sivas Caddesi Branch

Mimarsinan Mah. Sivas Bulvarı
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Fax: +90 (216) 666 18 85

Kocaeli Gebze Branch

Hacı Halil Mah. Körfez Cad.
No: 18A Gebze/Kocaeli
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Kocaeli Gebze Org. San. Branch

İnönü Mah. Gebze Güzeller OSB
Atatürk Bulvarı No: 2/B Gebze/Kocaeli
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Fax: +90 (216) 666 18 18

Kocaeli İzmit Branch

Ömerağa Mah. Alemdar Cad.
No: 17A İzmit/Kocaeli
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Fax: +90 (216) 666 17 19

Kocaeli İzmit E5 Branch

Körfez Mah. D-100 Karayolu
(Ankara Karayolu)
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Kocaeli Körfez Branch

Kuzey Mah. Cahit Zarifoğlu Cad.
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Konya Branch

Mevlana Cad. No: 5/1
42030 Karatay/Konya
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Konya Akşehir Branch

Selçuk Mah. İnönü Cad. No: 29
Akşehir/Konya
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Konya Büsan Branch

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Sanayi Bölgesi 42050 Karatay/Konya
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Konya Ereğli Branch

Namık Kemal Mah. Atatürk Cad.
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Konya Kobisan Branch

Fevzi Çakmak Mah. Aslım Cad.
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Konya Mevlana Branch

Sahibiata Mah. Taşkapı Medrese Cad.
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Konya Organize Sanayi Branch

Büyükkaymak OSB Mah.
Kırım Cad. No: 20/1 Selçuklu/Konya
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Konya Sanayi Branch

Musalla Bağları Mah. Ankara Cad.
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Konya Yeni Toptancılar Branch

Fevzi Çakmak Mah. Karakayış Cad.
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Konya Zafer Sanayi Branch

Horozluhan Mah. Selçuklu Cad. No: 2/B
Zafer Sanayi Sitesi Selçuklu/Konya
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Fax: +90 (216) 666 89 01

Kütahya Branch

Balıklı Mah. Pekmez Pazarı Cad.
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Kütahya Tavşanlı Branch

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Manisa Turgutlu Branch

Turan Mah. Atatürk Bulvarı
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Mersin Branch

Camişerif Mah. İstiklal Cad.
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Mersin Pozcu Branch

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Mersin Tarsus Branch

Şehitmustafa Mah. Atatürk Bulvarı
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Muş Branch

Kültür Mah. Atatürk Bulvarı
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Nevşehir Branch

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Ordu Fatsa Branch

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Osmaniye Branch

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Rize Branch

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Samsun Branch

Kale Mah. Kaptanağa Cad.
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Eski Kale Mah. 13-2 Sok. No: 4A Merkez/Sivas
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Tekirdağ Çerkezköy Branch

Gaziosmanpaşa Mah. Atatürk Cad.
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Timko Sanayi Sitesi Branch

Macun Mah. 177 Cad. No: 19C/7
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Tokat Branch

Yarahmet Mah. Gaziosmanpaşa Bulvarı
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Kemer kaya Mah. Kahramanmaraş Cad.
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Trabzon Akçaabat Branch

Orta Mah. İnönü Cad. No: 145
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Trabzon Değirmenler Branch

Sanayi Mah. Devlet Karayolu Cad. No: 89/9
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Süleymanbey Mah. Yalı Cad.
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Branch Abroad

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